HEEMSKIRK
Quarterly Report

For the period ending
31 March 2010 (unaudited)

Production and exploration positive; milestones met

KEY POINTS

- **Strong performance from Canadian Industrial Minerals – sales and production up over 30% quarter on quarter**
- **Pajingo gold production increased 8% to 14,622 oz, cash costs lower at A$700/oz**
- **Reserve announcement for the Twin Hills Project and positive exploration results for Pajingo Gold operation**
- **Pajingo mining optimisation study commenced to integrate open pit with existing underground development**
- **Los Santos Project 65/65 development nears completion with full commissioning to commence in April**

Strong quarterly performance from the gold and industrial operations was very pleasing coupled with exploration results and construction milestones achieved.

Managing Director, Mr Kevin Robinson, said,

"We have a lot happening at our operations. The Canadian operations enjoyed seasonal buoyant conditions, due to strong oil industry demand for barites and gypsum. We are working to increase both the supply volumes and number of products to the oil and gas industry. Concurrent with normal business operations, research is being undertaken into a series of new products to meet industry demands.

The Pajingo gold mine performed well with both cost and production improvements. In the second half of CY 2010 a new open pit development should take place. Exploration will be increased following up on the good results received to date.

I am very pleased with Project 65/65 at Los Santos, Spain. The team has done an excellent job in difficult working conditions. The March quarter saw low production as expected whilst plant modifications were nearing completion. The June quarter will see full commissioning of the plant, a new mine schedule underway and a mining contractor to site.

Demand for all of our products has increased and should strengthen further throughout 2010."

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Kevin Robinson
Managing Director

HEEMSKIRK
CONSOLIDATED

Pajingo Gold Mine (40% Equity: ASX Listed North Queensland Metals 60% Equity and Manager)

Gold production was up 8% over the previous quarter and up 25% over the previous corresponding period. Unit costs were down $41 per ounce quarter on quarter to A$700 per ounce. Significant steps were taken to expand production through the proposed addition of open pit ore commencing in the June quarter and potentially, development of Twin Hills late in 2010.

Table 1 : Pajingo JV* Performance Data

	Quarter ending				
	Mar Qtr 2010	**Dec Qtr 2009**	**Sep Qtr 2009**	**Jun Qtr 2009**	**Mar Qtr 2009**
Development (m)	1,082	1,217	1,196	1,082	848
Mine Production (t)	64,339	73,894	91,588	71,681	66,266
Mine Grade (g/t)	6.4	6.9	4.8	4.9	6.2
Mill Production (dry t)	71,220	72,396	89,813	79,552	63,672
Mill Grade (t)	6.6	6.1	4.9	4.4	6.0
Recovery (%)	96.9	95.9	95.7	95.0	95.7
Gold Produced (oz)	14,622	13,503	13,540	10,801	11,658
Average Gold Sale Price AUD/oz	1,221	1,216	1,193	1,164	1,357
Cash Cost AUD/oz	700	741	705	853	725
Silver Produced (oz)	21,703	26,724	18,421	13,191	16,282
Average Silver Sale Price AUD/oz	18.20	19.45	18.18	17.66	14.31

*Heemskirk 40% equity

Pajingo Operations

Gold production (100%) for the quarter was 14,622 ounces at a cash cost of $700 per ounce, compared with the previous (December 2009) quarter of 13,503 ounces at a cash cost of $741 per ounce.

Heemskirk's average gold price received for the quarter was higher at $1,221 per ounce ($1,216 previous quarter) delivering an improved operating margin of $521 per ounce ($475 previous quarter).

Productivity improvements made in the previous quarter continued with consistent results achieved month on month. Gold production was slightly affected by poor mining equipment availability and to a small extent from Cyclone Ului. This resulted in some lower grade material being fed to the mill.

Production remains around 2.5% short of the targeted annualised gold production of 60,000 oz pa, however there is confidence in the forward production schedule to bring production in line with the target. Grades have improved with both ore production types and reduced dilution.

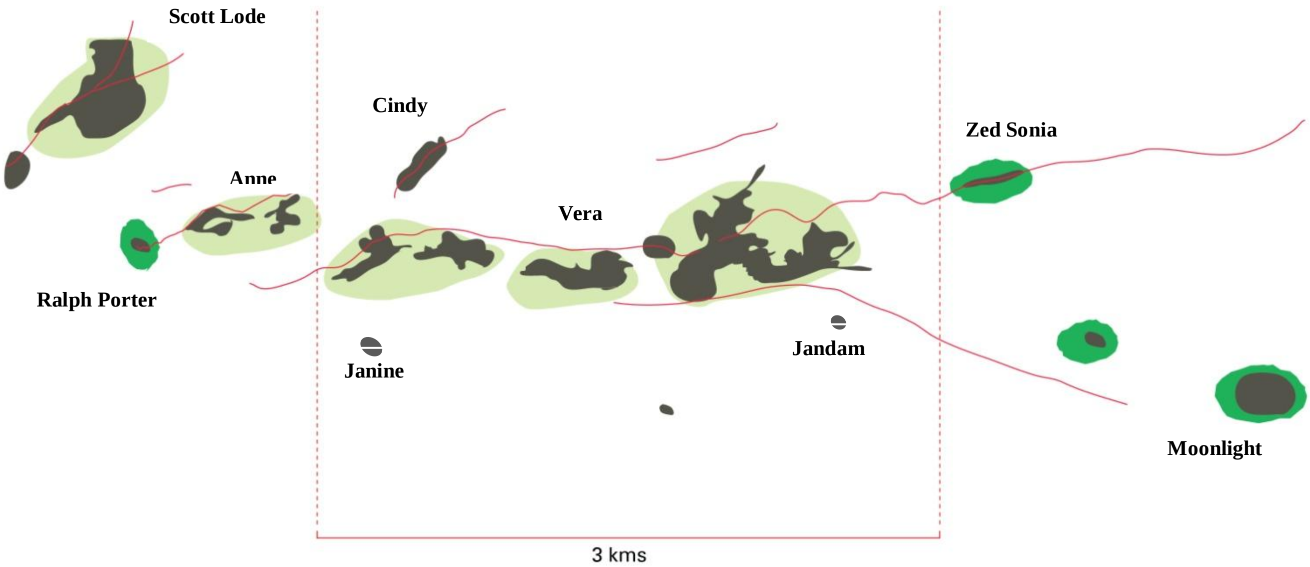

Figure 1 - Plan Projection Scott Lode to Moonlight, Pajingo showing sites of announced results

The success of the single boom jumbo in mining narrow vein orebodies with reduced dilution has prompted the purchase of a second machine. Two narrow load haul dump (LHD) units are on order to replace two older less productive units currently in service. The larger two twin boom jumbos will continue to concentrate primarily on capital development work.

Capital development work was down on the previous quarter largely due to allocation of priorities with equipment. Towards the end of the quarter, LHD's had a particularly poor month with one off site for a planned major rebuild and an unplanned failure resulting in three weeks of downtime due to lack of part availability from the supplier. A rental unit has been secured to ensure that any repeat events do not impact on operations.

Capital development remained focussed on the two access drives providing drill site access for delineation of the Zed and Sonia orebodies. Delineation drilling has commenced on the Zed orebody.

In the quarter, 26% of ore was sourced from development and 74% from stoping. Development work in the Jandam Deeps progressed well and new stopes are being accessed in Vera South. The majority of ore was from Janet B stopes though good grades from Bell Vein made a strong contribution to production.

Underground mine production is not planned to increase beyond the current rates. Sustainable production relies on being able to find, access and develop new production areas. Improvements underground will focus on increasing operating development to have more stopes ready to mine. This will benefit productivity and grade/tonnage management over time.

Joint Venture approval was given for development of the Janet A pit which is located within 1km of the processing plant. The pit is designed to extract 118,000t @ 2.75g/t for 10,400oz Au over a 10 month period. This is the first of a series of pits of similar size that will be sequenced to provide approximately 10,000 oz of additional annual production.

Milling operations were steady. The plant continues to mill at higher throughput rates than the mine can produce to improve efficiency and to allow for planned shutdown periods and upgrade work. Studies on the impact of Twin Hills ore have concluded that no modification is necessary immediately. Trial batches of Twin Hills ore mined from different parts of the orebodies are expected to be processed in late CY 2010.

Although considerably harder than Pajingo ore, the Twin Hills ore requires much less grinding. Subject to a Joint Venture decision to proceed with the development, most focus is on the leach and absorption circuit providing sufficient residence time at the planned throughput rate.

Expansion of the mill to cater for the Twin Hills ore is not expected to be a difficult or expensive capital exercise.

Pajingo Exploration

Due to the seasonal wet period, only minor surface drilling was planned in the March quarter.

As announced on 8 April 2010, an extensive amount of exploration has been completed with both near term and longer term positive impacts. Some of the grades intersected were exceptional. This was coupled with analysis of work undertaken by previous owners. This exceptional database includes over 1,000 kms of drilling.

The results support the Joint Venture's strategy of seeking both to extend Pajingo's mine life and expand production through exploration. Figure 1 illustrates the areas of exploration success as previously announced.

Results from new drilling and data evaluation raise the potential for significant additions to mine life at Pajingo. Areas of note include: a confirmed extension of underground mineralisation and potential for open pit at Anne, high grades from surface sampling and drilling at Ralph Porter with potential as an extension of the main Vera Nancy orebody. High grade results at Janine including 8m at 10.81 g/t Au and possible open pit mining, drilling points to three new sublevels beneath previous mining at Cindy and positive high grade drilling confirming eastern extension of current mining area along strike at Jandam East. In addition, at the Moonlight project a further 3000m drilling is planned following indications of a continuing gold-silver system below latest drill results.

Table 2 : Schedule of Mineral Tenements - Australia

Lease	Grant Date	Expiry Date	Holder*
EPM11152	18.08.1996	14.08.2011	HSK Gold Australia Pty Ltd (40%)
EPM 14186	Relinquished		HSK Gold Australia Pty Ltd (40%)
^EPM14187	04.03.2004	03.03.2009	HSK Gold Australia Pty Ltd (40%)
ML10215	03.10.1996	31.10.2016	HSK Gold Australia Pty Ltd (40%)
ML10246	01.05.2001	30.04.2021	HSK Gold Australia Pty Ltd (40%)
ML1575	30.04.1987	30.04.2021	HSK Gold Australia Pty Ltd (40%)

**Interests in these tenements were acquired on 30 December 2007*
^Currently under application for renewal

Pajingo New Projects

Twin Hills is located approximately 200 kms by a major haulage road south of Pajingo. The Pajingo Joint Venture acquired Twin Hills for $1.75m in December 2009.

In February the Joint Venture announced an initial Resource for the Lone Sister deposit at its Twin Hills project of 1.02mt @ 3.7g/t Au for 120,000 oz Au.

Lone Sister lies 7 kms south of the larger 309 Deposit at Twin Hills. Unlike the 309 Deposit estimate, no mining evaluation criteria has been applied to Lone Sister. It is likely that further drilling will be conducted to test extensions to the deposit while the 309 Deposit is being extracted. There is considerable potential for adding further to the resources both at Lone Sister along strike between the two deposits and potential depth extensions to the 309 Deposit.

Drilling at the 309 Deposit designed to increase the confidence in particular areas enabled an open pit. Probable Reserve to be estimated. The drilling results and the Probable Reserve estimate were released on 13 April 2010.

Full details of the 309 Deposit Reserves and Resources are restated in Table 3 overleaf.

Best results for drilling were 29m @ 7.12g/t Au including 5m @ 24.3g/t Au (THRCD917) and 29m @ 6.16g/t Au (THRCD897). A complete list of results is included in the ASX Announcement released on 13 April 2010.

An open pit is the base case for mining options at the 309 Deposit. A possible scenario involving a combination of open pit and underground mining is currently being evaluated by Snowden Mining Industry Consultants (Snowden). Subject to approvals, trial underground mining is planned to commence in the second half of the year to confirm metallurgical performance.

The mining optimisation study will evaluate a number of options to determine how the ore from Twin Hills best complements the Pajingo ore sources to boost the gold output from the Pajingo process facility to over 100,000 oz per year. At this stage the Lone Sister deposit has not been included in the optimisation study.

Planning is focussed on commencing underground development at Twin Hills in the second half of 2010 subject to approvals.

Table 3: - Reserves and Resources for the 309 Deposit at Twin Hills

Open Pit Probable Reserves*

Category	'000T	Cutoff	Grade Au	Ounces Au	Grade Ag	Ounces Ag
Low Grade (0.5-1.5g/t Au)	845	0.5	0.9	25,000	2.2	60,000
High Grade Ore (>1.5g/t Au)	842	1.5	3.4	92,000	5.0	136,000
Total	**1,687**	**0.5**	**2.1**	**117,000**	**3.6**	**196,000**

inside AUD1000/oz open pit design

Open Pit Resources*

Category	'000T	Cutoff	Grade Au	Ounces Au	Grade Ag	Ounces Ag
Indicated	1,639	0.5	2.3	119,000	3.8	200,000
Inferred	166	0.5	1.4	7,000	2.3	12,000
Total	**1,805**	**0.5**	**2.2**	**126,000**	**3.6**	**212,000**

inside AUD1000/oz pit optimization

Potential Underground resource @ 2.0 g/t Au cut-off*

Category	'000T	Cutoff	Grade Au	Ounces Au	Grade Ag	Ounces Ag
Indicated	269	2	3.9	34,000	3.3	29,000
Inferred	650	2	3.9	82,000	2.3	47,000
Total	**919**	**2**	**3.9**	**116,000**	**2.6**	**76,000**

**outside AUD1000/oz pit optimization and within AUD1500 grade shells*

The Resource and Reserve estimate was prepared by Snowden Mining Industry Consultants Pty Ltd (Snowden).

Los Santos Project (100% Equity)

Los Santos Operations

Focus of the operation is the completion of the works associated with Project 65/65 (65% metallurgical recovery and 65 tonnes per hour mill throughput). Despite difficult Northern Hemisphere winter conditions, the bulk of the construction work has continued to plan. Mechanical installation is nearing completion and electrical works have commenced. Commissioning of Project 65/65 will be underway in the next few weeks. The commissioning process has been designed to occur in several stages as different parts of the circuit are finalised and tested before the whole circuit is brought into final testing.

All principal structures have been completed and the new equipment installed. The capacity of the "gravity table" circuit will be significantly upgraded with an increase in the number of installed tables from eight to 28 and the capacity of the "spiral" circuit has been more than doubled.

A new "middlings" processing stream has been added to provide an improved material balance and a flotation circuit has been installed to remove unwanted material such as sulphides, prior to gravity separation.

As part of the transformation, a regrind circuit has been included in the flowsheet to process oversize material. This will enable a coarser product to be fed from the crushing circuit, thereby increasing the plant throughput capacity. The ball mill for the regrind circuit is now in position and aligned.

Some areas have already been commissioned such as the flotation circuit and two of the three new in-line low intensity magnetic separators (LIMS) are operating. Importantly, in operation the LIMS remove magnetic material early in the processing route, reducing unwanted waste load from the circuit before the gravity separation tables.

A new mining agreement with SyL has been completed. Mobilisation of SyL's equipment has commenced with first ore expected to be delivered to the mill in April. Ore production will build up during the commissioning process to ensure a smooth transition back to full production post commissioning.

Table 4 : Los Santos Production Statistics

	Mar^ Qtr 2010	Dec Qtr 2009	Mar Qtr 2009
Ore treated (tonnes)	53,416	62,497	78,767
Concentrate produced (tonnes)	34	98*	190

^Processing from stockpiles
**Including reprocessed material from stocks*

Production was down reflecting the increase in downtime as Project 65 entered the commissioning phase.

Los Santos Corporate

As previously reported, corporate interest in the Los Santos Project has been expressed by a number of groups. In order to coordinate and address this and additional interest appropriately, Ernst & Young Transaction Advisory Services Limited (EY) were appointed as Corporate Advisor in relation to Los Santos.

Heemskirk is focussed on increasing the production from the Los Santos Project, however, given its scale as potentially one of the world's top three producers (outside of China) its strategic value has been recognised by a number of tungsten industry participants. This corporate process, to be co-ordinated by EY over the next few months, will explore opportunities to maximise value for Heemskirk shareholders. At the time of writing, the first stage of the process was nearing completion with the lodgement of expressions of interest. A process of development of this interest will be undertaken over the next weeks with key contenders being invited to submit firm proposals. Naturally details are bound by confidentiality.

Table 5 : Schedule of Mineral Tenements Spain

Description	Tenement Number
Investigation Permit	6606
Investigation Permit	6607
Mining Concession	6133

Figure 2: - New Building Structure at Los Santos housing additional tables

Canadian Operations - Industrial Mineral Products (100% Equity)

Following on from the previous quarter, activity in the western Canada oil and gas patch increased signfiicantly with seasonal peak demand.

The active drill rig count peaked in February with a record 540 rigs compared with the previous high of 472 near the close of the previous quarter. The expectation is for activity to tail off into April and May during the Spring seasonal low demand period.

Product sales increased over 30% quarter on quarter and gross revenue increased 35% reflecting the strong sales into the oil and gas services sector. Details are illustrated in Table 6.

The oil and gas patch, in North America and Western Canada in particular, appears to have reverted to a more normalised annual cycle post the global recession.

Concurrent with normal business operations, the Canadian team are focussed on a series of new business initiatives designed to better enhance the value of the asset suite in Canada. An example of this has been the development of the Silica Flour product. This business has progressed into a commercial phase with contractual sales being the next short term milestone. Demand for the product is increasing strongly. Other initiatives are currently subject to corporate confidentiality but are advancing positively.

Table 6 : Operational Performance Summary Canada

	Mar Qtr 2010	Dec Qtr 2009	Mar Qtr 2009
Canada Industrial Mineral Production (Tonnes)	16,171	12,154	6,145
Canada Mineral Production Gross Revenue (C$M)	3.5	2.6	1.4

Table 7 : Schedule of Mineral Tenements Canada	
Description	**Tenement Number**
Cache Creek	331422
Ralf#1	338588
Contact	213089
Sandy	213090
Pax	213099
Access 1	213195
Moberly Pit	344488
Solar	576995

Exploration

The increase in exploration expenditure reflects in the main activity at Pajingo (40% equity). Most "exploration" at Los Santos took place within existing mine planning areas to aid ongoing mine planning (see Table 8).

Safety

Group safety performance has improved quarter on quarter. There were, however, two lost time injuries. One reported for the Pajingo operation (HSK 40%) which was a recurrence of a pre-existing condition and one in Spain. Safety programs and training remain a key KPI for the Company and each operating site.

Corporate

Table 8 : Group Expenditure

	Mar Qtr 2010	Dec Qtr 2009	Mar Qtr 2009
Group Capital Expenditure (A$M)	2.2	3.7	2.6
Group Exploration Expenditure (A$M)	0.9	0.8	0.2

The Company received Conversion Notices for the second conversion period ending 8 March 2010 for a total of 1,076,100 Convertible Notes. This represented 10% of the Notes outstanding. Noteholders who elected to convert received 1.007 ordinary shares in the Company and $1.75 cash for every Note converted.

The information in this report that relates to Mineral Resources on the Twin Hills project is based on information compiled by Mr Peter Brown, who is a Member of Australian Institute of Geoscientists. He is a full time employee of North Queensland Metals Limited. Mr Brown has sufficient experience which is relevant to the style of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.