

# HEEMSKIRK

## Announcement



23 August 2010

### Tungsten - Operational Update; Production Increasing

#### KEY POINTS

- ▶ **Concentrate production continues to increase post recommissioning**
- ▶ **Commodity price environment has improved in a tight supply marketplace**

Melbourne (Australia) August 23, 2010. Australian-based Heemskirk Consolidated Limited today announces that the 100%-owned Los Santos Tungsten project in Spain has been successfully recommissioned and has exceeded nameplate production in August.

Purchased as a greenfields site in 2006, Heemskirk built and commissioned the Los Santos mine in April 2008. Initial mining and processing focused on ore sourced from the Los Santos Sur open pit.

The nameplate 480,000 tonne per annum mine and processing plant was successfully refitted in an A\$2.9m upgrade starting in September last year. Container shipments of tungsten concentrate restarted in June. The plant operated through July at an annualised production rate of 516,000 tonnes a year, resulting in production of 1,408 mtu's of tungsten in June, 2808 mtu's of tungsten in July and as at the date of release is on track to produce around 5800 mtu's of tungsten in the month of August. The 2010-11 forecast is to produce 94,000 mtu's of tungsten.

*"We are extremely happy with the performance of the enhanced production facility and this is complemented by the significant improvement of mine operations with our new mining contractor," commented Heemskirk managing director, Mr Kevin Robinson.*

Under the upgrade, the plant was substantially modified and enhanced to debottleneck aspects of the circuit and to improve the efficiency of gravity separation tables at the back end of the plant. The earliest modification involved installation of a magnetic separator to remove waste material at the front end of the circuit. A small flotation plant was added to remove sulphides from the process stream.

The occurrence of sulphide material from a second open pit was one of the major reasons why we modified the plant circuit.

An additional 74 spiral separators were added to the circuit and a regrind ball mill to treat oversized material. One of the major improvements involved increasing the number of Wilfley tables threefold (from 8 to 28).

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Kevin Robinson  
Managing Director



*“What we are seeing is an improved concentrate stream travelling over the Wilfley tables. With the greater total surface area over which this material is sorted, we are producing a significantly higher grade concentrate to the final stage of the process which involves drying the end product,” Mr Robinson said.*

Los Santos was also producing above forecast grades of tungsten in the final concentrate. *“Recent shipments have exceeded specification and have been as high as 77%,” Mr Robinson said. “This is an extremely high quality concentrate. Bearing in mind that we are paid based on the amount of tungsten in concentrate, it is advantageous for us to ship higher grade material in our containers. At these levels we average 11% more WO<sub>3</sub> in each 19t container shipped.”*

One of the opportunities being explored at the Los Santos operation is the feasibility of commencing underground mining. *“We are fortunate as the underground development completed by the original owners – Billiton – remains in perfect condition and provides ready access to a high grade ore source. Initial studies being undertaken indicate that we could be producing ore from underground as early as first quarter next year. Importantly, the underground grade is 2 to 4 times the grade we see in the pits,” Mr Robinson said.*

*“We are also seeing better economics for the project because the price of our reference material, Ammonium Para Tungstate (APT), has increased to US\$240 per Metric Tonne Unit (mtu) - equal to US\$ 24,000/tonne - from a low of around US\$170/ mtu (US\$17,000/tonne) during the Global Financial Crisis,” Mr Robinson said. “Furthermore, recent weakness in the Euro versus the US\$ have enhanced the economics of Los Santos because a large part of our costs are in the Spanish currency which is the Euro.”*

Tungsten is one of the strongest and hardest metals of all, three times harder than chrome and titanium and with a melting point of 3,400C. Tungsten is environmentally friendly and is largely used as an additive in the steel process to enhance strength in products such as machine tool drill bits for the oil and mining industry and other speciality use in mobile phones and the military. Tungsten demand is sensitive to global economic activity, especially industrial production and machine tool orders. China supplies around 80% of world supply and 32% of global demand. Tungsten demand is forecast to grow by 3-6% per annum from 2010 to 2016.

*“We are positive about the outlook for the tungsten price going forward based on industry forecasts and the lack of new projects being developed,” Mr Robinson said.* The most recent development in the Western world tungsten production story was the decision by North American Tungsten to take its Cantung tungsten mine in Canada out of care and maintenance.

The Heemskirk Board took the decision to modify Los Santos last year. *“Our Los Santos project is one of four tungsten projects of significance in the Western World and is currently one of the four biggest projects in operation,” Mr Robinson said. “Market acceptance of our product is strong and tungsten prices have risen off their lows.”*