

press clip



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# Sands shifting north again

Leading mineral sands producer Iluka Resources Ltd is basking in the glory of rising zircon and rutile prices.

An improved mineral sands market was evident in the first half of this year, with the company reporting 43% higher sales volume and 46% more revenue than the same period in 2016.

It comes as Iluka prepares to restart mining activities at its flagship Jacinth-Ambrosia operation in South Australia from December following an almost two-year hiatus.

"Iluka is of the view that, in the absence of a deterioration in global economic conditions, the demand outlook for zircon in 2017 and 2018 is for moderated growth," the company said in its latest quarterly report.

"In Iluka's assessment, it remains the only zircon sand supplier with significant inventories and is well positioned to meet the demand recovery for zircon."

Iluka's decision to bring Jacinth-Ambrosia back online amid an improving zircon market has been welcomed by a number of hopefuls, including Strandline Resources Ltd and Diatreme Resources Ltd.

Diatreme has attracted interest from potential Chinese off-take partners over zircon-rich products from its Cyclone project in Western Australia's Eucla Basin, with formal MoUs tipped to be signed this quarter.

"It's been discussed openly that the industry is facing a looming shortfall in supply, particularly on the zircon side, within a couple of years," Diatreme managing director Neil McIntyre told **Paydirt**.

"It was not unexpected that Iluka would reopen. I think they took the opportunity to reorganise their on-site operations, get it more efficient and now they're looking at bringing some of that supply back on."

"The feedback we're getting from Chinese processors that we're engaging with, who were somewhat squeezed by Iluka when they shut down that operation, is they're looking to diversify supply so that they're less reliant on some of the major suppliers like Iluka."

Zircon prices have jumped by as much as \$US200/t during the last 6-9 months and McIntyre has seen enough to be confident of further increases before 2017 comes to a close.



Iluka plans to restart mining at Jacinth-Ambrosia in December

"We've been very encouraged by our conversations with the concentrate processors and we see the reason for them engaging with us, quite candidly actually, is because they feel they will potentially be squeezed out again from access to supply," McIntyre said.

"I think they're reaching out to ensure they do get access to product to keep their businesses and their customers supplied and we take that as being very encouraging for the medium-term outlook for the industry. There's definitely room for other players and other suppliers and we want to be part of the mix."

Six Chinese-based firms – all with mineral processing operations – have expressed interest in progressing discussions with Diatreme over Cyclone, which the company declared "completely de-risked" in January upon receipt of the final environmental approval.

Formal MoUs are expected to pave the way for the company to finalise a DFS and assemble the required debt funding for the project.

"I think the market has taken a different

look at us since that final environmental approval and said, 'OK, they are serious about getting this project up and going'," McIntyre said.

"We're getting to the pointy end now in terms of a true timeline to production. We still have to lodge the final mining plan, but that's fairly routine at the end of the DFS process."

A mining lease has also been granted for Cyclone, which hosts a measured and indicated resource of 203mt @ 2.3% heavy minerals containing 4.7mt, based on a 1% cut-off grade.

While Cyclone may be the lead project in Diatreme's portfolio, McIntyre is looking to up the ante at the company's Cape Bedford silica project, 200km north of Cairns, North Queensland.

Diatreme received approval to explore the tenements which border Mitsubishi Corp's Cape Flattery mine – the world's largest silica operation – earlier this year following a lengthy cultural heritage approval process.

Drill rigs mobilised to site in early July ahead of a drilling programme of up to 3,000m kicking off at the time of print.

"We have a pretty good understanding of the high quality silica content contained in the area where we will be exploring," McIntyre said.

"We're particularly interested also in looking at the heavy mineral content contained in the sand. We've obtained some RAB samples at various points within the licence area and they seem to indicate there is heavy minerals contained in very interesting quantities."

– Michael Washbourne



Diatreme's zircon-rich Cyclone project has attracted interest from potential Chinese off-take partners