

# ASX

## ANNOUNCEMENT



## CYCLONE PROJECT WINS FINAL EPA RECOMMENDATION FOR 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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**9<sup>th</sup> August 2016**

- **Western Australia's Environmental Protection Authority (EPA) publically releases final advice and positive recommendations for approval regarding the development and operation of the Cyclone Zircon Project, WA**
- **Cyclone now awaiting final consent by WA Environment Minister as project de-risking nears completion.**

Following an extensive stakeholder and regulatory consultative process, emerging mineral sands producer Diatreme Resources Limited (ASX:DRX) announced today that it is now awaiting only final ministerial consent following the public issuance by the EPA of positive environmental impact assessment recommendations for the Company's Cyclone Zircon Project published on 8<sup>th</sup> August 2016.

The EPA has advised the WA Minister for Environment that the Eucla Basin project meets its requirements for consent subject to its recommended terms and monitoring conditions, opening the path towards mining operations in one of the world's major emerging zircon provinces.

Welcoming the EPA's public release, Diatreme's CEO Neil McIntyre said: "This is an historic step for our flagship project, representing the final hurdle in the de-risking process which has included securing an agreement with the traditional owners, the identification of suitable water supplies and the expansion of the projected mining life following the acquisition of the adjacent Cyclone Extended tenement area.

"Following the expected award of final environmental approvals, we can now move confidently towards the completion of the remaining final aspects of our Definitive Feasibility Study (DFS) and the delivery of this valuable new mine for the benefit of all stakeholders."

The environmental license specifically allows the Cyclone project to undertake the following activities: ***“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.”***

Prospects for profitable production at Cyclone have been boosted by recent industry forecasts of a “zircon supply challenge” within three years and the growth of new applications, such as from 3-D printing. Mineral sands was the best performing global sub-sector for resources stocks in July on the ASX (2016), with the growing investor interest highlighted by Diatreme’s recent successful fund-raising.

Researchers at Beer & Co. have forecast that the zircon price could reach US\$1,500 a tonne by 2018, adding to the benefit of a weaker Australian dollar and expected reduced capital and operating costs ahead of the start of planned production at Cyclone.

## CYCLONE ZIRCON PROJECT

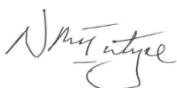
### De – Risking Process

The Cyclone Project has now been effectively de-risked with the EPA’s positive recommendations to the WA Environment Minister which will allow for the 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 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; 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.
- **Mining Lease** - Granted by the WA Department of Mines and Petroleum on 18 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.
- **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** - EPA final recommended approval terms released to the Minister of Environment on 8<sup>th</sup> August 2016. A two-week statutory public comment period now follows, to be followed by WA Environment Minister (State) consent and the expected award (gazettal) of the licence.

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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### Cautionary Statement

*This announcement has been prepared in accordance with the JORC Code (2012) and the ASX Listing Rules. Whilst Diatreme Resources has concluded that it has a reasonable basis for providing the forward looking statements included in this announcement, Diatreme Resources advises that given the current price of zircon and the company's current market capitalisation (compared to the capital expenditure required in connection with the Cyclone Zircon Project), the production targets and forecast financial information contained in this announcement do not provide an assurance of economic development at this stage. The stated production target and forecast financial information contained in this announcement is based on Diatreme Resources' current expectations of future results or events and should not be relied upon by investors when making investment decisions.*

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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.*