

Diatreme boss pursues Eucla Basin development

PUBLISHED: 12 Oct 2010 07:33:34

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It was only eight years ago that Tony Fawdon, executive chairman of Brisbane-based explorer Diatreme Resources, turned his attention to mineral sands.

Up until then Mr Fawdon was more familiar with gold and base metals after making a name for himself in Western Australia with a number of high profile discoveries, including the Granny Smith gold mine near Laverton, which is now in the hands of the world's largest gold miner, Canada's Barrick Gold.

The naval officer turned prospector, whose history with Diatreme dates back to its predecessor Strike Mining, is now pursuing the lofty goal of joining Iluka Resources in developing a mineral sands project in the zircon-rich Eucla Basin.

Mr Fawdon's timing could not be better. Diatreme has joined forces with Chinese company, BaoTi Group to develop the company's Cyclone project as demand for zircon, which has a range of consumer and industrial applications, from tiles and table ware to fuel cells and nuclear fuel rods, rebounds from historic lows during the global financial crisis.

"There is obviously a major shortage out there," Mr Fawdon told *Resources Daily*. "What people don't appreciate is... the Eucla Basin is quite different from every other basin. All the others are full of titanium, they have ilmenite which is worth about \$US80 a tonne, but the Eucla Basin is really a zircon basin and the world is consuming about 1.3 million tonnes a year, there is going to be shortfall of about 100,000 tonnes or more a year, increasing every year."

Mr Fawdon became a prospector in 1971 during the nickel boom and discovered the Granny Smith gold mine as well as a number of smaller mines while state manager for Canadian company Teck. He also floated a suite of companies in WA before moving to Queensland in 1990.

Mr Fawdon floated Diatreme on the Australian Securities Exchange in 2005 after listing it on the Newcastle Stock Exchange in 2003. The company was previously known as Strike Exploration, a subsidiary of gold and base metals explorer Strike Mining, which was founded and floated by Mr Fawdon in the mid 1990s.

Strike acquired telecommunications company Select-Tel in 2000, renamed itself Select-Tel and was subsequently divested to Select-Tel shareholders in an in specie distribution. Strike, meanwhile, became an unlisted public company and emerged as Diatreme in 2001. It listed on the ASX four years later with tenements in Queensland, New South Wales and mineral sands tenements in the Eucla Basin.

"The board made a decision in 1999, to put it (Strike) into a telecommunications group. It went to a company called Select-Tel that wasn't terribly successful but in the process they came back to us and said we don't know what to do with this exploration company, would you please take it back again."

Mr Fawdon agreed, as long as an specie distribution was given to shareholders and he was invited back on the board. The revitalised company emerged as Diatreme. "In 2002 we started to put funds into it. We then went on the Newcastle Stock Exchange.... we were there for about a year, raised a bit of capital and went onto the ASX in July 2005."

Mr Fawdon came across Diatreme's Eucla Basin tenements after paying about \$500 for federal government data derived from space shuttle altimetry in 2002.

"We were the first people in Australia to buy the data... we were playing around with it and found the Eucla Basin, that's when we went out and pegged it. No one had ever explored that part of the world before."

Mr Fawdon said that when introducing himself to indigenous communities he recognised some fossil features and the fossil environment. "We knew we were in the right place and the rest is history," he said.

Diatreme discovered the Cyclone project, located along the Barton shoreline within the Wanna Lakes area of the



Tony Fawdon, executive chairman of Diatreme Resources, will head to China this week to continue talks with BaoTi – the biggest end user of zircon products – following Diatreme's memorandum of understanding with the company.

Eucla Basin, 25 kilometres inland from Western Australia's border with South Australia, in 2007.

A recently completed scoping study highlighted the potential for a 9 million tonne a year operation producing 280,000 tonnes of concentrate. The cost was projected at about \$311 million.

"The thing about the Eucla Basin [is]... no where else in the world do you find that style of deposit. The Eucla Basin is going to be a mighty province for Australia, it's going to make a lot of money," he said.

The company last month upgraded the resource estimate Cyclone as work continues on a preliminary feasibility study. The resource now stands at 132 million tonnes grading 2.33 per cent heavy minerals. The project contains 998,000 tonnes of zircon (excluding titanium minerals), a 6.7 per cent increase over previous estimates.

Mr Fawdon will head to China this week to continue talks with BaoTi – the biggest end user of zircon products – following Diatreme's memorandum of understanding with the company in August, which would see BaoTi take a stake in Diatreme and jointly develop Cyclone. The two companies have 100 days to fulfil the conditions of the MOU or else they would have the option of terminating or renegotiating it.

A pre-feasibility study currently under way at Cyclone is expected to be finalised early next year. A feasibility study would then take about a year to complete.

"Then you start to go into the permitting and the development," Mr Fawdon said. "We hope to be turning the first sod and putting it through the plant probably in about 2014."

The Australian Financial Review

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