Second MOU signed on Galalar Silica offtake

- Memorandum of Understanding (MOU) signed with China’s privately owned Wan Zhong Investment Group on potential supply of up to 500,000 tonnes per annum of photovoltaic grade (sub 100ppm Fe₂O₃) silica sand from Diatreme’s Galalar Silica Project in Far North Qld

- Agreement follows July’s MOU for silica offtake signed with Fengsha Group, one of China’s largest processors and suppliers of photovoltaic (solar) and specialty high end silica sand

- Agreement a further step forward for a potential new silica sand mine in Far North Qld, supplying premium quality silica to Asia’s fast-growing solar panel market.

Plans for a new silica sand mine in Far North Queensland have further advanced, with emerging silica sands explorer and developer, Diatreme Resources Limited (ASX:DRX) announcing today a new MOU for offtake from its Galalar Silica Project with China-based private company Wan Zhong Investment Group.

The agreement is for the potential supply of up to 500,000 tonnes per annum of photovoltaic grade silica sand (sub 100ppm Fe₂O₃) to be produced on-site from the project located around 200km north of Cairns. This follows the signing of an MOU (refer ASX announcement 16 July 2019) with China’s Fengsha Group for the potential supply of up to 500,000 tonnes per annum of photovoltaic grade silica sand (sub 100ppm Fe₂O₃).

Both Fengsha Group and Wan Zhong Group final offtake requirements (volumes) may be scaled appropriately to reflect targeted production outputs and are still subject to detailed negotiations and binding agreements as the project transitions through next steps (permitting and approvals) towards establishment of proposed mining activity.

Diatreme’s commercial objective in entering into any early stage (pre-mining activity) non-binding offtake MOU’s is as follows;

- To establish relationships with reputable parties regarding supply of its silica product
• Access market intelligence on high end silica product specialist market requirements including product specifications.
• Give the Company a higher degree of certainty regarding both current and expected product prices nearer production target timelines.
• To spread offtake risk by aligning with a number of potential product offtake parties.
• Create a competitive process for supply of product when moving to eventual production
• Give the Company some certainty that its potential production targets are underpinned by genuine market demand.

While the MOU is non-binding at this stage, it sets a framework for further co-operation, leading potentially to binding arrangements between the parties subject to final negotiations and the project’s advancement through the next development steps. Final product pricing mechanisms will be agreed between the parties prior to signing any binding agreement. The MOU term is for 12 months, with the potential for mutually agreed extensions.

Diatreme’s CEO, Neil McIntyre, said the second such offtake MOU for Galalar highlighted the strength of international demand for silica sand and the project’s potential to become a new and secure supply source for Asian markets.

“Galalar is fast becoming an extremely desirable project as demonstrated by the recent scoping study and this latest MOU is another indication of the strength of demand for its premium-grade silica product,” Mr McIntyre said.

“The Chinese market consumes around a third of the world’s industrial silica and we are extremely encouraged by the interest shown by Wan Zhong, Fengsha and other groups in obtaining offtake from Galalar. We look forward to negotiating potential binding agreements that achieve mutually beneficial outcomes for all parties, including our project partner, Hopevale Congress.”

The Wan Zhong Group of Companies was founded in 1996 with its headquarters based in Hong Kong and its logistics, shipping and supply chain operation based in China within the Xiamen Special Economic Zone. The Group core business activities are in investment, warehousing, logistics and bulk materials shipping and commodity trading. Wan Zhong is a supplier and distributor to major glass manufacturers in China requiring photovoltaic (solar) grade silica (sub 100ppm Fe₂O₃) and other specialty high end silica sand specification products.

The Galalar Silica Project is adjacent to the world’s largest silica sand mining operation mined by Mitsubishi Corporation. In September 2019, Diatreme released a scoping study showing the project’s favourable economics, including its potential to generate around 60 local jobs in production for an operation with a projected mine life of 15 years, with an estimated pre-tax nominal NPV of $231 million, an IRR of 150% and estimated capital payback within eight months (refer ASX release dated September 9th, 2019).
Figure 1. Galalar Exploration Tenement and Resource Area

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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 Sebrol 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).

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