

# ASX ANNOUNCEMENT


16 July 2019

## Offtake MOU on Galalar Silica Project Signed with Fengsha Group

- Memorandum of Understanding (MOU) signed with China's Fengsha Group on potential supply of 500,000 tonnes per annum of photovoltaic grade (sub 100ppm Fe<sub>2</sub>O<sub>3</sub>) silica sand from Diatreme's Galalar Silica Project in North Qld
- Fengsha Group is China's largest processor and supplier of photovoltaic (solar) and specialty high end silica sand
- Potential for supply of an additional 250,000 tonnes (750,000 tonnes total) of silica product, subject to testing for further chemical processing in China to achieve sub 50ppm and sub 30 ppm Fe<sub>2</sub>O<sub>3</sub> high end silica specifications
- MOU terms include providing product development technical support, market access and logistics and to examine potential for direct project investment
- Agreement a major step forward for a potential new silica sand mine in North Qld, supplying premium quality silica to Asia's fast-growing solar panel market.

Emerging silica sands explorer and developer, Diatreme Resources Limited (ASX:DRX), announced today a major advancement for its Galalar Silica Project with the signing of a Memorandum of Understanding (MOU) with the Anhui Fengsha Mining Group Co Ltd (Fengsha Group or the Group) regarding the potential supply of up to 500,000 tonnes of photovoltaic grade silica sand (sub 100ppm Fe<sub>2</sub>O<sub>3</sub>) to be produced on-site from the North Queensland project. The Galalar Silica Project is adjacent to the world's largest silica sand mining operation mined by Mitsubishi Corporation.

The privately owned Fengsha Group is China's largest domestic supplier to major glass manufacturers of photovoltaic (solar) and other specialty high end silica sand products used in the manufacture of photo-electric glass, TFT glass and high end automotive paints.



Fengsha Group currently produces and markets more than 2.5 million tonnes of product. Following a recently completed plant expansion at its facility in Anhui Province and some regional acquisition activity, it is targeting production and sales to increase to more than 6m tonnes per year from 2020.

Welcoming the MOU, Diatreme's CEO, Neil McIntyre commented: *"This is an extremely significant agreement for Diatreme as we work to unlock the potential of the Galalar project, in partnership with the traditional owners, Hopevale Congress.*

*"The Chinese market consumes approximately a third of the world's industrial silica and we have identified and started the first stage of an important relationship with China's largest supplier and processor of photovoltaic (solar) and high end silica sand product. It is our intention to form a significant part of the long-term supply solution in a market that is undergoing significant and constant demand growth.*

*"We are excited to move forward with the Fengsha Group given their unique insights and knowledge of the high end silica sand markets in China through the next steps following the signing of this MOU, and to further examine the full high end silica sand product range we can develop together."*

Significantly, Fengsha Group undertakes quartz hard rock extraction and processing from mining activity within the Anhui Province, but is unable to meet the rapidly increasing demand of glass manufacturers for both higher volumes and specialty requirements. Diatreme's Galalar Silica Project is considered a potentially reliable long-term high quality supply source.

Additionally, Fengsha Group and Diatreme will undertake a further silica product testing program to examine the potential for Diatreme to supply an additional 250,000 tonnes per annum (in addition to the 500,000 tonnes) of photovoltaic quality sand (sub 100ppm Fe<sub>2</sub>O<sub>3</sub>) for further specialised processing in the Group's state of the art facility to meet the exacting silica product (low iron) requirements of the sub 50ppm and sub 30ppm Fe<sub>2</sub>O<sub>3</sub> categories used in further higher value applications.

The MOU contemplates for this additional 250,000 tonnes of product the use of the Group's existing facilities for a further chemical de-ironization process, colloquially referred to in China as "chemical pickling," a process that further removes contained iron levels and some other contaminants.

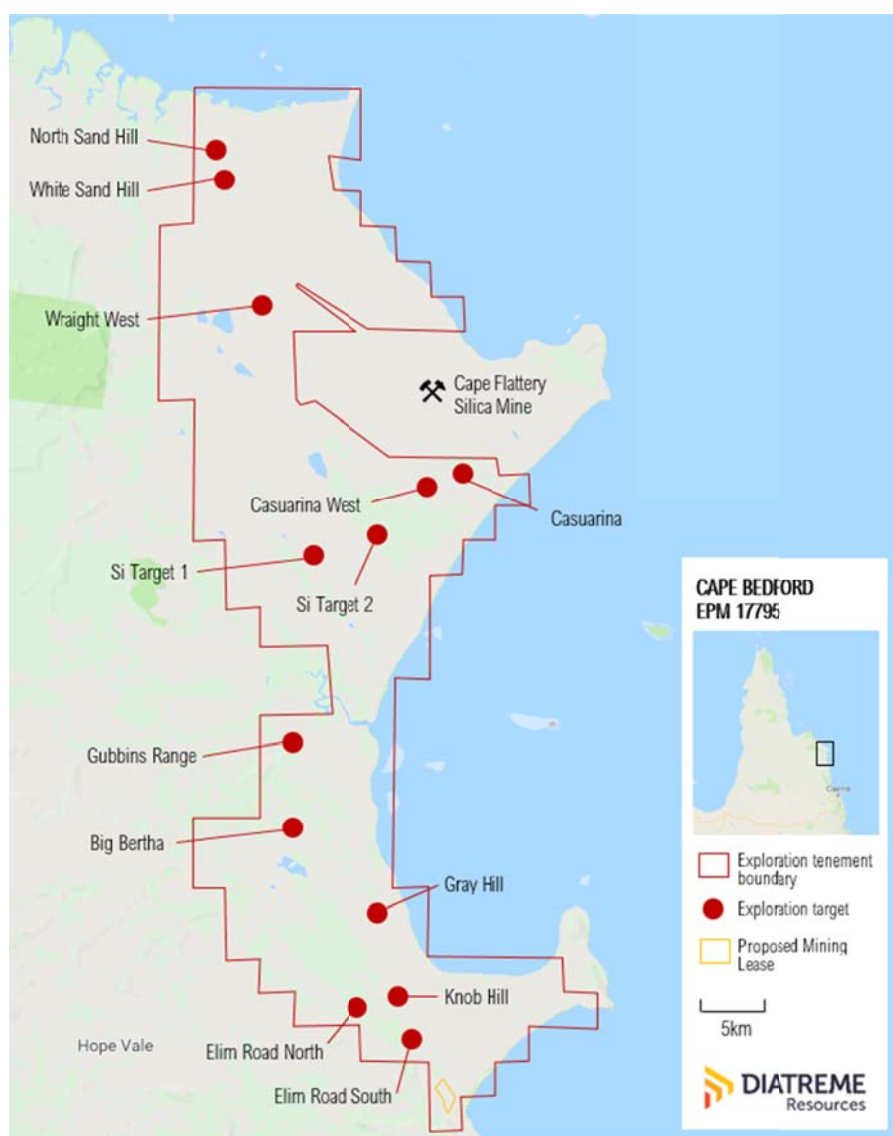
Further testing will now be undertaken to determine the existing silica product's amenability to this further beneficiation. If successful, bringing the Fe<sub>2</sub>O<sub>3</sub> levels down to these lower levels has a significant multiplier effect on product sales prices. Final commercial arrangements on the further processing are subject to successful testing results, but may include a product tolling or end price profit sharing arrangement for the services provided by the Group, subject to further negotiation.

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The Fengsha Group will also assist Diatreme with more detailed China market logistics planning, further product specification development, mine development and other technical assistance. Both parties will also discuss the potential for the Group to directly invest into the Galalar project.

The MOU is non-binding at this stage but sets a framework for further co-operation, leading potentially to more binding arrangements between the parties subject to final negotiations. The MOU term is for 12 months, with the potential for mutually agreed extensions.



**Figure 1. Galalar Exploration Tenement and Resource Area**

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**Figure 2. 'Chemical pickling' vats used in Silica sand product beneficiation, Fengsha Group, China**

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### Competent Person Statements - Silica

The information in this report that relates to Exploration Results and Exploration Targets from the Cape Bedford Project is based on information reviewed and compiled by Mr. Neil Mackenzie-Forbes, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr. Mackenzie-Forbes is a director of Sebrof Projects Pty Ltd (a consultant geologist to Diatreme Resources Limited). Mr. Mackenzie-Forbes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Mackenzie-Forbes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Silica Mineral Resources is based on information compiled by Brice Mutton from Ausrocks Pty Ltd who has significant experience in Industrial Minerals and Quarry Resource assessments. Brice Mutton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code).

Brice Mutton consents to the inclusion in the report on the matters based on their information in the form and context in which it appears.

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