



29 May 2013

CHAIRMAN'S ADDRESS

Presented to Annual General Meeting of Shareholders Wednesday 29 May 2013

Ladies and Gentlemen

This past year has been a dynamic time for Diatreme, with significant milestones being reached by the Company at the Cyclone Zircon Deposit and the Clermont Porphyry Copper Projects. This reflects the dedication of the Diatreme team members who have strived over time to see the Company "make a mine". In regard to the Cyclone Zircon Project in Western Australian, that goal lies within reach, taking into consideration progress already made on finding and advancing the Cyclone Deposit and current crucial funding negotiations being conducted.

Diatreme has also made steady progress over its mineral project portfolio, even in times when government inaction in Queensland and compliance issues delay exploration title grants and thus our ability to undertake what our geological team does best – explore and develop.

Returning to Cyclone, the Company has been able to firm up the project's resource base as well as successfully complete the Prefeasibility Study which it commenced in 2011. In early 2012, the Board agreed to advance the project and thus we embarked upon the development planning stage.

The stagnant exploration sector in the latter part of 2012, with associated falling share prices, and a lack of exploration capital, hindered Diatreme in its ability to "pull out all stops" to progress the Cyclone development plan. In spite of this, good progress was made on mine product lines and mineralogy from the Cyclone bulk samples, coincident with desktop studies relating to treatment facilities and transport and shipping options.

Diatreme is now in a better position to conduct signal items in the development planning. Firstly the drilling of the underlying Officer Basin sediments for water aquifers near the proposed mine site, secondly the environmental/cultural heritage studies associated with the Mining Lease Application and thirdly, the proposed haul road access route from site to the Transcontinental Railway.

Recent news indicating rising zircon prices provides encouragement in respect to funding opportunities for completion of the development planning. Whilst it is Diatreme's intention to solely develop a mine at Cyclone, the Company is encouraged by the interest being shown from third parties eager to partner into the project. Such a partnership may provide the best possible outcome for the Company's shareholders and provide the heavy lift required to see a producing mine become a reality. As alluded to before, discussions are progressing in this direction.

Heavy mineral sands, although not always fashionable to the share market, remain an important and necessary industrial mineral product in today's society. The solid demand from China is expected to continue, particularly as that country expands its urban base. Accordingly, and from an exploration perspective, Diatreme's team have secured other heavy mineral project areas well removed from Cyclone and the central Eucla Basin, in coastal locations within other developing heavy mineral provinces.



The Mandora Project, in the southern Canning Basin of Western Australia, covers a 50km long prospective dune system with an anomalous radiometric signature that is suggestive of zircon. In so doing, Diatreme pre-empted a “pegging rush” that eventually saw the entire 300km strand system pegged out by other mineral sand companies.

The Elliston Project, along the southeast margin of the Eucla Basin in South Australia is situated on the coast, south of the port of Ceduna. Diatreme is targeting a 35km long potential strandline zone prospective for accumulations of heavy minerals. Minor drilling located heavy minerals with a moderately high zircon component.

The Cape Bedford and Grays Hill projects along the eastern seaboard in Queensland have known occurrences of heavy minerals and are logistically well placed, near port facilities.

Diatreme is endowed with quality mineral sand projects to take it well into the future.

2012 was also a year in which the Company’s metalliferous projects gained the attention of joint venture partners.

In March, Diatreme announced a Memorandum of Understanding with Antofagasta Minerals over the Clermont Copper Project in central Queensland. Antofagasta is a highly experienced porphyry copper explorer and miner, having many projects scattered globally. With Diatreme’s geological team managing the exploration funded by Antofagasta, significant progress was made in advancing the Rosevale Project through the conduct of geological mapping, re-logging of existing drill core and compilation of the large project information database. This work led to approval by Antofagasta of a reverse circulation and diamond drilling program over Rosevale under the farm-in agreement signed in January this year.

Initial drilling returned results were consistent with the exploration model, though copper intersections were reported from the drilling, none were significant. New geophysical anomalies near historic copper mines in the immediate vicinity of the current drilling are to be targeted for further drilling under the farm-in agreement over coming months. The Clermont tenement package has many other prospects that will be further explored for gold, copper and nickel this year.

At the Anabama Project in South Australia, Diatreme has concluded a joint venture arrangement with Braemar Iron for that company to explore for iron-ore deposits. The highly prospective Braemar Iron Formation is postulated to pass through the lower half of Diatreme’s tenements. Braemar can initially earn a 51% interest in the iron ore potential by spending \$500,000 over two years and can then increase their interest to 70% by spending a total of \$1.0M over four years.

Work on the Gilbert River tenement package in far north Queensland has concentrated on documenting prospect reviews and exploration databases with the aim of attracting potential joint venture partners.

In summary, Diatreme is picking up the pace with it’s development planning at Cyclone, backed by a resurging heavy minerals market, and also progressing its metalliferous farm out joint ventures at Clermont for copper, Tick Hill for gold, and Anabama for iron ore.

2013 will see increasing activity in Diatreme, as Chinese urbanisation lifts the current veil of gloom and supports investor confidence in worthwhile resources projects, of which Diatreme is blessed.

Tony Fawdon
Executive Chairman/CEO