Mining

# Barry FitzGerald: Let’s talk about sand

February 7, 2019 | **Barry FitzGerald**

The seemingly dull sand market has emerged as one of the more vibrant ASX sectors for junior explorers/developers.

The market loves a big thematic and sand – we’re talking about silica sand and the construction type – certainly has that in, well, bucketloads.

High compound growth in demand is forecast for the market, with super-charged Asian demand complemented by strong growth in the US and European markets.

Overlying the broad geographical demand growth is the growth in traditional uses (construction, glass-making, foundries, paints, chemicals and water filtration), and the faster growing demand in the less traditional markets (fracking sand for the oil industry, cover glass on solar panels, and other high-tech glass applications).

From that multitude of uses, it should be apparent that sands ain't sands. Quality differences mean there is a multitude of pricing points for the material, ranging from $US50/t for general quality stuff, through to $US500-$US12,000/t for the high-end stuff.

## Gains that are just plain silica

That investors are getting behind the thematic has been reflected in the growth in the market value of VRX Silica (formerly known as Ventnor Resources but with the same VRX code).

In the space of 16 months, the former sleepy metals explorer has become a $42 million company on the strength of its silica sand projects north of Perth.

Others have also come in to the space. Earlier this week Perpetual Resources (PEC) took up an option to acquire silica sand tenements (under application) directly along strike and to the north of VRX's Arrowsmith North Project.

Bustling mining entrepreneur Tolga Kumova was one of the vendors in return for shares. His involvement probably had something to do with Perpetual's share price popping 1.1c or 78% higher to 2.5c on news of the option deal.

Despite the 78% gain, Perpetual continues to have a modest market capitalisation of $3m.

Another sand player that has caught Garimpeiro'e eye is Diatreme Resources (DRX). It has been trading at 1.5c for a market value of about $20m.

Its market value is pretty much covered by its shovel-ready Cyclone heavy minerals sands project (as distinct from silica and construction sands) in the Western Australian portion of the remote Eucla Basin.



A recent definitive feasibility study on the zircon-rich project estimated Cyclone's net present value at $113m. Its internal rate of return was put at 27%, and the capital payback ($135m) was estimated at less than three years.

Diatreme is now looking for partner(s) of various flavours to come in and pick up the running on the development, a task made easier thanks to the strong improvement in zircon prices in recent times on looming supply shortages.

## Cyclone warning

Cyclone itself could provide excitement for Diatreme as the year unfolds. But there is also growing interest in the stock thanks to its Galalar silica project (it also has a small heavy mineral sands component to it) north of Cooktown in north Queensland.

The Galalar project area surrounds the world's biggest silica mine, the Mitsubishi-owned Cape Flattery operation, which has been in operation since 1967. Diatreme has developed a partnership with the native title holders, who also own the freehold.

They hold a free carried interest in the project which has not been disclosed at this stage but which is assumed to be more than 10%.

A maiden resource of 21.6mt of 99%-plus silica was announced last August and has encouraged Diatreme to start planning a potential 500,000tpa operation, ramping up to 1mtpa over time.

Recent bulk testing results demonstrated the project is capable of producing premium-grade (low iron) silica using standard processing techniques and conceptually at least, the development cost could be less than $25m.

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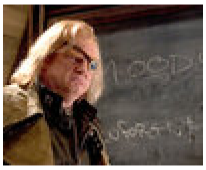

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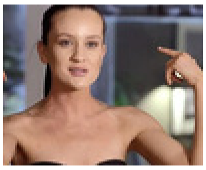

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