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Rising sands

Australian Resources & Investment, Melbourne



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BY ANTHONY FENSOM

Australia's mineral sands miners are eyeing better times, with supply issues and a post-COVID recovery lifting prices.

Stock prices for ASX-listed minerals sands companies have surged as a result of the changing market conditions, encouraging increased investment in an industry key to global construction and green technology.

Home to the world's largest mineral sands deposits, Australia has nearly a third of the world's ilmenite (titanium) resources, 62 per cent of rutile and 68 per cent of zircon resources, according to the Minerals Council of Australia.

On July 23, industry leader Iluka Resources was trading at \$9.75 a share, having risen by nearly 50 per cent since the start of the year.

Other sand miners have also enjoyed impressive gains, including Astron Corporation (up 125 per cent) and Sovereign Metals (up 70 per cent).

Macquarie Bank analysts see zircon prices rising by 14 per cent in 2022 to US\$1643 (\$2230) a tonne and rutile prices increasing by 4 per cent as demand recovers on the back of a strengthening world economy.

In its June quarterly review, Iluka reports that zircon demand "remained strong" throughout the first half of 2021, on the back of improved ceramics production in Asia and Europe. Demand for titanium dioxide was also described as "robust," with sales up 72 per cent in the first half due to extra demand for high-grade feedstock amid constrained supply in China and Africa.

Iluka notified the Sierra Leone Government in May that it plans to "temporarily suspend" operations at its Sierra rutile project, effective November 19, due to reported operational issues.

"Iluka's sales of high-grade feedstocks will likely be production constrained in (the second half)," it notes. The Perth-based company has hiked prices for both rutile and zircon.

Supply worries further escalated in June, when Rio Tinto shut its Richards Bay mineral sands operation following growing community violence, including the death of a senior executive.

Richards Bay is responsible for around 17 per cent of the world's titanium feedstocks and 13 per cent of zircon.

On July 21, Rio Tinto announced operations at Richards Bay would remain halted "until further notice," with a restart depending on "when the safety and security position improves."





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Page 2 of 2



Samples from Diatreme Resources Cyclone project.

NEXT WAVE

Smaller producers and the next wave of emerging mineral sands miners are emerging to fill the supply gap.

Among the emerging producers is Brisbane-based Diatreme Resources, which is advancing its Galalar silica sand project in Far North Queensland towards development.

Located near the world's largest operating silica sand mine at Cape Flattery, Diatreme sees its silica operation as supplying the fast-growing solar PV market.

"Galalar is rapidly progressing into becoming a leading supplier of high-purity silica sand, perfect for the needs of the solar PV market and specialty glass makers," Diatreme chief executive officer Neil McIntyre says.

"With silica described as the 'next lithium' due to its role in the world's clean energy revolution, we're confident of advancing the project towards production in 2022."

In mineral sands, the company's Cyclone zircon project in Western Australia is also attracting increasing interest.

Having advanced the project through to 'shovel-ready' status, Diatreme is keen to attract partners capable of developing it through to production.

"Cyclone has everything in place ready for its development and with continued constrained supply of high-grade zircon, we are confident of finding the right partner to unlock value from this project," McIntyre says.

Also in Western Australia, Image Resources announced record quarterly production in the June quarter 2021 at its zircon-rich Boonanarring mineral sands

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project, located 80 kilometres north of Perth. Heavy mineral concentrate output reached a quarterly record high of 102,000 tonnes, with the company reporting rising prices for ilmenite, rutile and zircon.

"Market prices for ilmenite and rutile have been rising steadily for the past nine months and are now at seven-year highs in response to real demand for final products, presumably resulting from the significant economic growth globally following the COVID-19 economic contractions in (calendar year) 2020," it says in the July 20 report.

It also notes that zircon prices were at "three-year highs," with the benchmark price effective July 1 of \$US1630 per tonne the highest price recorded since 2014. Similarly, both ilmenite and rutile prices have hit their highest levels since 2014.

Image plans further expansion, including at its nearby Atlas, Helene and Hyperion projects, together with progressing a pre-feasibility study at its Bidamina project located 25 kilometres north-west of Boonanarring.

Another emerging producer, Strandline Resources, has commenced construction at its Coburn mineral sands project, located 240 kilometres north of the export port of Geraldton. The company expects the first production of heavy mineral concentrate in the fourth quarter of 2022, with an estimated 22.5-year mine life.

Also in Western Australia, Sheffield Resources has secured new offtake agreements for its Thunderbird mineral sands project,

located halfway between Derby and Broome.

The company describes the project as "the first major mineral sands deposit to be discovered in the Canning Basin and one of the largest mineral sands deposits to be discovered in the last 30 years."

Sheffield aims to complete an updated bankable feasibility study for the project by late 2021, while progressing project financing with government and commercial lenders.

On the east coast, Astron Corporation plans to commercialise its Donald mineral sands project in Victoria following a demerger completed in July.

Other ASX-listed mineral sands miners are looking further afield, principally in Africa.

Perth-based Base Resources is looking to expand its profitable Kwale titanium and zircon mine in Kenya and develop a new mineral sands project in Madagascar, while its Perth counterpart Sovereign Metals is progressing a scoping study for its Kasiya rutile project in Malawi.

Strandline also has a portfolio of mineral sands projects in Tanzania, comprising its Fungoni and Tajiri projects and other exploration targets. With increasing demand driven by global urbanisation and supply constrained amid mine shutdowns and declining grades, the outlook appears bright.

"A structural supply gap is widening for both zircon and rutile, driving prices higher and attracting increased investment. The time is right for Australia to maximise the opportunity from our high-grade mineral sands resources," Diatreme's McIntyre says. ARR1

Diatreme drilling activities in the Eucla Basin.

