

# ASX

## ANNOUNCEMENT



## CYCLONE PROJECT SECURES FINAL MINISTERIAL APPROVAL

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  
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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Share Registry:  
Link Market Services Limited  
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**10<sup>th</sup> January 2017**

- **Major Cyclone Project de-risking process completed as WA Environment Minister grants environmental approval**
- **Diatreme to advance final aspects of the Definitive Feasibility Study (DFS) in push to develop new mineral sands mine.**

Diatreme Resources Limited (ASX:DRX) announced today a major advance towards a new mineral sands mine in Western Australia, after receiving the final ministerial (Environmental) approval for its flagship Cyclone Zircon Project in WA's Eucla Basin.

The move follows the public issuance in August 2016 by WA's Environmental Protection Authority (EPA) of positive environmental impact assessment recommendations to the WA Environment Minister (refer ASX release dated 9<sup>th</sup> August 2016) and is the culmination of an extensive stakeholder and regulatory consultative process.

Final ministerial consent (approval) was received on 9 January 2017 (Ministerial statement No:1052), allowing the Cyclone project to: ***“Develop and operate the Cyclone Mineral Sands Mine, including open cut pits, mining and processing infrastructure, airstrip, accommodation camp, bore fields and haul road construction from the mine site to the Forrest rail siding.”***

Welcoming the ministerial approval, Diatreme's CEO Neil McIntyre said: “This is a key project milestone for Cyclone which marks the completion of an extensive identified key risk mitigation and permitting/regulatory approval process.”

“Whilst some project delivery challenges remain, we now intend to “push the button” to advance our discussions with project partners, potential funders and potential product offtakers for direct project participation so the final aspects of the DFS can be funded and completed as rapidly as possible, capitalising on the upturn in mineral sands prices and constrained supply to make the project a reality.”

The ministerial approval is an important step in a project de-risking process undertaken by Diatreme, which has included securing an agreement with the traditional owners, the identification of suitable water supplies and the expansion of the project's forecast mining life following the acquisition of the adjacent Cyclone Extended tenement area.

Potential project investors and partners have stressed the importance of this process in facilitating further investment in Cyclone, which has the potential to become a long-life mine in one of the world's most valuable established zircon provinces.

Prospects for profitable production at Cyclone have been further boosted by predictions of a "zircon supply challenge" within three years. Recent industry forecasts presented at November's (2016) TZMI Congress in Hong Kong showed the upswing in prices is underway and is expected to continue for some time, with analysts at Macquarie and UBS among those seeing an improved outlook for 2017.

"Cyclone is in the right position at the right time in the cycle to capitalise on the growing demand for valuable mineral sands such as zircon. We are now confident to advance our discussions with major potential project partners to obtain the necessary investment funding to further advance this project and deliver value for shareholders," Mr McIntyre added.

## CYCLONE ZIRCON PROJECT

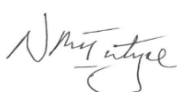
### De – Risking Process

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) 9<sup>th</sup> 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 211 million tonnes at 2.3% heavy minerals (1% cut-off grade) containing 4.8 million tonnes HM (refer ASX announcement 9 April 2015). This includes a Measured Resource of 156Mt at 2.4% HM and an Indicated Resource of 55Mt at 1.8% 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.

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### **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.*