

HEEMSKIRK

Quarterly Report



For the period ending
30 September 2015 (unaudited)

KEY POINTS

- 🔥 **US\$40m secured debt funding package – standard CPs being finalised**
- 🔥 **Fully underwritten Private Placement and Rights Issue completed**

SUMMARY

Group Safety

- No safety incidents during the quarter

Group

- Cash and cash equivalents \$5.95m
- Equity investments \$3.34m

Moberly Frac Sand Project

- Funding due diligence completed with Taurus Funds Management and Secured Debt package has been finalised. US\$40m funding in two tranches:
 - US\$25m to complete the 300,000 tpa construction and production development project (Stage one)
 - 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
 - Construction is subject to satisfaction of standard conditions precedent
- Fully underwritten equity raising was successfully completed during the quarter totalling \$5.0m (net of costs) to fund working capital requirements while the Moberly Frac Sand Plant is under construction, comprising:
 - \$1.3m Private Placement to First Samuel and Taurus Funds Management
 - \$3.7m renounceable Rights Issue to all existing shareholders

For further information, please contact:

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Peter Bird
Managing Director



Company Safety

There were no safety incidents during the quarter. During the past 12 months the group has recorded one medically treated injury (MTI) and no lost time injuries (LTI). Currently the Group MTI frequency rate is 27 and the LTI frequency rate is zero.

Cash Movements

Canada and corporate overheads for the September quarter were \$0.856m (including legal and due diligence fees for debt financing of \$362k) against a budget of \$0.460m.

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

	September Qtr 2015	September Qtr 2014	YTD 2015	YTD 2014
Canadian Industrial Minerals Production (tonnes)	0	167	0	50,993
Cost of Sales (C\$m)	0	0.71	0	16,513

Production

No industrial minerals were produced during the quarter. Production has been placed on hold to enable construction of the Moberly frac sand project. During the quarter 165mt of S-12 (golf bunker sand) was sold from inventory.

Exploration

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



Operations *cont.*

New Director

With the impending frac development the Company appointed Mr Reid MacDonald to the Canadian subsidiary board at the end of the quarter. Mr MacDonald is a domestic based industry expert who has worked within the oil and gas and servicing industries throughout his career. He will provide valuable input to the Company from his Calgary base.

Key Investments

The Company holds 5.36m shares in Almonty Industries, a TSX Listed tungsten producer. The shares were received as part payment for the sale of Heemskirk's Los Santos Tungsten Mine to Almonty in April 2011. The market value of the holding as at 30 September 2015 was C\$3.11m (A\$3.30m).

Corporate

Cash and cash equivalents

- Cash and cash equivalents \$5.95m

Other financial assets

- At the end of the quarter the Company held \$3.34m in equity investments including 5.36m shares in Almonty Industries (TSXV:All) at C\$0.58.
- Prior to drawdown of the debt facility the only other interest bearing liabilities are finance leases for equipment of \$0.084m.

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.



Market outlook – Frac sand



Figure 1 Sand use in fracking

As outlined in the chart above, the consumption of frac sand continues to rise despite a more subdued oil price environment. The relatively low cost of sand coupled with a greater amount of fracs per well is contributing to this outcome. In the Canadian context, the approximate 30% decline in the Canadian dollar versus the United States dollar has had a positive influence on domestic oil and gas revenue within lower cost basins and wells and has maintained a healthy outlook on domestically produced sand pricing.

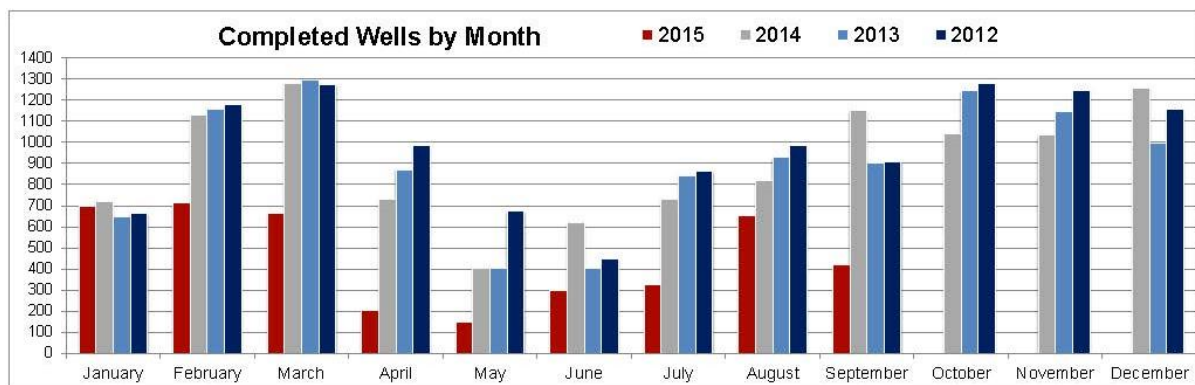


Figure 2 Completed Wells by Month

source: CAODC www.caodc.ca

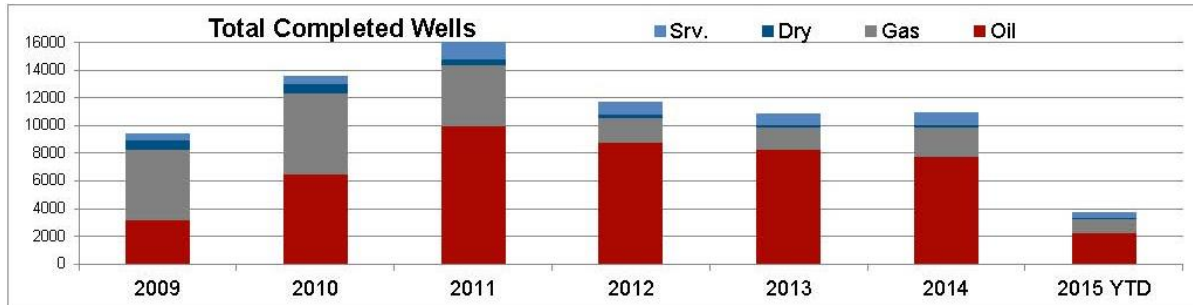


Figure 3 Total Completed Wells

source: CAODC www.caodc.ca

Completed well projections are estimated to be lower year on year as defined in Figures 2 and 3. However, overall sand consumption is considered to be steady as outlined in Figure 1.