

ASX

ANNOUNCEMENT



CYCLONE PROJECT STUDY TO TARGET COST SAVINGS

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, DRXO

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

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

Key Projects:
• Cyclone Zircon Project
• Tick Hill Gold Project
• Cape Bedford Silica/HMS Project
• Clermont Copper Project

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14 March 2016

Diatreme Resources Limited (ASX: DRX) continues to advance its Cyclone Zircon Project, announcing today the appointment of independent consultants to identify further scope for cost savings at its flagship project in Western Australia.

Sedgman Limited, a leading provider of mineral processing and associated infrastructure solutions, will undertake a “Project Enhancement and Update Study” for Cyclone, the largest undeveloped zircon project in the Eucla Basin.

Cyclone’s estimated Ore Reserve was recently increased to 140 million tonnes (Mt) at 2.5% heavy minerals (HM) (0.71% zircon), containing 3.5Mt HM with 1Mt zircon (refer ASX announcement 14 December 2015). With environmental approvals expected shortly, the project has been substantially de-risked, including through the grant of a Mining Lease, an agreement with the traditional owners and identification of water supplies.

Commenting on the proposed study, Diatreme’s CEO, Neil McIntyre said: “Current industry and market conditions have presented considerable opportunities for cost savings on key capital and operating expenditures, compared to the original Prefeasibility Study. Sedgman’s study will provide an updated assessment of all base project assumptions at a technical and commercial level, giving us a greater understanding of the project’s potential commercial returns.

“Ultimately, this will help ensure delivery of the project in a timely and commercial fashion for shareholders’ benefit. In the meantime, we are progressing short-term opportunities to generate cash flow, such as from the Tick Hill Gold Project near Mount Isa, which has the potential to benefit from strong Australian dollar gold prices.”

For further information, please contact:

Neil McIntyre, CEO

Tel: +61 7 3832 5660

Competent Person Statement

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.

CYCLONE ZIRCON PROJECT BACKGROUND

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 Ore Reserve has been estimated at comprising 140 million tonnes at 2.5% heavy minerals, including 0.71% zircon, containing 3.5Mt of HM with 1Mt zircon. The project's projected mine life is 14 years, based on a planned mining rate of 10 Mtpa (refer ASX announcement 14 December 2015).

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. The project's Public Environmental Review (PER) is currently undergoing assessment by the WA Environmental Protection Authority, representing the final component of the de-risking process which has also included the identification of water supplies.

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