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Diatreme goes direct

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Diatreme Resources Ltd is set to break ground at its Galalar silica project in Far North Queensland before the end of the year, with first production following in the first half of 2023.

Galalar, about 200km north of Cairns, is located in the same silica sands province as the 3 mtpa Cape Flattery silica mine operated by a local subsidiary of Mitsubishi Corp. While last year's PFS indicated the project would initially produce 1.3 mtpa, Diatreme chief executive Neil McIntyre is quietly confident his company could lift the output if discoveries continue to be made nearby.

In January, the company reported a maiden inferred resource of 53mt @ 99.32% silica for the Si 2 North project in the northern tenement area abutting the Cape Flattery mining lease. Galalar itself is hosted on the southern section of Diatreme's tenement.

McIntyre said there was plenty of scope for a second large silica operation in Australia given the soaring demand for ethical sources of the direct feedstock product which goes into the manufacture of sheeting glass for solar panels.

"The world's largest silica mine, which is to the north of us, produced 2.7mt last year and we can see ourselves doing that if we continue finding more resources to mine," McIntyre told **Paydirt**.

"It's an excellent time to be bringing on new silica mines. The market into Asia is screaming for product so there's not only a shortage in supply but we're also seeing a transformational shift in the silica market towards high-value ESG supply chain-certified suppliers of goods.

"We think that's where Australia has a big

advantage over some of the other traditional Asian suppliers, such as Vietnam, Malaysia and other places, where they can't really certify some of that sand which has been illegally mined out of rivers and there's been environmental damage to supply that.

"Queensland, in particular, has extraordinarily high standards for environmental impacts, the nature of the mining that is being undertaken, how we treat Traditional Owners, engagement with government and other processes."

Key outcomes from last year's PFS on Galalar included a NPV of \$358 million, IRR of 66%, life-of-mine net revenue of \$2.5 billion and a maiden reserve of 32mt which is sufficient for 18 years of initial operations.

Capex was estimated at \$67.9 million (including \$7.8 million contingency) with payback in 1.4 years. A mine life of 23.5 years has been scheduled.

A DFS and final investment decision for Galalar are expected over the coming months, with McIntyre confident of obtaining all permitting and approvals – including the mining lease and environmental authority – by Q3.

"I describe the PFS as a three-quarter bankable study because we really attacked it in some detail and all we really need to do now is the tendering process and final design," McIntyre said.

"We'll be putting out tenders over the next month or so for all contract services for the mine so that we can get the pricing down to plus-or-minus 10% for the purposes of the DFS. There's also some final engineering and design work which is under way as well."

Diatreme recently welcomed former Australian Deputy Prime Minister and Federal

Treasurer Wayne Swan to its board as the new chair. McIntyre said the appointment was a major coup for the company given the Queensland parliamentarian's passion for both economic development and indigenous engagement in the State.

Galalar is poised to become one of the most significant employers in the Hope Vale/Cooktown region with 80-85 direct employments and more than 40% of workers to be sourced from the local community. Diatreme has also entered into a working partnership with the Hopevale Congress Traditional Owners and is targeting circa 60% indigenous employment at start-up.

"We honestly didn't think we would attract someone of the calibre of Mr. Swan, but we're very fortunate he could see what we were trying to achieve and the difference we would make regionally in Far North Queensland,

"He has very particular views on how Traditional Owners must be dealt with and our thoughts were aligned on that. We've given the affected Native Title holders a direct 12.5% free-carried interest in the project, which is the first time it's ever been done in Queensland. We've also set some very high indigenous employment targets.

"Wayne was attracted to the way we put the deal together and how we intend to take the project forward. Obviously, he has a natural affinity for Queensland, and North Queensland in particular. We welcome him to the board, he's made a number of very positive contributions already."

Meanwhile, Diatreme is reporting renewed interest in its Cyclone heavy mineral sands project in Western Australia on the back of rising zircon, titanium and ilmenite prices over recent months.

The company has spent the last few years searching for a development partner for the project, which is approved and has a completed DFS. McIntyre said Diatreme's improved balance sheet also meant some financing options previously not available were now on the table.

"We're now up to around a \$70 million market cap, so to develop a \$130 million project such as Cyclone is not inconceivable," he said. "We're reviewing a number of ways now to unlock value for shareholders and that might include us advancing the project or bringing in other more technical parties to assist in offtake and so on. There are many options for the project and we want to try and unlock that value for shareholders over the next couple of quarters."

– Michael Washbourne



Diatreme is approaching a final investment decision on its Galalar silica project, about 200km north of Cairns