



## Moberly Project Funding Package Finalised

### KEY POINTS

- 🚧 Heemskirk Consolidated Limited ("Heemskirk") or ("the Company") is pleased to announce funding of its Moberly Project is now finalised following a process of technical due diligence and legal documentation
- 🚧 This follows on from 10 February 2015 when the Company announced it had entered into a Term Sheet with Taurus Funds Management ("Taurus") to provide a US\$40m secured debt funding package over its Moberly Frac Sand Facility
- 🚧 The Funding Package is broken into two tranches:
  - Tranche 1: US\$25m to complete the 300,000 tpa construction and production development project (stage one)
  - Tranche 2: US\$15m to complete an expansion of the project (stage two) to a 600,000 tpa production level, once stage one has been successfully completed. A decision to expand will also consider market conditions.
- 🚧 The Moberly Frac Sand Project will now progress into the full construction phase

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Executing this funding allows Heemskirk to focus upon the remaining development of the Moberly Frac Project. This work follows on from the initial C\$2.4m footings stage of construction at the Moberly plant site which is now complete. The total cost estimated to complete the development is C\$30m. This takes into account contingencies and exchange rates versus the US dollar. The majority of which is a fixed price contract to complete the processing facility.

The enclosed Shareholder Presentation contains further information about the key terms of the debt funding package information regarding the Moberly Frac Project.



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This presentation includes certain statements that may be deemed "forward-looking statements". All statements in this presentation, other than statements of historical facts, that address future production, reserve or resource potential, exploration drilling, exploitation activities, funding initiatives and their impact on the balance sheet and capital structure, the frac sand market and events or developments that Heemskirk expects to occur, are forward-looking statements.

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### Important Notice & Disclaimer



#### Investment risk

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### Heemskirk and the Moberly Silica Project



- Heemskirk – an ASX listed resources company

#### Moberly Silica Project

- Located in British Columbia adjacent to the regional town of Golden, comprising of a granted mining lease and a freehold plant site
- Project designed to deliver API quality frac sand to customers predominantly in the Western Canadian Sedimentary Basin (WCSB)
- Stage 1 Net Present Value is estimated at C\$82m using a Real Discount Rate of 7.5% (10.6% Nominal)



Moberly

### Key Points



- Funding package for Moberly Project now finalised US\$40,000,000
- The funding package from Taurus Funds Management is broken into two tranches:
  - Tranche 1: US\$25m to complete the 300,000 tpa construction and production development project (Stage one)
  - Tranche 2: US\$15m to complete an expansion of the project (Stage two) to a 600,000 tpa production level, once phase one has been successfully completed
- Moberly Frac Sand Project will now progress to full construction following on from completion of footings in 2015 (C\$2.4m)



### About Taurus Funds Management



- Independent, Sydney based global fund manager
- Clients include institutional and high net worth (wholesale) investors
- Specialises in investment products based on the mined commodities industry
- Team of geologists, mining engineers, mining financiers, metallurgists and portfolio managers provides the skills and experience for successful investing
- Founded in 2006 and first private equity fund commenced in July 2007

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### Key Terms of Secured Debt Funding Package



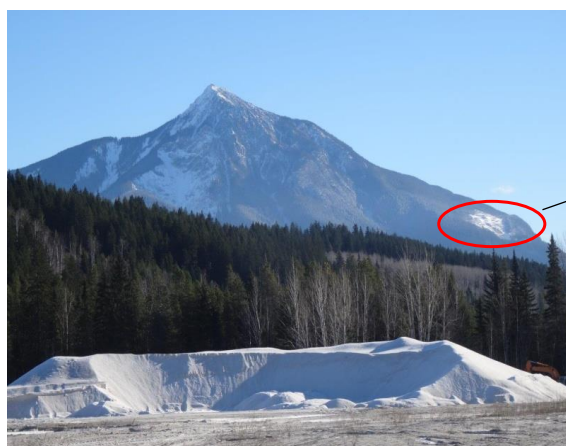
1. Up to US\$40m funding in two tranches
2. Interest Rate – 10% per annum, including any capitalised interest
3. Arrangement Fee – 2% of Facility amount (to be settled by shares in HSK)
4. Commitment Fee – 2% on undrawn amounts at each phase
5. Issue of 17.5 million options:
  - 50% on date of signing the Facility
  - 50% to be issued pro rata for amounts drawn
  - Options strike price calculated at a 25% premium to the 10 day VWAP prior to date of signing the Facility
  - May be adjusted pro rata for any subsequent capital raising
6. 2% Gross Revenue Royalty, ex Plant Price
7. Maturity date 30 September 2019, plus 12 month extension option
8. Standard project completion tests, conditions precedent to be completed

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## Moberly Mine and Plant Site



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

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## Footings Construction – Processing Facility Area



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## Recently Completed Process Building Footings



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## Project Metrics - Key Assumptions: Stage 1 Development



- Nameplate production output capacity – 300,000 metric tonnes
- Recoveries in appropriate frac sand product size range of approximately 75%
- Capital costs with contingencies – C\$30m
- Funding in place Stage 1 – US\$25m
- Funding in place Stage 2 – US\$15m
- Project Free Cash Flow Undiscounted annual average – C\$11.2m
- Project Internal Rate of Return Stage 1: 43%
- Current C\$/US\$ exchange rate is 0.79

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### Project Metrics - Key Assumptions: Stage 1 Development

- Payback Period Stage 1: 2.2 years
- Project NPV is C\$82m for Stage 1\*
- Estimated time to completion of construction 10-12 months
- Production Letters of Intent from customers dated February 2015 in place
- API specification frac sand product
- Defined in situ JORC Reserve is more than sufficient to satisfy current 20 year mine plan
- Appropriate permits in place

\* Using a Real Discount Rate of 7.5% (10.6% Nominal). The discount rate has been recently reviewed with the real WACC calculated at 6.37% and hence the chosen discount rate of 7.5% is regarded as being conservative. The Project model was independently audited with no material issue identified in model structure or inputs.

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### Moberly – Think About The Concept We Are Embarking Upon

#### Moberly JORC Resource

- Is large – 32 million tonnes with est. 64% frac sand recovery and is open in several directions
  - Production @ 300,000 tpa frac sand would suggest +60 years of mine life if complete conversion to reserves, expanded pit engineering and permitting was achieved
  - If production was expanded, 600,000 tpa frac sand would suggest +30 years of mine life again, with hurdles achieved

\*See Reserves and Resources as announced on 28 October 2014. The information in this presentation that relates to the Moberly Resource estimate is extracted from the report entitled "Annual Statutory Update of Resources and Reserves" which was based on information compiled by Malcolm Ward, (BSc(Hons), MSc (Queens) who is a member of the Australasian Institute of Mining and Metallurgy) and released to the market on 28 October 2014 and is available to view on the Company's website, [www.heemskirk.com](http://www.heemskirk.com). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement, and in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed, except that with new equipment now to be used in the plant, recoveries are expected to be in the order of 70% based on test work. This has yet to be incorporated into Resources and Reserves estimation. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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### 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)

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

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### Large Hydrocarbon Resource – Western Canada Sedimentary Basin (WCSB)



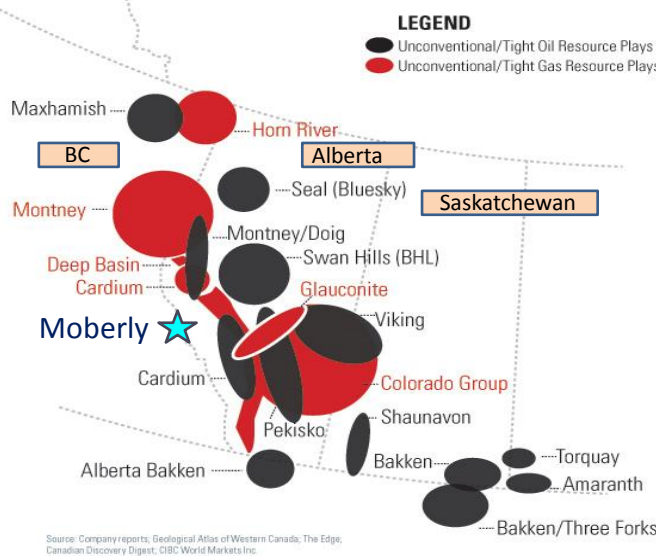
- China, Japan, South Korea and Malaysia among energy buyers eyeing northeastern BC gas
- Liard, Horn River and Cordova plays also boast significant gas reserves
- The Montney is regarded as being much larger than the Marcellus gas formation in the US Northeast
- Montney estimated to be the third largest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

Source: The Globe and Mail

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## Moberly – Favourable Logistics



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## Frac Sand Market Outlook In The WCSB



- 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

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### Frac Sand Market Outlook In WCSB



- 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

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### Key Risks



As with any stock market investment, there are various risks associated with investing in Heemskirk including:

Key Risks	
Production and cost estimates	Ore reserves and mineral resources
Geological and geotechnical	Foreign exchange
Regulatory	Weather and climactic conditions
Insurance	Environmental
Project completion	Debt funding
Dividends	Share market conditions

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## Conclusion



- Project fully funded with a short build time
- Project high value with very favourable logistics
- Located in a first world country
- Quality product (API standard)
- Unique Canadian project located within the market environs of the WCSB

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## Appendix

## Key Risks





### Key Risks



As with any stock market investment, there are various risks associated with investing in Heemskirk including:

- Existing business and operational risks for Heemskirk
- Risks specific to Heemskirk's Moberly Frac Project
- Potential investors should consider whether the securities offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. Heemskirk has implemented appropriate strategies, actions, systems and safeguards for known risks; however, some are outside the Company's control.
- While some common risk factors are set out below, it is not possible to produce an exhaustive list. The Directors of Heemskirk recommend that potential investors consult their professional advisers before making any investment decisions.

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### Business and Operational Risks



#### Production and cost estimates

- The ability of Heemskirk to achieve production targets, or meet operating and capital expenditure estimates on a timely basis cannot be assured. The assets of Heemskirk are subject to uncertainty with ore tonnes, grade, metallurgical recovery, ground conditions, operational environment, funding for development, regulatory changes, accidents and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment.
- Heemskirk prepares estimates of future production, cash costs and capital costs of production for its operation. No assurance can be given that such estimates will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on Heemskirk's future cash flows, profitability, results of operations and financial condition.
- Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, product recoveries, labour costs, general inflationary pressures and currency exchange rates.
- Unforeseen production cost increases could result in Heemskirk not realising its development plans or in such plans costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on Heemskirk's financial and operational performance.

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### Business and Operational Risks cont.



#### Ore Reserves and Mineral Resources

- Heemskirk's Ore Reserves and Mineral Resources are expressions or judgement based on industry practice, experience and knowledge and are estimates only. Estimates of Ore Reserves and Mineral Resources are necessarily imprecise and depend to some extent on interpretations which may prove inaccurate. No assurance can be given that the estimated reserves and resources are accurate or that the indicated level of silica or any other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted. No assurance can be given that any or all of Heemskirk's Mineral Resources constitute or will be converted into reserves.
- Market price fluctuations of frac sand as well as increased production and capital costs may render Heemskirk's Ore Reserves unprofitable to develop at a particular site or sites for periods of time or may render mineral reserves containing relatively lower grade mineralisation uneconomic. Estimated reserves may have to be recalculated based on actual production experience. Any of these factors may require Heemskirk to reduce its mineral reserves and resources, which could have a negative impact on Heemskirk's financial results and the expected operating life of its mines.
- Actual Ore Reserves and Mineral Resources may differ from those estimated, which could have a positive or negative effect on Heemskirk's financial performance.

#### Replacement of depleted Ore Reserves

- Heemskirk must continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature. Heemskirk's exploration projects involve many risks and are frequently unsuccessful. There is no assurance that current or future exploration programs will be successful. Also, if a discovery is made, it may take several years from the initial phases of drilling until production is possible.
- There is a risk that depletion of reserves will not be offset by discoveries or acquisitions or that divestitures of assets will lead to a lower reserve base. The reserve base of Heemskirk may decline if reserves are mined without adequate replacement and Heemskirk may not be able to sustain production beyond the current mine lives, based on current production rates.

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### Business and Operational Risks cont.



#### Geological and Geotechnical

- There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining Ore Reserves, such as unusual or unexpected geological conditions, pit wall failures, rock bursts, seismicity and cave-ins. In any of these events, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets.

#### Foreign Exchange Risk

- Heemskirk is an Australian business that reports in Australian dollars. Heemskirk's revenue is derived from the sale of frac sand in Canadian dollars and funding for the Moberly Project is received in US dollars. Costs are mainly incurred by the businesses in both Australian and Canadian dollars therefore events in the CAD/USD, CAD/AUD and AUD/USD exchange rates may adversely or beneficially affect Heemskirk's results of operations and cash flows. The risks associated with such fluctuations and volatility may be minimised by any currency hedging Heemskirk may undertake although there is no assurance as to the efficacy of such currency hedging.

#### Regulatory Risk

- The operations of Heemskirk are subject to various Federal, State and local laws and plans including those relating to mining, prospecting, development, permit and licence requirements, industrial relations, environment, land use, royalties, water, native title and cultural heritage, land access, mine safety and occupational health.
- Approvals, licences and permits required to comply with such rules may, in some instances, be subject to the discretion of the applicable government or government officials, and, in some cases, the local community. No assurance can be given that Heemskirk will be successful in obtaining any or all of the various approvals, licences and permits or maintaining such authorisations in full force and effect without modification or revocation. To the extent such approvals are required and not retained or obtained in a timely manner or at all, Heemskirk may be curtailed or prohibited from continuing or proceeding with production and exploration.

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### Business and Operational Risks cont.



#### Weather and climactic conditions

- Heemskirk's sites and operations are subject to annual weather seasonality which, from time to time, may result in delays or loss of production.

#### Insurance risk

- Heemskirk maintains insurance coverage as determined appropriate by its board and management, but no assurance can be given that Heemskirk will continue to be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover all claims.

#### Environmental risk

- Mining and exploration can be potentially environmentally hazardous, giving rise to potentially substantial costs for environmental rehabilitation, damage control and losses. Heemskirk is subject to environmental laws and regulations in connection with its operations and could be subject to liability due to risks inherent in its activities, including unforeseen circumstances.

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### Business and Operational Risks cont.



#### Hydraulic Fracturing

Due to significant public debate surrounding the environmental impacts of hydraulic fracturing, the industry is subject to substantial public and regulatory scrutiny and to rigorous public environmental approval and monitoring processes. The implementation of future regulations and approval processes may impact the market for frac sand products supplied by Heemskirk.

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### Moberly Frac Project Risks



#### Completion risk

- There is no certainty that the project will complete.

#### Construction Risks

- Completion of the Moberly Frac Project involves a number of typical construction risks including the failure to obtain necessary approvals, employee or equipment shortages, higher than budgeted construction costs, insolvency events and project delays, which may impact the commerciality and economics of the project.

#### Debt funding risk

- Heemskirk has entered into financing commitments pursuant to which financiers have agreed to provide debt financing for the Moberly Frac Project construction on certain terms and conditions. If certain events occur (e.g. insolvency, compliance with bank covenants etc.), the financiers may terminate the debt financing agreement. Termination of the debt financing agreement would have an adverse impact on Heemskirk's sources of funding for the Moberly Frac Project. The financiers have obtained security interests over Heemskirk's assets to secure the funding, there is a risk that the financiers could enforce this security if Heemskirk defaults on the agreement.

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### Share Investment Risks



#### Share market conditions

Share market conditions may affect the value of Heemskirk's quoted shares regardless of Heemskirk's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither Heemskirk nor the Directors warrant the future performance of Heemskirk or any return on an investment in Heemskirk.

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