



DIATREME RESOURCES LIMITED

ABN: 33 061 267 061

Postal Address: P.O Box 10288 Brisbane Adelaide Street QLD 4000
Registered Office: Level 2 87 Wickham Terrace Spring Hill QLD 4000
PH: +61 (0)7 3832 5666
www.diatreme.com.au manager@diatreme.com.au



ASX : DRX

26 May 2016

CHAIRMAN'S ADDRESS Presented to Annual General Meeting of Shareholders Thursday 26 May 2016

Dear shareholders

Thank you for attending today's Annual General Meeting for Diatreme Resources Limited.

It is important to reflect on the progress we have made as a company over the past two years, and the opportunities that lie ahead.

Two years ago, I stood here as your newly appointed Chairman, with a new Chief Executive Officer, Mr Neil McIntyre, as part of our new senior management and technical team. We pledged to refocus the company on key projects, minimise overheads and maximise shareholder value.

I am pleased to report that we have made substantial progress towards these goals. The tenement portfolio has been cut from 29 to eleven, with a clear focus on our flagship Cyclone Zircon Project and the near-term cash flow opportunity from the Tick Hill Gold Project.

Overheads have been slashed, thanks to the reduction in tenement holding costs and by maintaining tight controls on expenditure. Any capital allocated must be ultimately linked either to major discoveries or commercially mineable deposits.

And thanks to our team's recent efforts, we have set the foundations for significant growth in shareholder value.

Cyclone de-risked

As we meet today, Cyclone is just days away from completing the 'de-risking' process by receiving the necessary environmental approvals from Western Australia's Environmental Protection Authority. This follows our announcement on 23rd May of having received draft endorsed conditions from the EPA, including for mining operations, related infrastructure and the haul road to Forrest.

The de-risking process has also encompassed reaching agreement with the traditional owners, the Spinifex People, which offers substantial economic benefits for the Indigenous community; obtaining a Mining Lease from the WA Government; identifying suitable water supplies; and extending the project's life through the acquisition of the adjacent Cyclone Extended Heavy Mineral Resource.

Our investors have waited patiently for the de-risking process to conclude. Pending the award of the final environmental approvals, which is expected in June, we would anticipate substantial interest in funding the next step, the completion of a definitive feasibility study, as we drive this project towards production.



Other milestones for Cyclone have included a substantial upgrade to the Cyclone Mineral Resource following the acquisition of Cyclone Extended, which increased the contained heavy minerals (HM) by 60 per cent to 4.8 million tonnes. Cyclone's estimated Ore Reserve was also increased by 47 per cent, with the forecast mining life lengthened to 14 years based on the planned 10 million tonnes per annum production.

Based on recent estimates, we envisage Cyclone being potentially a highly profitable operation, with estimated project payback in a little over three years. A new, independent study is expected to identify further cost savings on key capital and operating expenditures, thanks to changed industry conditions since the original Prefeasibility Study.

Potentially the largest undeveloped zircon project in the Eucla Basin, Cyclone is in an excellent position to deliver on its potential for shareholders' benefit.

Tick Hill's golden opportunity

Meanwhile, the Tick Hill project near Mount Isa, a joint venture with Superior Resources Ltd, has rapidly picked up speed.

A scoping study has confirmed the viability of a standalone operation processing Tick Hill's tailings resource, which has been estimated to contain some 22,000 troy ounces of gold. A 20-month-long operation could process the tailings through a standard CIP/CIL circuit, providing a quick route to generating cash flow from this historically rich former mine.

At current Australian dollar gold prices of approximately \$1,700 an ounce, Tick Hill could be a highly profitable operation and we are determined to push ahead as quickly as possible.

Elsewhere, our project pipeline includes the Cape Bedford Silica/Heavy Minerals Project in North Queensland, which is located next to the world's largest operating silica mine. Discussions are underway with the traditional owners and we are keen to commence exploration activities as soon as an agreement is finalised.

Bright outlook

Mining is a cyclical business and recent years have been challenging for the industry. However, "green shoots" have been sighted recently which point to an upturn in investor confidence.

Major producer, Iluka Resources Ltd, has pointed to improved mineral sands demand in early 2016, and with a lack of new investment it predicts a zircon supply challenge within three years. Importantly, China has pledged to maintain a high growth rate and has committed to significant new investment in infrastructure, while other emerging markets such as India are showing positive growth.

Industry forecasts, including those by Beer & Co., point to the zircon price reaching US\$1,500 a tonne by 2018, when Cyclone is set to commence production. According to a February 2016 research report, the conclusion of an investment agreement for Cyclone will be a "major driver of the DRX share price."

Gold has also seen significant gains this year, and with rising jewellery demand in China and India, gold is expected to shift from a "financial" to a "consumer" commodity, and an attractive investment asset.

Investor support is crucial for Diatreme, and we are extremely conscious of the need to maximise return on investment for our loyal shareholders. With a clear focus on our most attractive projects, a cost-conscious mindset and an experienced board and management, we are in an excellent position to repay shareholders' support.



I wish to once again thank our shareholders, employees, contractors, board and management for contributing to our successes over the past year. Much more success lies ahead for Diatreme and I look forward to sharing the benefits with you all.

A handwritten signature in black ink, appearing to read 'William Wang', with a long, sweeping flourish extending to the right.

William Wang
Chairman