HEEMSKIRK Announcement

29 November 2010

KEY POINTS

- **An underlying loss of $1.1 million compared with $2.1 million loss for the previous corresponding period and a net loss of $39.6 million reflecting impairments**
- **Los Santos project - impairment to asset values of $36.8 million**
- **Post balance date, the 40% equity interest in the Pajingo operation was sold. Value at completion (3 November 2010) was $43.8 million**
- **Strong operational cash performance from Canada and Pajingo**

Conservative approach to asset values – strong cash position

Managing Director, Mr Kevin Robinson stated,

"The Company has emerged from a difficult period and is positioning itself for 2011 with some very clear objectives. Our immediate focus is to acquire a replacement asset for Pajingo in either precious or base metals. These commodity types are well recognised and are traded in terminal markets for example, the London Bullion Market and London Metal Exchange. It is important that any new business added into the Company has the ability to generate strong ongoing cash flow. Management and the Board will focus on reducing costs and improving operating margins across the business sites.

Earlier this year Heemskirk made a takeover offer for North Queensland Metals to gain control of the remaining 60% interest in the Pajingo gold operation. The contested takeover was then allowed to lapse. Subsequent to this, the full sale of the asset occurred with Conquest Mining taking ownership in a leveraged cash and equity transaction. Heemskirk's 40% interest in the Pajingo gold business was originally purchased for A$10 million. The value of the transaction on the completion date (3 November 2010) was $43.8 million. This transaction will be booked in the 2011 accounts. Operational cash flow generated over the period of ownership enabled the initial investment to be paid back in a little over 18 months. The result was a very good outcome for the Company. Heemskirk continues to have an exposure to the Australian gold industry through its holding in Conquest Mining (25,380,710 shares).

The Canadian Industrial Minerals operation performed strongly and above budget for much of the year in response to elevated activity in the oil and gas sectors in western Canada. This trend continues. The fraccing sand project is currently undergoing final testwork.

The Los Santos tungsten project has had an impairment to asset values of A$36.8 million. In the September quarter, cash operating costs (in US dollar equivalent) were US$171/mtu whilst the spot tungsten price has risen to in excess of US$315/mtu* at present. As costs are relatively fixed, increasing output would reduce unit costs per mtu. Product quality remains well in excess of specification. Plant improvements have led to improved levels of recovery however, subtle metallurgical changes in feed ore material appear to impact consistency. Despite the positive developments, the Board elected to take a conservative approach when accounting for the current output uncertainty.

As a result of the Pajingo transaction the current ratio^ as at 3 November 2010 has risen from the balance date level of 0.7 to 1.3 reflecting the large rise in the cash and liquids position.

*The Company receives a discounted price to spot to reflect treatment costs and refining costs
^Defined as the ratio of Current Assets to Current Liabilities

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Kevin Robinson
Managing Director

HEEMSKIRK CONSOLIDATED

Key commodity factors:

- strong gold price environment
- strong oil prices and stable gas prices
- a late but strong rise in the tungsten price from the lows recorded 15 months ago

Convertible Notes

Heemskirk's Convertible Note securities expire in April 2011. The total redemption value is slightly more than A$28 million. The Company is progressing initiatives in relation to this commitment which take into account the needs and requirements of existing noteholders, shareholders and Heemskirk's growth plans."

Overview – Principal Activities and Review of Operations

Financial Performance

The Company achieved a net loss of $39.6 million and an underlying loss of $1.1 million for the year ending 30 September 2010. Total Assets stand at $74.8 million post impairment. Following the completion of the sale of HSK Gold Australia Pty Ltd on 3 November 2010 for $43.8 million the Company is in a sound position moving into 2011.

The result was influenced by cash flow from Pajingo, solid demand for barite from the Canadian oil and gas services industry and improving throughput at the Los Santos Project following commissioning of the plant in June 2010.

Dividends

No dividend has been declared in respect of the 2010 year. The Company intends to return to payment of a dividend when circumstances allow.

Earnings Per Share

Basic and diluted earnings per share on underlying profit was negative 0.76 cents compared with negative 2.50 cents in the previous corresponding period.

Basic and diluted earnings per share from continuing operations was negative 29.75 cents compared with negative 21.74 cents in the previous corresponding period.

Key Points

The 2010 annual results for Heemskirk reflect:

- Gross profit from continuing operations improved from a loss in the previous year to $474,000;
- A reduction of $1,010,000 in the underlying loss from the previous year to $1,073,000;
- A net loss of $39,555,000 due to an impairment to assets of $36,833,000;
- Earnings from equity investments increased from a loss in the previous year to a profit of $323,000;
- Total assets decreased 26% (yoy) to $74,774,000.

Corporate Information

Events Subsequent to Balance Date

On 16 September 2010, the Company entered into a sale agreement to dispose of its subsidiary, HSK Gold Australia Pty Ltd (HGA). Through HGA, the Company owned a 40% interest in the Pajingo Mine Joint Venture. Total consideration (based on the Conquest share price at 3 November) was $43.8 million comprising $27 million cash, $13.7 million Conquest shares and $3.1 million working capital. Any taxable profit on the transaction will be offset by capital losses. The sale was approved by shareholders on 29 October 2010 and completed on 3 November 2010.

In accordance with Australian Accounting Standards, as at 30 September 2010, HGA assets have been classified as held for sale and the sale will be recorded in profit and loss in the year ended 30 September 2011. Management has prepared a supplementary balance sheet that includes the sale of HGA to show the financial impact.

The "Adjusted Balance Sheet" below only includes the sale of HGA on 3 November 2010. The "Adjusted Balance Sheet" does not include any other transactions since balance date.

	Balance Sheet	**Event After the Balance Sheet Date**	**Adjusted Balance Sheet**
	30 Sep 2010 $'000	**3 Nov 2010 $'000**	**3 Nov 2010 $'000**
Total Current Assets	33,058	17,488	50,546
Total Non-current Assets	41,716	(6,238)	35,478
Total Assets	**74,774**	**11,250**	**86,024**
Total Current Liabilities	49,219	(9,616)	39,603
Total Non-current Liabilities	1,154	0	1,154
Total Liabilities	**50,373**	**(9,616)**	**40,757**
Net Assets	24,401	20,866	45,267
Total Equity	**24,401**	**20,866**	**45,267**
Net tangible assets per share (cents)	16	13	29

Income Statement for the Year Ended 30 September 2010

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Revenue from continuing operations	15,882	20,053
Cost of sales	(15,408)	(20,686)
Gross profit/(loss)	474	(633)
Proceeds on equity investments	5,372	8,966
Cost of equity investments	(5,194)	(8,431)
Unrealised gains on equity investments	145	-
Impairment of equity investments	-	(950)
Net gains/(losses) on equity investments	323	(415)
Other income	63	-
Total other income/(expense)	386	(415)
Depreciation and amortisation expense	(2,535)	(1,250)
Employee benefits expense	(6,966)	(2,883)
Corporate costs	(624)	(1,022)
Consultants and advisory expense	(1,641)	(1,013)
Finance costs	(2,385)	(2,398)
Unrealised foreign exchange loss	-	(253)
Other expenses	-	(930)
Impairment losses	(36,833)	(15,000)
Profit/(loss) before income tax from continuing operations	(50,124)	(25,797)
Income tax benefit from continuing operations	7,884	7,701
Profit/(loss) after income tax from continuing operations	(42,240)	(18,096)
Profit/(loss) from discontinued operations (net of income tax)	2,685	4,848
Profit/(loss) after income tax	(39,555)	(13,248)
Underlying profit:		
Profit/(loss) after income tax	(39,555)	(13,248)
Impairment losses (after tax) and related tax loss derecognition	38,482	11,165
Profit/(loss) after tax before impairment of losses ("Underlying profit/(loss)")	(1,073)	(2,083)
	Cents	**Cents**
Earnings per share (EPS) from continuing operations		
Basic earnings per share	(29.75)	(21.74)
Diluted earnings per share	(29.75)	(21.74)
Earnings per share on Underlying profit/(loss)		
Basic earnings per share	(0.76)	(2.50)
Diluted earnings per share	(0.76)	(2.50)

Balance Sheet for the Year Ended 30 September 2010

	Consolidated	
	2010	**2009**
	$'000	**$'000**
CURRENT ASSETS		
Cash and cash equivalents	4,454	5,475
Trade and other receivables	2,424	5,032
Inventories	4,042	7,316
Equity investments	335	1,097
Financial derivative assets	23	32
Other current assets	437	965
Assets classified as held for sale	21,343	-
TOTAL CURRENT ASSETS	33,058	19,917
NON-CURRENT ASSETS		
Other financial assets	53	49
Property, plant and equipment	8,281	27,299
Mine development	21,952	46,619
Deferred tax assets	11,430	7,350
TOTAL NON-CURRENT ASSETS	41,716	81,317
TOTAL ASSETS	74,774	101,234
CURRENT LIABILITIES		
Trade and other payables	7,963	7,357
Interest-bearing loans and borrowings	30,300	24,997
Provisions	407	572
Income tax payable	-	15
Financial derivative liability	-	1
Other financial liabilities	5,287	1,842
Liabilities classified as held for sale	5,262	-
TOTAL CURRENT LIABILITIES	49,219	34,784
NON-CURRENT LIABILITIES		
Deferred tax liabilities	532	1,897
Interest-bearing loans and borrowings	70	12,617
Provisions	552	2,673
TOTAL NON-CURRENT LIABILITIES	1,154	17,187
TOTAL LIABILITIES	50,373	51,971
NET ASSETS	24,401	49,263
EQUITY		
Contributed equity	80,205	59,702
Reserves	(5,441)	446
Retained earnings/(losses)	(50,363)	(10,885)
TOTAL EQUITY	24,401	49,263

Statement of Cash Flows for the Year Ended 30 September 2010

	Consolidated	
	2010	**2009**
	$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	44,045	47,709
Payments to suppliers and employees	(40,219)	(28,139)
Interest received	183	156
Income tax received/(paid)	173	(1,272)
Finance costs paid	(2,913)	(3,315)
Net cash flows from/(used in) operating activities	1,269	15,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of deferred consideration for Spain mining asset	(1,695)	(5,255)
Deposits for bank guarantees	(4)	1,097
Deposit received for sale of held for sale asset	5,000	-
Proceeds from equity investments	5,961	8,377
Purchase of equity investments	(4,416)	(2,954)
Proceeds from sale of property, plant and equipment	21	94
Purchase of property, plant and equipment	(3,794)	(888)
Mine development	(12,836)	(24,671)
Dividends received	7	79
Proceeds from sale of put options	192	344
Purchase of put options	(139)	(535)
Net cash flows from/(used in) investing activities	(11,703)	(24,312)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	15,935	13,440
Convertible notes conversion	(4,910)	-
Repayment of borrowings	(1,300)	(220)
Buy back of shares	-	(644)
Dividends paid	-	(783)
Net cash flows from/(used in) financing activities	9,725	11,793
Net increase/(decrease) in cash and cash equivalents	(709)	2,620
Cash and cash equivalents at beginning of period	5,475	3,030
Net foreign exchange differences	15	(175)
Cash and cash equivalents at end of period	4,781	5,475