



Heemskirk signs Sale Agreement for Alberta mineral product plant for CAD12 million

Australia's Heemskirk Consolidated Limited (ASX: HSK) (the "Company" or "Heemskirk") has entered into a Binding Sale Agreement ("BSA") with Marquis Alliance Energy Group Inc. ("Marquis Alliance") to sell its operating Lethbridge mineral products plant in Alberta, Canada, and an optioned barite exploration interest in Nevada in the United States, for CAD12 million*.

The sale is in line with Heemskirk's strategy to focus on the development and commissioning of its promising CAD26 million Moberly sand facility in the neighbouring province of British Columbia.

Lethbridge is an oilfields energy products minerals processing facility which takes delivery of barite, gypsum and zeolite ores and beneficiates these with a crushing, grinding, classification and packaging process for on-selling to customers. Barite is an essential ingredient in the drilling mud used in oil and gas exploration in the Western Canadian Sedimentary Basin.

Consideration for the Lethbridge sale consists of an initial payment of CAD8.44 million cash, plus CAD3.56 million for the plant's current inventory of primarily bulked and bagged barite, gypsum and zeolite. Should Heemskirk accept and close a superior competing offer from a third party, a break fee of CAD0.5 million is payable to Marquis Alliance provided that prior to accepting a superior offer Marquis Alliance has the right to match any such offer.

The Lethbridge business was acquired by Heemskirk in 2005 with the Company since growing it threefold through servicing Canada's buoyant oil and gas exploration and production sector.

Pursuant to the BSA, Marquis Alliance has provided a CAD250,000 refundable advance deposit to Heemskirk.

* Value determined at the Effective Date.

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Peter Bird
Managing Director



Completion of the transaction will be subject to the satisfaction of a number of conditions, including, but not limited to:

1. Marquis Alliance being satisfied with the results of their respective Lethbridge due diligence investigations;
2. Final Heemskirk Board approvals;
3. The receipt of approval from Heemskirk's shareholders; and
4. The receipt of all regulatory approvals including the approval of the Australian Securities Exchange (ASX).

During the intervening period, the operations at the Lethbridge facility will continue as normal under Heemskirk management.

Heemskirk Managing Director, Mr Peter Bird said:

"Heemskirk is at a key juncture with regard to developing its opportunities. We believe this transaction best generates solid shareholder value by further strengthening our cash reserves and allows us to focus on the development of the Moberly Frac Sand Project in British Columbia at a time when that nation's energy sector is at the early stages of development of a forecast and sustainable expansion of its onshore oil and gas exploration and production profile."

Completion of this transaction will:

- Confirm the inherent value of the Company's assets - this transaction is being completed at an historic EBITDA multiple of approximately 4 times.
- Place Heemskirk in a stronger position to develop the permitted and engineered Moberly Project. The Project has a net present value of CAD65 million with an estimated development cost of CAD26 million.

Excluding this proposed transaction, Heemskirk has cash and equity investments of AUD13 million.

Moberly Asset Summary

Moberly is located 300 kilometres west of Calgary and is 100% owned by Heemskirk. It comprises a current open-pit mine and silica product production operation. The facility currently produces product for the oil and gas, coatings, recreational and landscaping industries.



However, it also includes a significant permitted but undeveloped long-life frac sand resource for potential sale into Canada's high demand petroleum sector and it is this project which the Company is now focusing on to develop as its flagship operation.

Heemskirk has completed between 90-95% of detailed plant design and engineering for its proposed new CAD26 million frac sand development. (The capital estimate includes an allowance of CAD2 million for contingencies.) Feedstock for this will be from the existing permitted open pit.

The Company is currently evaluating financing options to commission the project as an initial 300,000 tonne per annum steady state production facility.

The project has a short payback period and a construction time of approximately 12 months from the development decision.

Mr Bird said, "Moberly is in an enviable position to emerge as a key quality supplier into the major phase of development now taking place in Western Canada's oil and gas industry including its first LNG project, Kitimat, on British Columbia's western seaboard.

By way of example, Kitimat, a Chevron:Apache 50:50 project with a 20 year production licence, has feeder pipeline networks extending east into areas to the north of Moberly."

Next Steps

Lethbridge is regarded as a significant asset of the Company and hence shareholders are required to vote on this transaction.

A shareholder meeting will be convened at the earliest possible opportunity and detailed information, including an independent valuation, will be sent to shareholders with the Notice of Meeting.