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CUT STRAIGHT TO YOUR NEWS

Cyclone brewing for Diatreme

Prospective funding and development partners from China and Europe are circling Diatreme Resources Ltd's flagship Cyclone zircon project in Western Australia's Eucla Basin.

Diatreme managing director Neil McIntyre said his company, currently awaiting the final regulatory approvals for an environmental permit, was being courted by "a number of major offshore parties" as the end of an intense work programme to de-risk the project draws to a close.

During the past 18 months, the company has successfully established water supply on site, secured a mining lease, picked up additional tenements from Image Resources NL and signed a project compensatory agreement with Traditional Owners.

Receipt of an environmental permit for the construction of a haulage road from the mine to the Forrest rail siding – due this month – will open the door for Diatreme to begin advanced discussions with the interested parties.

McIntyre said he was hopeful of locking in funding arrangements by the end of the first half in a bid to finalise the BFS and start construction in early 2017.

"The next 3-6 months are pretty crucial for us in terms of delivering the project," McIntyre told **Paydirt**.

"Our next step after we receive this environmental approval will be to get one of the larger specialised firms to come in and re-crunch the numbers and have another hard look at the capital and opex costs.

"We've already had one review and we got the cost down from around \$220 million to about \$146 million, and that was just by rethinking the composition of the mining operations."

Part of Diatreme's de-risking strategy for Cyclone, about 300km north of Eucla and 25km west of the WA/South Australia border, was to expand the project's resources and reserves.

Diatreme recently increased Cyclone's reserves by 47% to 140mt @ 2.5% heavy minerals, including 0.71% zircon, containing 3.5mt heavy minerals and 1mt zircon. The reserve upgrade also lifted the projected mine life from 10 years to 14 years, based on a proposed mining rate of 10 mtpa.



Diatreme has been busy on the ground at Cyclone over the past 18 months, building up resources and reserves to economic levels

Cyclone, trending along the same mineral belt as Iluka Resources Ltd's Jacinth-Ambrosia operation, boasts an overall resource of 211mt @ 2.3% heavy minerals, containing 4.8mt, based on a 1% cut-off grade.

"We've spent about \$12 million developing the project to where it is now and we firmly believe there are no other comparable projects of this size and mineral composition," McIntyre said.

"In the mineral sands game, you really want to have a combination of things to make it worthwhile, including good grades, good deposit size, low overburden and, if you can, a zircon-rich mineral assemblage.

"Zircon is the highest-priced of the mineral sands products and we're lucky enough that our project does have plenty of it. About a third of the heavy mineral sand assemblage is zircon, but that translates to at least 70% of the revenue and that's really what underpins its economics."

Diatreme is one of several junior companies looking to develop a mineral sands project in WA. Distinguishing itself from the likes of Image, Sheffield Resources Ltd and MZI Resources Ltd is a challenge McIntyre and his team have openly acknowledged.

With a market cap of just \$6.5 million at the time of print, Diatreme is rated well below its main competitors, but McIntyre does not believe his company has any less chance of developing its flagship asset.

Partnering with a cashed-up interna-

tional developer is therefore the only option for the ASX-listed company in the current economic climate.

"We've said we're going to develop this, but I think we've got to be honest to ourselves and to the market about what we're doing and that is to make this the most attractive project possible for a major party – or parties – to come into," McIntyre said.

"As a company we'll get tremendous value out of that, but it will also ensure the project actually goes ahead. We don't want to be a company that just

talks about it, we actually want to make it happen."

Diatreme is also looking to progress its Cape Bedford mineral sands project in north Queensland. It is surrounded by Cape Flattery, the world's largest silica mine, and is currently under application for an exploration permit.

Meanwhile, Diatreme has announced a maiden resource of 630,000t @ 1.08 g/t gold for 680kg (22,000 troy ounces) for the tailings material at its Tick Hill project, about 110km west of Mt Isa.

The company is eyeing a reprocessing operation to recover about 220,000oz from the tailings and potentially a further

40,000oz from the old underground workings, while looking to find out why the Tick Hill orebody abruptly stopped before the mine was shut down in the 1990s.

"It was an extraordinary mine in its day, but it only operated for about five years despite producing about 500,000oz of gold at an average grade of about 23 g/t," McIntyre said.

"The blue sky opportunity is identifying where the principal orebody went. We have some ideas about where it went and we think there could be another 500,000oz or more which has been dislocated from that original orebody and possibly hidden at depth or by lateral shifting."

– Michael Washbourne



Neil McIntyre