EIS application lodged as Diatreme advances Galalar Silica Project

- Application to undertake a voluntary Environmental Impact Study (EIS) lodged for Diatreme’s Galalar Silica Sand Project in accordance with the Environmental Protection Act 1994 (Qld)
- Voluntary EIS expected to streamline process of regulatory approval from Queensland and Commonwealth governments; follows December (2019) lodgement of Mining Lease Application
- Diatreme focused on developing new silica sand mine in North Queensland in partnership with traditional owners, Hopevale Congress, generating new jobs and investment for region and value for shareholders.

Emerging silica and mineral sands developer and explorer, Diatreme Resources Limited (ASX: DRX) announced today a further advance for its Galalar Silica Sand Project, with the lodgement of an application with the Qld Department of Environment and Science (DES) to undertake a voluntary Environmental Impact Statement (EIS) for the North Queensland project. More information in respect to the voluntary EIS process is outlined in Appendix 1 below.

The move follows December’s lodgement of a Mining Lease Application (MLA) with the Queensland Department of Natural Resources, Mines and Energy (DNRME), as Diatreme seeks to accelerate development of a new silica sand mine that generates jobs and investment for the region and wealth for shareholders.

Conducted under Chapter 3, part 1 of the Environmental Protection Act 1994 (Qld) (EP Act), a voluntary EIS allows for only a single EIS to be produced for both the Queensland and Commonwealth governments, resulting in a streamlined but still rigorous approval process.

Pending the approval of Diatreme’s application to undertake a voluntary EIS, Diatreme will refer the project to the Commonwealth Government under the Environment Protection and Biodiversity Conservation Act 1999 (Cwlth) (EPBC Act) and will include any requirements under that Act in draft terms of reference. Diatreme expects the final terms of reference will be issued in the third quarter of 2020 following community consultation, with the Company in position to commence negotiations on these as soon as the process allows. Diatreme concurrently has commenced already many of the various detailed specialist studies likely to be required in support of the voluntary EIS.
Diatreme’s CEO, Neil McIntyre, said the launch of the EIS process was another important step forward in Galalar’s development.

“We have been pro-actively engaging with the various regulatory agencies over some time through various pre-lodgement meetings with DES and other key line agencies.

In addition, we pre-emptively commenced terrestrial flora and fauna studies to full EIS standard over the last wet and dry seasons regionally. This early engagement we believe will save us considerable time throughout the EIS finalisation and lodgement process.

“We look forward to engaging closely with all the relevant government bodies as we advance this project together with our key local partners, Hopevale Congress, ensuring maximum benefits for all stakeholders.”

**Expected Timelines**

The DES process involves statutory timeframes that could involve several months before final Terms of Reference (ToR) are issued. Diatreme’s current program assumes that this will occur in the third quarter of 2020. Diatreme has already made significant progress on the draft ToR and has undertaken pre-emptively various EIS level studies and is a good position to commence negotiations and finalisation of the ToR as soon as the process allows.

Mr McIntyre added: “The Galalar project is building momentum as we target near-term developing in an environment of strong demand for high-quality silica sand products from Asian markets. Meanwhile, our Cyclone Zircon Project in Western Australia continues to attract strong interest from potential development partners amid constrained supply of high-grade zircon. “This year is looking very positive for Diatreme for our key projects and for further market re-ratings in line with the achievement of key milestones.”

The Company will keep the market informed and updated as the regulatory approvals and EIS process is advanced.

**Authorised for release by:**

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APPENDIX 1

Voluntary EIS process explained

(i) What is a voluntary EIS?

A voluntary EIS is an Environmental Impact Study conducted under Chapter 3, part 1 of the Environmental Protection Act 1994 (Qld) (EP Act) for high impact resource projects. This process is particularly useful when there are activities that will take place outside the mining lease (such as transport and export).

An important feature of the voluntary EIS is that it allows the Commonwealth Minister for the Environment to rely on EP Act processes of the State of Queensland in assessing actions under the EPBC Act. Under this process only a single EIS is required. This is more efficient and transparent than having two separate EIS processes.

(ii) Why lodge a voluntary EIS?

For all resource projects other than small ventures with negligible impacts, DES would usually require an EIS to be prepared when they receive an application for an Environmental Authority (EA) to allow the mining activity. Under these circumstances, it is more efficient to prepare an essentially identical document before lodging the application for the EA. This will streamline the process while involving identical rigour of assessment.

(iii) What does this entail?

The voluntary EIS process involves the following steps:

- Application by Diatreme to DES for permission to undertake the voluntary EIS.
- Referral of the project to the Commonwealth under the EPBC Act for a decision on whether or not it constitutes a controlled action. Public notification is involved (i.e. the public is invited to comment on the proposal).
- Preparation of draft Terms of Reference (ToR) for the EIS, based on generic ones prepared by DES. Public notification is involved (i.e. the public is invited to comment on the draft ToR).
- Finalisation of the ToR.
- Completion of a draft EIS by Diatreme based on the final ToR.
- Review of the draft EIS by DES (with public input) and preparation of a final EIS by Diatreme based on responses to comments.
- Once the EIS is accepted by DES, Diatreme may submit an application for the environmental authority (EA). Because an EIS will have been done, the ‘information’ and ‘public notification’ stages of the EA process are not required as these steps will have already been undertaken in preparing the EIS.
About Galalar Silica Sand Project

Located around 200km north of Cairns and 20km north of the port of Cooktown, the Galalar Silica Sand Project (EPM 17795) lies within the same sand dune system and in close proximity to the world’s largest operating silica sand mine at Cape Flattery. The Cape Flattery silica sand product is recognised as a global benchmark for quality silica sand and is widely used for industrial purposes throughout Asia.

The global silica sand market is seen reaching nearly US$10 billion in annual revenues by 2022, with a compound annual average growth rate of 7.2% (source: IMARC Group), while the global solar PV glass market is estimated to reach US$48.2 billion by 2025, up from US$3.3 billion in 2016 (source: Bizwit Research & Consulting).

In November 2019, Diatreme announced that bench-scale metallurgical testwork in China had shown the Galalar silica sand product’s amenability for upgrade to “ultra-low iron” (sub 50ppm Fe₂O₃) in addition to “low iron” (sub 100ppm Fe₂O₃) silica product, with potential to attract ultra-premium prices.

A scoping study released in September 2019 showed the potential for high returns (estimated pre-tax nominal NPV of $231 million, IRR of 150% and estimated capital payback within eight months) based on sales of photovoltaic silica sand product only.

Diatreme has signed MOU’s with private Chinese companies Wan Zhong Investment Group (refer ASX announcement 19 September 2019) and Fengsha Group (refer ASX announcement 16 July 2019) for the potential supply of photovoltaic grade silica sand (sub 100ppm Fe₂O₃) from the project.

Investor interest in the project has also strengthened, as seen with the successful capital raising conducted in late 2019 which also saw the introduction of new cornerstone investor, the family office of noted resources investor Brian Flannery.

In December 2019, Diatreme lodged a Mining Lease Application (MLA) for Galalar with the Queensland Department of Natural Resources, Mines and Energy (DNRME), encompassing an area of 523 ha, including all of the identified Mineral Resource (refer Table 1).

The Galalar project has a current total Mineral Resource Estimate of 30.2 Mt (at a cut-off of 99% SiO₂) including an Indicated Resource of 21.50Mt (71% Indicated, 29% Inferred) (refer ASX announcement 14 May 2019).

To be developed in partnership with the traditional owners, Hopevale Congress (12.5% project interest), the Galalar project has the potential to generate high-value jobs for the local community, with a focus on maximising local employment and supplier opportunities.
Figure 1: Galalar exploration tenement and mining lease (application) area
MINERAL SANDS AND SILICA - COMPETENT PERSON STATEMENTS

The information in this report that relates to Mineral Resources at the Cape Bedford Project is based on information compiled by John Siemon from Ausrocks Pty Ltd who has significant experience in Industrial Minerals and Quarry Resource assessments. John Siemon 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).

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

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, insofar as it relates to Mineral Resources at the Cyclone Project is based on information compiled by Mr Ian Reudavey, who was a full time employee of Diatreme Resources Limited and a Member of the Australian Institute of Geoscientists. Mr Reudavey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has 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 Reudavey consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report, insofar as it relates to Ore Reserves at the Cyclone Project is based on information compiled by Mr Phil McMurtrie, who is a director of Tisana Pty Ltd (a consultant to Diatreme Resources Limited), and a Member of the Australasian Institute of Mining and Metallurgy. Mr McMurtrie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has 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 McMurtrie consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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