

HEEMSKIRK

Announcement



15 December 2015

Debt funding
conditions to
be satisfied by
equity raising

- **A\$10 million (approximately) capital raising**
- **Construction capital estimate increased by 14%**
- **Ungear Project NPV C\$78 million (AUD 33 cps pre-raising[^])**

The Moberly Project capital estimate has increased due to subcontractor pricing variations and fluctuations in the timeline and exchange rates. The capital price is now US\$26.6 million*; up 14% on the previous estimate. The project construction timeline is estimated to be 14 months.

The variation in the capital estimate, conditions precedent, additional requirements and working capital needs through to the post commissioning phase have necessitated a A\$10 million (approximately) rights issue which is fully underwritten.

As announced on 15 July 2015, 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 1)
- Tranche 2: US\$15m to complete an expansion of the project (Stage 2) to a 600,000 tpa production level, once phase one has been successfully completed.

Project and market financial metrics have changed slightly with the project NPV_{7.5%} now C\$78 million compared to C\$82m previously announced (announced 23 February 2015).

For further information, please contact:

Peter Bird
Managing Director

Heemskirk Consolidated Limited
ABN 18 106 720 138
Level 17
303 Collins Street
Melbourne Victoria 3000
Australia

Telephone: +61 3 9614 0666
Facsimile: +61 3 9614 4466
Email: hsk@heemskirk.com

This information is available on
our website at
www.heemskirk.com

Peter Bird
Managing Director



[^] post raising AUD 14 cps

* price may vary due to foreign exchange fluctuations



| Sources of funds | A\$m | US\$m | Uses of funds | A\$m | US\$m |
|---|-------------|-------------|---------------------------------------|-------------|-------------|
| Cash and Portfolio Investments (30 November 2015) | 6.8 | 4.8 | Moberly Project construction contract | 33.2 | 23.9 |
| Rights Issue | 10.0 | 7.2 | Moberly Project other capex* | 3.7 | 2.7 |
| Taurus Facility (stage 1) | 34.7 | 25.0 | Working capital funding^ | 8.2 | 5.9 |
| | | | Cash on balance sheet# | 6.4 | 4.5 |
| Total sources of capital | 51.5 | 37.0 | Total uses of capital | 51.5 | 37.0 |

* costs associated with mine haul road construction, engineering and insurances

^ includes mining and hauling costs

to fund working capital requirements beyond commissioning of Stage 1 of the plant and to advance the engineering design work on Stage 2 expanded production case of 600,000tpa

Project Metrics – Key Assumptions: Stage 1 Development

The following provides a breakdown of the key project metrics for 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 – US\$26.6m
 - Plant construction US\$23.9m
 - Other US\$2.7m
- Funding Stage 1 – US\$25m
- Project Free Cash Flow Undiscounted annual average – C\$11.2m
- Ungeared Project Internal Rate of Return Stage 1: 33%
- Current C\$/US\$ exchange rate is 0.75
- Payback Period Stage 1: 2.9 years



- Project NPV is C\$78m for Stage 1*
- Estimated time to completion of construction 14 months
- Customer demand remains
- 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
- The Project has an estimated terminal value of up to \$360 million† assuming Stage 1 construction only

Fully underwritten Rights Issue

The rights issue will offer eligible shareholders the opportunity to subscribe for 10 new shares for every 7 shares held on 21 December 2015 at an issue price of \$0.03 per new share to raise approximately A\$10 million ("Rights Issue").

Below is a summary of the key terms of the Rights Issue:

| | |
|-----------------------|---|
| Type of Offer | Renounceable Rights Issue. |
| Issue Ratio | 10 New Shares for every 7 Shares held. |
| Issue Price | \$0.03 per New Share. |
| Eligible Shareholders | Shareholders who have a registered address in Australia and New Zealand may apply for New Shares under the Rights Issue. Ineligible Shareholders may not subscribe for New Shares under the Rights Issue. However, the Company has appointed Morgans Corporate Limited as nominee to arrange for the sale of Rights on behalf of Ineligible Shareholders. |

* 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.

† Depending upon valuation method used.



| | |
|--|--|
| Capital Raised | \$9,925,632 (before the costs of the Rights Issue). |
| Use of Funds | <p>The purpose of the Rights Issue is to raise funds to satisfy the terms of the Debt Facility Agreement. The funds raised will be applied towards the development of the Moberly Project, including:</p> <ul style="list-style-type: none"> • all supporting business activities • to initiate both engineering and capital design work on the stage 2 expansion of 600,000 tpa; and • the additional capital and working capital costs associated with the construction of the Moberly Frac Sand Project. |
| Discount | <p>The Company's share closing price on 4 December 2015 (the last day a trade was recorded before the announcement of the Rights Issue) was \$0.052. Therefore, the Issue Price of \$0.03 represents a discount of approximately 42% to this closing price.</p> |
| New Shares to be issued | 330,854,387 New Shares. |
| Shares on issue following Rights Issue | 562,452,458 Shares. |

Eligible Shareholders

Eligible shareholders have the following options available in respect of the Rights Issue. They may:

- (a) take up all of their Entitlement;
- (b) take up all of their Entitlement and also apply for additional New Shares under the Shortfall Facility;
- (c) take up some of their Entitlement and subscribe for some of the New Shares in respect of their Entitlement; or
- (d) sell all or part of their Entitlement prior to 8 January 2016; or
- (e) not take up any of their Entitlement.



Offer Document and Entitlement and Acceptance Form

Pursuant to in the Corporations Act 2001, the Company is not required to prepare a prospectus for the Rights Issue.

An Offer Document setting out details of the Rights Issue will be dispatched to Shareholders on 23 December 2015. This will be accompanied by a personalised Entitlement and Acceptance Form and instructions on how Eligible Shareholders may accept their Entitlement and apply for additional shares (if available) under the Shortfall Facility.

Key dates

The current timetable for the Rights Issue is as follows:

| Activity | Date |
|--|------------------|
| Announcement of Rights Issue | 15 December 2015 |
| Dispatch of notices to Shareholders informing of Rights Issue | 16 December 2015 |
| Shares quoted 'ex' rights and rights trading starts on deferred settlement basis | 17 December 2015 |
| Record Date | 21 December 2015 |
| Offer Document and Entitlement & Acceptance Form dispatched and announcement that dispatch completed | 23 December 2015 |
| Rights trading ends and securities quoted on a deferred settlement basis | 8 January 2016 |
| Closing date for acceptances | 15 January 2016 |
| The Company to notify the Underwriter of any shortfall to be taken up | 15 January 2016 |
| ASX notified of under subscriptions | 20 January 2016 |
| Issue date and end of deferred settlement trading | 22 January 2016 |
| Dispatch of New Share transaction confirmation statements | 22 January 2016 |

Subject to the Listing Rules, the Directors note that this timetable is indicative only and reserve the right to amend this timetable without notice.

An Appendix 3B and Section 708AA Notice and will be lodged separately with ASX.