

ASX

ANNOUNCEMENT



**Diatreme
Resources
Limited**

ABN: 33 061 267 061

ASX:DRX 



DE-RISKED CYCLONE ATTRACTS CHINA OFFTAKE INTEREST

Diatreme Resources Limited is an Australian based diversified mineral explorer with significant projects in WA and QLD.

The Board and senior personnel exhibit wide experience, ranging through the exploration, development and financing phases of resource project management.

Australian Securities Exchange
Codes: DRX

Board of Directors Non-Executive
William Wang - Chairman
Andrew Tsang
Daniel Zhuang

Executive:
Neil McIntyre – Chief Executive
Ian Reudavey – Chief Geologist
Tuan Do – Co. Secretary

Key Projects:

- Cyclone Zircon Project
- Tick Hill Gold Project
- Cape Bedford Silica/HMS Project
- Clermont Copper Project

Diatreme Resources Ltd Contact:
Neil McIntyre – Chief Executive
Phone: +61 7 3397 2222

Share Registry:
Link Market Services Limited
Level 15, ANZ Building
324 Queen Street, Brisbane, Q 4000

27th June 2017

- **Discussions commence with potential Chinese offtake partners for Diatreme's flagship Cyclone Zircon Project, WA**
- **Discussions follow effective project de-risking, with Company targeting formal MOU's for Q3 2017**

Boosting the prospects for a new West Australian mineral sands mine, Diatreme Resources Limited (ASX:DRX) is pleased to announce today that advanced discussions are underway with potential Chinese offtaker partners concerning the Company's Cyclone Zircon Project in the Eucla Basin.

The talks follow Diatreme's successful de-risking of its flagship project, after an extensive risk mitigation and regulatory approval process. Final project environmental approvals were issued in January 2017 for the zircon-rich heavy mineral sands (HMS) project (refer ASX announcement 10 January 2017).

Diatreme's CEO, Neil McIntyre, said the current discussions resulted after conclusion of the de-risking process, with a recent upturn in the mineral sands market adding to investor confidence.

"We are pleased to advise that six China-based firms, all with mineral processing operations, have expressed interest in progressing discussions towards formal agreements in securing Cyclone's zircon-rich HMS concentrate offtake for processing in China into its final products," Mr McIntyre said.

"The next step is to select those parties that best fit the project's objectives and then formalise these discussions into specific project based Memorandum of Understanding's (MOU's).

"This will allow us to progressively build the commercial platform to finalise the project's definitive feasibility study (DFS), assemble the required debt funding and allow advancement towards mining of what is potentially the largest undeveloped zircon project in the Eucla Basin."

Mr McIntyre added: “Fortunately, a number of the China-based parties have the capability to access project finance support for the project. As a result, the due diligence and technical assessment process has been comprehensive from both sides, but is progressing well.”

“Interest in the project has greatly increased since January’s award of environmental approvals from the WA Minister for Environment. Pricing fundamentals in the HMS sector are also showing positive trends, as seen by recent industry activity, including the restart of the Iluka owned Jacinth-Ambrosia mine in the Eucla Basin.”

The improved supply-demand fundamentals for zircon and other mineral sands are expected to benefit Diatreme’s key project. Projections by industry forecaster TZMI point to increased HMS demand, and with constrained supply, Cyclone’s timeframe for development should coincide with favourable pricing conditions.

“The Cyclone project is rapidly building momentum and we are working closely with our partners to advance it as quickly as possible. Together with our strong project pipeline, which includes the Cape Bedford Silica/Heavy Minerals Project among others, we are focused on unlocking value from our projects for the benefit of all stakeholders.”

CYCLONE ZIRCON PROJECT

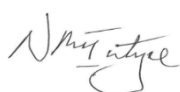
De – Risking Process

The Cyclone Project, following an extensive work and regulatory program has now been effectively de-risked following final grant of the environmental licence. The de-risking process has mitigated key project risks identified in the PFS and during the early stage of the DFS. DRX can now move confidently towards completing final aspects of the DFS, subject to market conditions remaining favourable, with the knowledge and comfort provided by the de-risking process.

In summary, the key risks that have been mitigated and related management measures are listed below:

- **Water Supply** - Water supply discovered and test bore completed at the Cyclone mine site (refer ASX announcement 11 November 2013); detailed water supply design to be completed in the DFS.
- **Native Title and Mining Agreement** - Agreement executed with the Native Title holders on 15 November 2014 (refer ASX announcement 17 November 2014).
- **Mining Lease** - Granted by the WA Department of Mines and Petroleum on 18 November 2014 (refer ASX announcement 24 November 2014).
- **Mine Life** - Acquisition of Cyclone Extended has increased the mine life to 14 years at a mining rate of 10 million tonnes per year (refer ASX announcement 14 December 2015).
- **Independent Update and Assessment** - The Project Enhancement and Update Study by Sedgman Limited undertaken in June 2016 has revealed cost reductions and demonstrated robust financial results (refer ASX announcement 15 June 2016). Sedgman has highlighted other opportunities for improving project economics.
- **Environmental Approval** - Granted by WA Environment Minister (State) 9th January 2017 (refer ASX announcement 10th January 2017).

For further information, please contact:



Neil McIntyre, CEO

About the Cyclone Zircon Project

Discovered in 2007, the Cyclone Zircon deposit is located along the Barton shoreline within the Wanna Lakes area of the northern Eucla Basin, 25 kilometres from Western Australia's state border with South Australia and 220 kilometres north of the transcontinental railway.

Following the acquisition of the Cyclone Extended Heavy Mineral Resource, the Cyclone Project's JORC Mineral Resource (Measured and Indicated) has been estimated at comprising 203 million tonnes at 2.3% heavy minerals (1% cut-off grade) containing 4.7 million tonnes HM (refer ASX announcement 27 April 2017). This includes a Measured Resource of 156Mt at 2.4% HM and an Indicated Resource of 48Mt at 1.9% HM (both at 1% HM cut-off grade).

In November 2014, Western Australia's Department of Mines and Petroleum granted a Mining Lease (ML69/141) for the project, which followed the signing of a Project Agreement with the traditional owners, the Spinifex People.

A Definitive Feasibility Study is underway along with further project specific commercial and operational enhancement studies, with Cyclone representing potentially the largest undeveloped zircon project in the Eucla Basin.

Competent Person Statement

The information in this report, insofar as it relates to Mineral Resources is based on information compiled by Mr Ian Reudavey, who is 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 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.