

HEEMSKIRK

Quarterly Report



For the period ending
31 March 2016 (unaudited)

Moberly Project – Stage One construction commenced

KEY POINTS

- 🚧 A fully underwritten Rights Issue has been completed, raising A\$10m before transaction costs
- 🚧 A new Non Executive Director has been appointed
- 🚧 The funding package conditions for Stage One development have been met
- 🚧 The Moberly Project construction contract has been signed and construction has begun

SUMMARY

Group Safety

- There was one lost time injury (LTI) and one medically treated injury (MTI) during the quarter

Group

- Cash and cash equivalents \$12.56m at close of quarter
- Equity investments \$1.73m

New Non Executive Director

- On 23 March 2016, the Company announced the appointment of Peter McKenna as a Non Executive Director. Mr McKenna has worked in the mining, resource and infrastructure industries for nearly 40 years and has over 20 years of Board level experience

Moberly Frac Sand Project

- The conditions required for the drawdown of the first tranche of the US\$40m debt facility from Taurus Funds Management have been satisfied. This allowed for US\$25m to be released for the construction of the Stage One 300,000 tonnes per annum (tpa) Moberly plant and ancillary infrastructure
- The US\$23.9m* construction contract with Maple Reinder (General Contractor) has been signed. The total capital cost is US\$26.6m[#]
- Construction has commenced on and off site
- Foreign currency forward contracts have been put in place to manage USD:CAD currency risks during construction

For further information, please contact:

Peter Bird
Manager Director

Heemskirk Consolidated Limited
(ASX: HSK)
(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



* Based on currency exchange rates at October 2015

[#] Includes costs associated with mine haul road construction, engineering and insurances



The Moberly Project

The Moberly Project is a redevelopment of an existing and permitted open pit mine and facility to produce a high-quality API Specification Frac Sand industrial minerals product for supply into the Western Canadian oil and gas industry.

Moberly Project Construction Update

Weather

- Weather conditions did not hamper operations during the quarter

Activity

- The Stage One General Contractor has mobilised to site
- Excavation and interior backfill has commenced
- The grounding grid at the minerals process building has been installed
- Steel fabrication has commenced
- Orders for equipment with long lead times have been placed
- Consultations with the mine haul road contractor have commenced

Schedule

- The Stage One project build timeline is estimated at 14 months, with:
 - Construction having commenced in February 2016
 - Heemskirk seeking offtake agreements from June 2016
 - Commissioning expected to be completed by May 2017
 - Full production expected by June 2017
- Evaluation of expansion for Stage Two commenced in March 2016



Site progress photos



Heating and hoarding of crusher building foundations



Excavation & backfilling



Site offices



Company Safety

During the quarter, there was one LTI and one MTI reported at the Moberly site. These are the only safety incidents recorded by the group during the past 12 months. Currently, the Group MTI and LTI frequency rates are both 33.

Cash Movements

Canadian and corporate overheads for the March quarter were A\$1.00m compared to a budget of A\$0.98m.

Operations

Canada (100% owned)

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

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, 135mt of S-12 (golf bunker sand) was sold from inventory. Inventory levels of S-12 are currently at 11,000mt.

Exploration

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

Key Investments

The Company holds 5.45m 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 2016 was C\$1.68m (A\$1.69m).



Corporate

Cash and cash equivalents:

- Cash and cash equivalents: \$12.56m

Other financial information and assets:

- At the end of the quarter, the Company held \$1.73m in equity investments including 5.45m shares in Almonty Industries (TSXV:All) at C\$0.31 per share
- Prior to drawdown of the debt facility* the only other interest bearing liabilities are finance leases for equipment of \$0.50m

Annual General Meeting:

- The Company's Annual General Meeting was held on Thursday 25 February 2016. All resolutions put to shareholders were passed.

* The Company had not drawn down on the Taurus Funds Management debt facility as at 31 March 2016