



6 November 2019

## \$3.6m placement to progress Galalar Silica Project

- Placement of \$3.63 million (before costs) to new cornerstone investor and new and existing sophisticated investors to advance Diatreme's Galalar Silica Project, North Queensland
- Diatreme welcomes new cornerstone investor Ilwella Pty Ltd, representing private interests of the Flannery Family Office
- Illwella committed to seeing Galalar project come into production to address projected global shortage of high-grade silica sands
- Funds used to advance Galalar project through permitting, approvals and commercial studies following successful Scoping Study and signing of offtake MOU's.

Emerging silica sands explorer and developer, Diatreme Resources Limited (ASX:DRX) announced today an important vote of confidence in its Galalar Silica Project, with the Company welcoming a new cornerstone investor and other investors in a successful capital raising to help advance the emerging project.

Approximately \$3.63m (before costs) has been secured via a private placement of approximately 363 million new fully paid ordinary shares in the Company at an issue price of \$0.01. The issue price equates to the last closing price of \$0.01 per share (as at Friday, 1<sup>st</sup> November 2019), and a 10% discount to the 14 day VWAP of \$0.011.

The placement has been supported by a new cornerstone investor, Ilwella Pty Ltd, representing the private interests of the Flannery Family Office, in addition to sophisticated and professional investors and existing shareholders, with leading Australian financial services company Hartleys Limited acting as Lead Manager.

High quality silica sand, the key ingredient in the manufacture of solar (photovoltaic) panels, continues to experience strong demand with the decarbonisation of the energy sector. The Galalar project is being developed in partnership with the traditional owners, Hopevale Congress (12.5% project interest) and has the potential to generate high-value jobs for the local community, with a focus on maximising local employment and supplier opportunities.

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The funds raised from the placement will be used to advance the Galalar project closer to approval and development, including:

- Further resource drilling and regional exploration focussed on a potential major resource extension;
- Bulk testing and product definition, including the delivery of larger bulk samples to potential offtakers;
- Advancement of permitting and development approvals (mining lease, environmental and other approvals);
- Advancement of project economic studies; and
- Advancement of project financing opportunities.

The successful fund-raising follows Diatreme's recent announcement of its Scoping Study for the Galalar project (refer ASX announcement 9 September 2019) and the signing of offtake MOU's with private Chinese groups (refer ASX announcements 16 July 2019 and 19 September 2019).

## **Cornerstone Commitments**

Welcoming the entry of new cornerstone investor Ilwella, Diatreme's Chairman Greg Starr said: "We are delighted to welcome the support of Ilwella as a new cornerstone investor, together with backing from other sophisticated and professional investors. This strong support from such a highly credentialed resources investor is significant and offers a vote of confidence in our strategy."

Ilwella Director Quentin Flannery said: "We look forward to working with the team at Diatreme and are very excited about the potential of the Galalar project. We are committed to supporting the Company and management as they advance Galalar through the permitting and approval process and into production, as we see this as an important development for regional Queensland and Australia."

## **Placement Details**

Diatreme will issue one free attaching unlisted option ("Option") for every two placement shares issued, subject to shareholder approval. The options will be exercisable at 2 cents with an expiry date of two years from issue.

The new shares will be issued on the same terms and rank equally in all respects with the existing fully paid ordinary shares in the Company. The allotment of the new shares is not subject to shareholder approval and will fall within the Company's existing capacity under ASX Listing Rule 7.1 (217 million shares) and 7.1A (146 million shares). The attaching options will be issued subject to shareholder approval at a meeting of shareholders scheduled to take place within 30-60 days post settlement.

Settlement of the new shares is expected on or around Tuesday, 12 November 2019.



**Neil McIntyre** 

Chief Executive Officer

**Greg Starr** 

Chairman

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## **About the Galalar Silica Project**

Located around 200km north of Cairns and 20km north of the port of Cooktown, the Galalar Silica 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.

Bulk testing results have demonstrated the project's ability to produce premium-grade silica using standard processing techniques, meeting the requirements for high-end glass and solar panel manufacturing and capable of attracting premium prices (refer ASX announcement 9 January 2019).

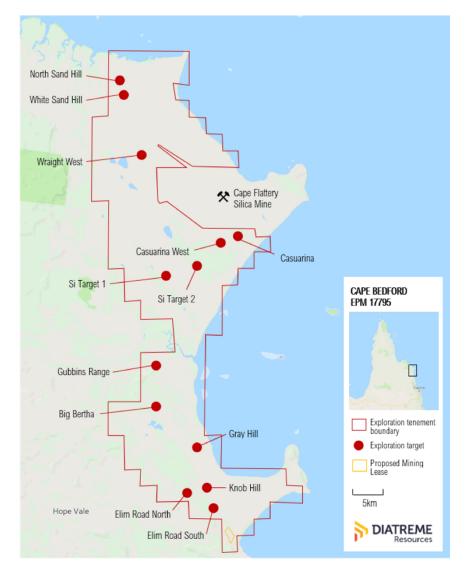
The Galalar project has a current total Mineral Resource Estimate of 30.2 Mt (at a cut-off of 99% Sio2) including an Indicated Resource of 21.50Mt (71% Indicated, 29% Inferred) (refer ASX announcement 14 May 2019 and 9 September 2019).

A Scoping Study (refer ASX announcement 9 September 2019) has highlighted the project's potential to become a significant near-term, low-cost and premium-quality silica producer for fast growing Asian markets.

Diatreme has signed Memorandum of Understanding (MOU) for potential project offtake with private Chinese groups Fengsha Group (refer ASX announcement 16 July 2019) and Wan Zhong Investment Group (refer ASX announcement 19 September 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. Estimated employment is around 30 to 40 jobs in the construction phase and around 60 (employees and contractors) in production, for an operation with a projected mine life of 15 years.





Galalar Silica Project exploration tenement and resource area