



Asset sale closed post quarter

KEY POINTS

- ▶ Corporate cash, cash equivalents and other financial assets total \$10.8m at quarter end
- ▶ Quarterly product sales and revenue strong
- ▶ Major asset sale transaction closed post quarter
- ▶ Company now focused on advancing the Frac Project

SUMMARY

Group Safety

- There were no safety incidents during the quarter

Production

- Quarterly Canadian industrial minerals production of 23,190 tonnes, up 3% on the previous corresponding period (pcp) and down 15% on the December quarter in line with normal seasonal variations and growing demand

Revenue

- Revenue for Canada at C\$7.6m up 10% on the pcp and up 15% on the December quarter in line with the seasonal changes and increasing customer demand

Margins

- Heemskirk Canada margins were the down 1% on the pcp and down 71% on the December quarter

Corporate

- Cash and cash equivalents \$5.9m
- Equity investments \$4.9m
- Unsecured Convertible Notes: \$2.74m is payable in cash no earlier than 30 June 2014 and no later than 30 March 2015

Major Transaction – Post Quarter

- On 2 April 2014 the Company announced the Closure of the sale of the Lethbridge operation. Consideration in relation to the transaction will be reflected in the cash reserves in the next quarter.

For further information, please
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Peter Bird
Managing Director



Company Safety

There were no safety incidents during the quarter. The Company LTI frequency rate is currently 18 and the Company MTI frequency rate is 0.

Operations

Canadian Industrial Minerals (100% owned)

As at the close of the quarter, the business includes an administrative office in Calgary, Alberta and two operations, Lethbridge in Alberta and Moberly (including the Project) in British Columbia.

The Lethbridge operation is a mineral processing facility which takes delivery of barite, gypsum and zeolite ores and beneficiates these with a crushing, grinding and packaging process and then on-sells to customers. Post the close of the quarter this asset was sold (see ASX announcement of 2 April 2014).

The Moberly operation produces a variety of silica products and has a significant permitted undeveloped project, subject to financing, to produce frac sand.

Project Performance Summary

Table 1: Project Key Operating Statistics

	Mar Qtr 2014	Dec Qtr 2013	YTD 2014	YTD 2013
Canadian Industrial Minerals Production (tonnes)	23,190	27,314	50,504	40,578
Canadian Industrial Minerals Revenue (C\$m)	7.56	8.88	16.43	12.08
Canadian Industrial Minerals Revenue per tonne sold (C\$/t)	325	320	322	302
Cost of Sales (C\$m)	7.37	8.10	15.47	11.35
Cost of Sales per tonne of Industrial Minerals sold (C\$/t)	317	292	303	283
Margin (%)	3%	9%	6%	6%

**Heemskirk has a September Year End*



Production

Production in the December quarter was 23,190 tonnes, which was 15% lower than the previous quarter and 3% up on pcp. Cumulative metres drilled by companies in the Western Canadian Sedimentary Basin (WCSB) continue at historical levels in 2014 as illustrated in Figure 1.

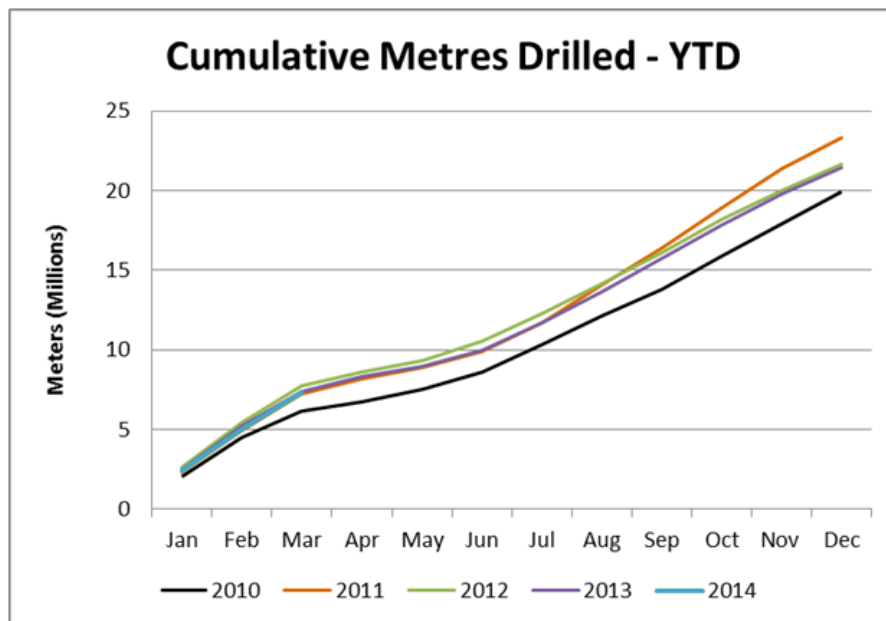


Figure 1: Cumulative Metres Drilled – YTD

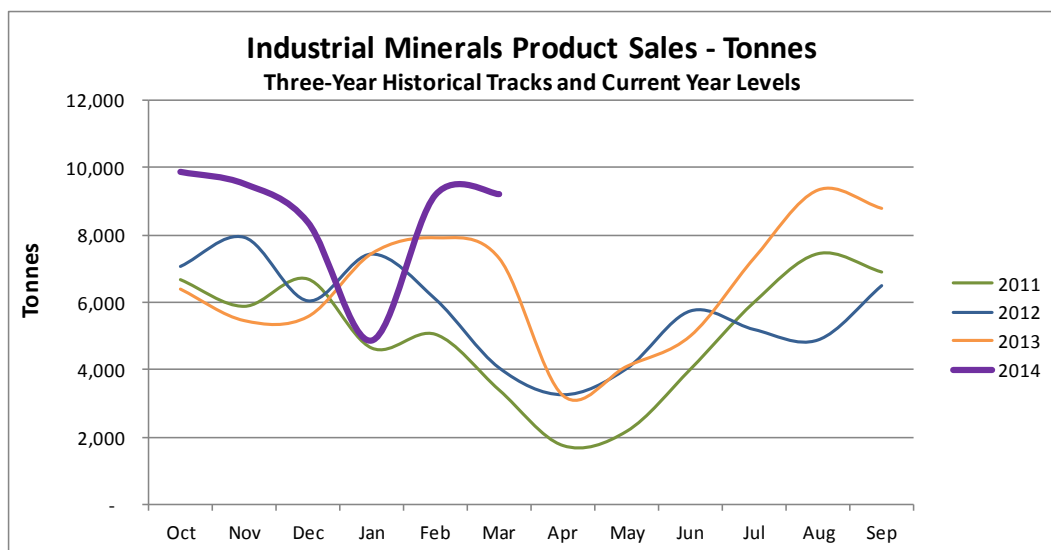


Figure 2: Industrial Mineral Product Sales – Tonnes



Revenue

Revenue for Canada at C\$7.6m was down 15% on the December quarter and up 10% on the pcq reflecting the growing end customer demand for our products.

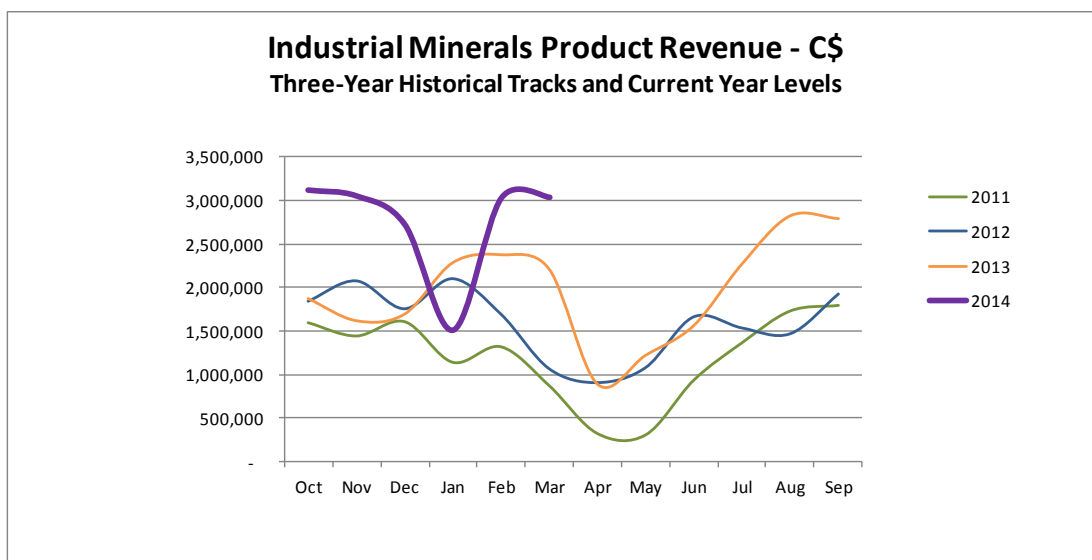


Figure 3: Industrial Minerals Revenue C\$

Margin

The margins of industrial minerals sold were 3%, consistent with the pcq of 4% and down 71% on the December quarter due to reduced barite ore supply from a lower cost supplier.

Exploration

No exploration was undertaken at the Canadian operations over the quarter.

Development Projects

No activities relating to development were undertaken during the quarter.

Moberly Frac sand

The forecast demand for export gas and the strong oil price is driving the oil and gas exploration industry in the WCSB and Heemskirk Canada occupies an important niche in that business with its well-advanced frac sand project. Both this and the improved



funding conditions for the project auger well for the Company's plans. The Company is currently evaluating a number of funding approaches which have been activated now that the Lethbridge transaction has closed.

Funding is targeted to enable construction to commence this Canadian summer. Demand for frac sand remains very strong, particularly for high quality material available from Moberly's reserves.

Key Investments

The Company holds 5.56m shares in Almonty Industries, a TSX Listed tungsten producer. The shares (in addition to 3.7m warrants exercisable at C\$1.25) 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 2014 was C\$4.6m (A\$4.7m).

Corporate

Cash and cash equivalents*

- Cash and cash equivalents \$5.9m

Other financial assets

- At the end of the quarter the Company held \$4.7m in equity investments including 5.56m shares in Almonty Industries (TSXV:All) at C\$0.80

Interest bearing loans and borrowings

- On 31 March 2011 the Company issued 1,889,000 unsecured convertible notes with an issue price of \$2.00. Each unsecured convertible note will be converted into 3 fully paid ordinary shares in the Company and \$1.45 cash. Unsecured convertible notes will be converted at maturity on 30 March 2015 and may be converted every six months which commenced from 31 December 2012. The unsecured convertible notes attract interest at 10.25% per annum paid semi-annually. \$2.74m is payable in cash no earlier than 30 June 2014 and no later than 30 March 2015

* excludes consideration for Lethbridge sale which concluded post the end of the quarter



Lethbridge Asset Sale – Post Quarter

On 20 March 2014 Heemskirk shareholders approved the sale of the Lethbridge mineral products plant in Alberta, Canada and specific barite mineral claims in the United States to a wholly owned subsidiary of Marquis Alliance Energy Group Inc.

The closure of the sale was announced on 2 April 2014 (see ASX announcement).