

ASX

ANNOUNCEMENT



CYCLONE ENVIRONMENTAL PLAN RELEASED AS PROJECT ADVANCES

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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HIGHLIGHTS

*** Public Environmental Review (PER) for Cyclone Zircon Project released which is a key milestone for the de-risking process**

*** Final approvals expected by December as Diatreme advances high-grade zircon project towards development**

Diatreme Resources Limited (ASX:DRX) continues to de-risk its flagship Cyclone Zircon Project, announcing today the release of the project's Public Environmental Review (PER) in Western Australia.

The PER's release by Diatreme subsidiary Lost Sands Pty Ltd ("Lost Sands") is the final identified requirement of the de-risking process, which has included the securing of a Mining Lease, an agreement with the traditional owners and the identification of water supplies, along with an expanded Mineral Resource following the acquisition of the adjacent Cyclone Extended Heavy Mineral (HM) Resource.

Diatreme's Chief Executive, Neil McIntyre, said the release of the PER was another important milestone for the project in WA's Eucla Basin, which is considered one of the highest-grade zircon projects undergoing development.

"Diatreme's investors have shown strong support for this project as we have steadily de-risked it and advanced towards production. With environmental approvals potentially now only months away, we are confident of securing the extra investment necessary to kick-start this valuable heavy minerals mine for Western Australia," Mr McIntyre said.

WA's Environmental Protection Authority (EPA) has set the public review period at five weeks. This will be followed by a four-month consultation period with the EPA which will result in preparation of an assessment report for final approvals, expected by December 2015.

Background

Prior to commencing the PER, a Level 1 environmental and cultural heritage assessment of three road route options linking the Cyclone Project to the Trans-Australia Railway line was undertaken to determine the preferred option for a more detailed investigation. The preferred road option from the Level 1 assessment on environmental and cultural heritage grounds was a route through the Great Victoria Desert Nature Reserve to the rail siding at Forrest, near the South Australian border.

In March 2013, EPA advised that the Level of Assessment was a PER with a five-week public review period. The EPA also advised that it would prepare an Environmental Scoping Document (ESD) for the PER which sets out the details of the studies required for inclusion in the PER documentation. The ESD was received from the EPA in August 2013 and Lost Sands engaged MWH Environmental Consultants to manage the PER process, undertake certain environmental studies, and prepare the PER documentation.

The draft PER documentation was distributed to all relevant WA Government Decision Making Authorities (DMAs) for review before being finalised for public comment. Comments from the DMAs resulted in additional information being included in the PER.

Outlook

Following the public review period and Lost Sands' responses to public comments, the EPA will prepare an assessment report and recommendations for the Minister of Environment. The Minister will then determine whether the project should be implemented and the environmental conditions that will be applied.

Completion of the PER process is expected to result in a positive recommendation to the Minister of Environment by the EPA for approval of the Cyclone Project. This recommendation will cover the mining operation, support services, and all infrastructure, including the haul road from Cyclone to the Forrest rail siding.

The Cyclone Project has also been referred to the Australian Government Department of the Environment under the Environmental Protection and Biodiversity Conservation (EPBC) Act. The project was assessed as not a controlled action under the Commonwealth EPBC legislation, making WA's EPA assessment the only environmental approval process.

On 9 April 2015, Diatreme announced a revised Mineral Resource estimate for the Cyclone Project of 211 million tonnes at 2.3% HM (1% HM cut-off grade), containing 4.8 Mt HM, of which zircon comprised 1.27 Mt. This followed the acquisition from Image Resources NL of the Cyclone Extended HM Resource, which increased contained HM by approximately 53% (refer ASX announcement 24 March 2015).

Diatreme continues to review opportunities to cut capital and operating cost estimates for the planned Cyclone mine, which is now targeting the supply of heavy mineral concentrate to Chinese mineral separation plants.

“Diatreme is focused on bringing the Cyclone mine into production, amid continued Asian demand and anticipated falling costs. This is an exciting time in our Company’s development as we move towards the final stage for this project, delivering on its value for all stakeholders,” Mr McIntyre said.



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 resource 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).

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.

The PER document is available for viewing on Diatreme’s website:

www.diatreme.com.au

Competent Person Statement

The information in this report, insofar as it relates to Exploration Results and 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.