

HEEMSKIRK

Quarterly Report



For the period ending
30 September 2011 (unaudited)

**Good
quarter in
Canada,
Los Santos
sale
completed**

For further information, please
contact:

Kevin Robinson
Manager Director

Heemskirk Consolidated Limited
ABN 18 106 720 138
Level 5
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

Kevin Robinson
Managing Director



KEY POINTS

- Completion of Los Santos sale for US\$14m, 5.56m shares and 3.7m warrants in Almonty Industries.
- Improvement in industrial minerals sales at Canadian operations for the September quarter.
- Frac sand project feasibility nears completion.

SUMMARY

Group Safety

- One lost time injury (LTI) and one medically treated injury (MTI) over the quarter at the Los Santos operation

Production

- Canadian industrial minerals production for the quarter was 19,109t up 158.9% on the previous quarter
- Tungsten production in concentrate for the quarter was 14,074 mtu's down 12.4% on the previous quarter*

Sales Revenue

- Revenue for Canada for the September quarter was C\$4.9m, up C\$3.3m on the June quarter
- Spain - tungsten in concentrates sold for the September quarter was 13,436 mtu's which was 6.6% lower than the previous quarter*
- Tungsten revenues of US\$4.7m, were up US\$0.1m on the previous quarter*

Operating Costs

- Heemskirk Canada operating costs for the September quarter were C\$3.0m up C\$0.5m on the June quarter
- Los Santos operating costs for September quarter of US\$183/mtu were down US\$4/mtu on the June quarter*

Development Projects

- The Feasibility Study into the Frac Sand Project will be completed in October 2011.

Corporate

- Cash \$17.9m
- Investments \$6.4m
- Unsecured Convertible Note debt of \$3.75m of which \$2.75m is payable in cash no earlier than 31 December 2012 and \$4.2m bank debt including the Canadian working capital line.
- Sale of Los Santos completed; US\$14m cash, 5.56m shares and 3.7m warrants
- Completion of Heemskirk Canada refinancing with a new C\$5m facility with CIBC

* Note, the September quarter was foreshortened by over a week due to the sale of the project



Group Safety

The period recorded one LTI and one MTI which were both at the Los Santos mine. Follow up action to prevent a similar incident was undertaken.

The Canadian operation continued its very good performance. It is now over a year since an MTI was reported and continued focus on improving safety at the Canadian operation is a priority.

Operations

Canadian Industrial Minerals (100% owned)

Project Performance Summary

Table 1: Project Key Operating Statistics

	Sep Qtr 2011	Jun Qtr 2011	Full Year Sep 2011	Full Year Sep 2010
Canadian Industrial Minerals Production (tonnes)	19,109	7,382	58,576	57,861
Canadian Industrial Minerals Gross Revenue (C\$m)	4.9	1.6	14.5	12.3
Canadian Industrial Minerals Gross Revenue per tonne sold (C\$/tonne)	241	200	239	218
Cash Costs of Production (C\$m)	3.0	2.5	12.7	8.8
Cash Costs of per tonne of Industrial Minerals sold (C\$m)	151	319	209	156

Production

Industrial mineral production for the September quarter was 19,109t which was up 158.9% on the previous quarter. Seasonal effects and a strong increase in customer drilling activity were reflected in the production. Production for the full year was up 1.2% on 2010 at 58,576t.

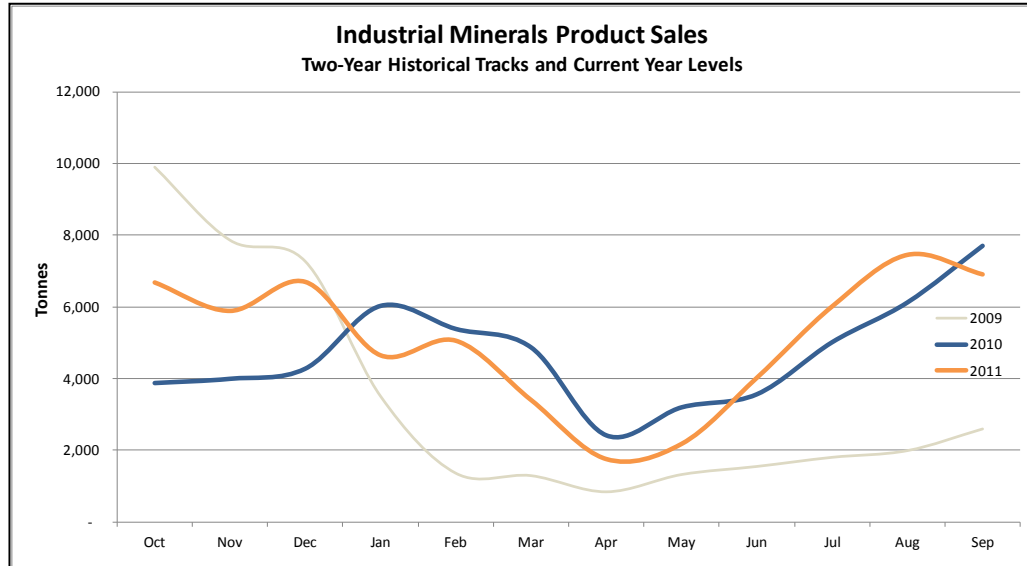
The Lethbridge plant was nearing full capacity and a move to a 24 hour/7 day per week roster was initiated late in the quarter as demand continued to increase. The changes to the bagging circuit through the installation of the robotic arm earlier in the year helped to increase output. Demand from the oil and gas service industry particularly from greater use of horizontal drilling is expected to increase into the next quarter and the plant will operate close to capacity.

An independent review of the Lethbridge facility has been completed. Focus of the review was on improved productivity through greater utilisation of plant, safety initiatives and changes to the process flowsheet to increase efficiency. The review highlights two phases for improvements and the initial phase is underway.



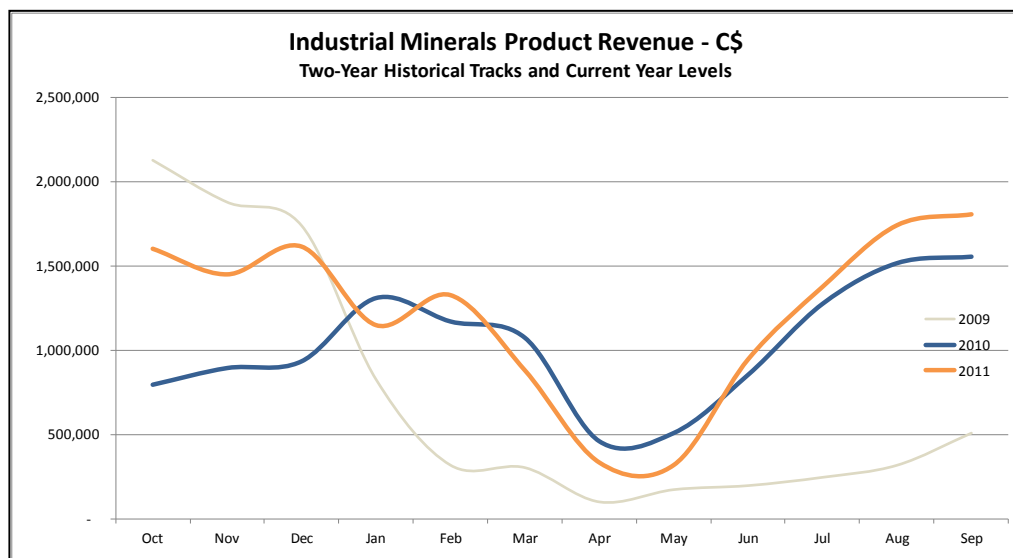
Sales Revenue

Table 2: Industrial Mineral Product Sales



Sales revenue for Canada was C\$14.5m for the full year, up C\$2.2m on the previous year. The September quarter revenue was C\$4.9m, up C\$3.3m on the June quarter, due to the higher level of activity in the oil and gas sector which also relates to seasonal effects. The June quarter is the seasonal low period and sales were impacted last quarter due to an extended 'Spring Break Up' period where road bans were in place for a month longer than usual due to unseasonal rains. Once the road bans were lifted the oil and gas drilling industry ramped up very quickly which was reflected in the increased demand for Heemskirk Canada products. The Company took the decision to hold higher inventory levels than in 2010 in anticipation of a stronger drilling season in 2011/12. This put the company in a good position to meet the current industry demand. It is expected that demand will remain strong over the next quarter.

Table 3: Industrial Minerals Product Revenue C\$





Operating Costs

Operating costs were C\$12.7m for the 2011 year, up C\$3.9m on the previous year. In the September quarter costs were C\$3.0m up C\$0.5m on the June quarter. Most of the increase in costs was due to increased production. Increases in material purchasing costs were largely offset by increases in selling prices however the industry is tight and products such as barite are well sought. Both China and India increased their selling prices for barite over the quarter. The stronger Canadian dollar helped to offset purchasing costs.

Exploration

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

Los Santos Tungsten (100% owned)

Project Performance Summary

Table 4: Project Key Operating Statistics

	Sep Qtr 2011	Jun Qtr 2011	Full Year Sep 2011	Full Year Sep 2010*
Ore treated (tonnes)	105,148	124,143	431,435	268,634
WO ₃ in Concentrate ex site (mtu)	14,074	16,063	60,081	22,398
WO ₃ in Concentrate Sold (mtu)	13,436	14,393	52,807	20,752
Sales Revenue (US\$m)	4.7	4.6	15.0	3.5
Cash operating Costs (US\$/mtu)	183	187	223	473

*The Project 65 changes impacted production

Production

Tungsten in concentrate produced for the 2011 full year was 60,081 mtu's. Production increases were largely as a result of the 2010 completion of the Project 65 initiative. Whilst the changes were implemented, production in 2010 was down for a number of months. Continued process improvements undertaken in 2011 with particular emphasis on recoveries. The sale of the project to Almonty Industries was completed late in the quarter which foreshortened the production metrics by approximately a week.

For the September quarter tungsten production in concentrate was 14,074 mtu's down 12.4% on the previous quarter. Mining from the Las Cortinas pit resulted in higher grades to both the mill and inventory. The Sector Central pit was finished and had a positive reconciliation over the life of this deposit. Mill throughput was 105,148t for the September quarter, down 18,995t on the June quarter. This was mainly due to the foreshortened quarter due to the sale process and downtime for scheduled mill maintenance. When this was taken into account, mill performance for the quarter was down around 10,000t. Due to the foreshortened period monthly recoveries relate to July/Aug output and averaged 58%. Concentrate grades averaged 67%.



Sales Revenue

Tungsten in concentrates sold for the full year was 52,807 mtu's which was well up on the previous year due to the changes in plant configuration as a result of the success of the Project 65 initiative. The September quarter recorded 13,436 mtu's of tungsten sold which was 6.6% lower than the previous quarter. Whilst the sale of Los Santos has been completed Heemskirk has some residual tungsten concentrates in transit which will be realised as sales in October.

Sales revenue of US\$15.0m for the full year was well up on the US\$3.5m in the previous year. The September quarter sales revenue was US\$4.7m, up US\$0.1m on the previous quarter reflecting increased prices received. Markets for tungsten were tight and prices for Ammonium Paratungstate (APT) for Europe remained high at around US\$450 per mtu APT.

Operating Costs

Los Santos operating costs of US\$ 183/mtu were down US\$ 4/mtu on the June quarter. Costs were steady compared with the previous quarter with minor change due to foreign exchange fluctuations.

Exploration

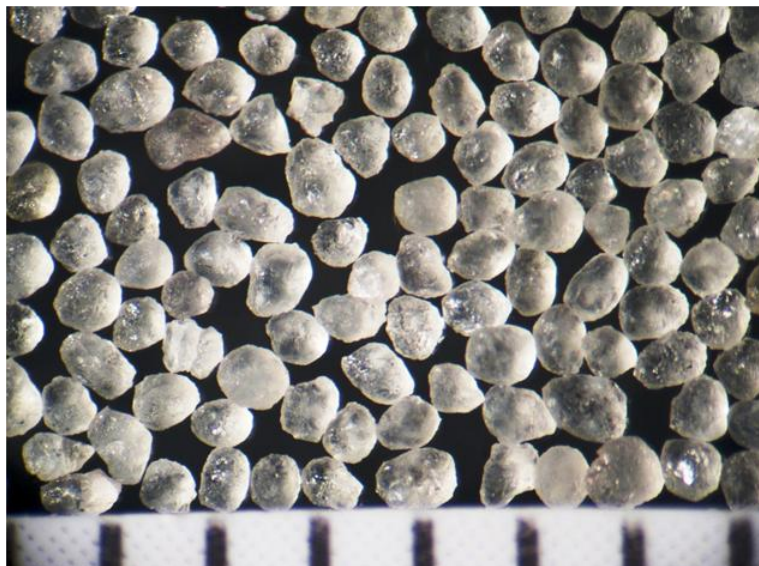
No exploration was undertaken at the Los Santos operations.

Development Projects

Moberly Frac sand

The Feasibility Study into the Frac Sand Project will be finalised in October 2011. Results from final testing of additional mining samples for inclusion in the study were received in early October and are being incorporated. Plant design, flowsheet and final costings for the study have been completed. Marketing studies will continue but all feedback to date has been favourable reflecting the growth in demand for frac product in western Canada and the fact that we have a premium quality product for the North American region.

Figure 1 Sample of Frac Sand from Moberly 30/40 mesh





Corporate

Cash:

- Cash on deposit is \$17.9m

Debt:

- \$3.75m unlisted unsecured convertible notes of which \$2.75m is payable in cash no earlier than 31 December 2012 and no later than 30 March 2015
- Bank debt of \$4.2m including the Canadian working capital line.

Investments

At the end of the quarter the Company held \$6.4m in equity investments including 5.56m shares in Almonty Industries at \$1 per share.

Sale of Los Santos

Sale of Los Santos completed for US\$14m cash, 5.56m shares and 3.7m warrants in Almonty Industries Inc which listed on the TSX Ventures Exchange at the end of the quarter (refer ASX announcement of 26 September 2011).

Heemskirk Canada refinancing

The working capital line previously in place to facilitate operations at both Moberly and Lethbridge has been replaced with a new C\$5 million facility with CIBC. The new working capital facility better aligns with the normal seasonal fluctuations in the oil and gas industry and will allow greater flexibility for optimizing inventory management especially at the Lethbridge processing facility.