

**DIATREME RESOURCES LIMITED**

ABN 33 061 267 061

**HALF-YEAR REPORT – 30 JUNE 2015**

## Contents

	Page
Directors' report	2
Auditor's independence declaration	4
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	16
Independent auditor's review report	17

## General information

The financial report covers Diatreme Resources Limited (the "Company") and the entities it controlled (together referred to as the "Group"). The financial report is presented in Australian dollars, which is Diatreme Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Diatreme Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

87 Wickham Terrace  
Spring Hill  
Queensland 4000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 August 2015.

### COMPETENT PERSON STATEMENTS

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.

## DIRECTORS' REPORT

Your directors present their report on the Group consisting of Diatreme Resources Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2015.

The following persons were directors of Diatreme Resources Limited during the whole of the half-year and up to the date of this report:

A Tsang  
C Wang  
Y Zhuang

### Principal activities

During the financial half-year the principal continuing activity of the Group was exploration for heavy mineral sands, copper, gold and base metals in Australia.

### Review of operations

The loss after income tax of the Group for the half-year was \$2,371,326 (2014: loss \$2,695,623). The loss reflects the nature of the Group's principal activity.

During the half-year, Diatreme Resources Limited continued with its focus of tenement consolidation, acquisition of "value add" tenements and prioritising of expenditure towards projects that have highest potential for adding material value to the company through major discovery or transition to mining operations.

In addition, the process of de-risking the Cyclone Project through advancing final project permitting and increasing mineral resource size was considerably advanced.

Key highlights during the period in review include;

- Finalisation of acquisition of Tick Hill mining leases from MIM Holdings (Glencore). This now clears the way for Diatreme to undertake exploration programs testing tailings potential and eventual larger scale drilling to explore for potential extensions to the main ore body.
- Finalisation of acquisition of Cyclone Extended tenements from Image Resources Limited (Image) following payment by Diatreme of \$415,000.
- Post-acquisition from Image, the company released a significant upgrade to the mineral resource of the Cyclone Project to 211 million tonnes.
- Finalisation of a \$3.0m convertible Note facility from a private Chinese Investor on favourable terms to the company. First drawdown of \$500,000 effected in May 2015.
- Release of the Cyclone Project Public Environmental report (PER) for public comment and review by Government line agencies. This final approval anticipated for December 2015 clears the way for major partner entry.

Exploration operations during the half year involved:

- Integration of exploration data from the Cyclone Extended deposit with the company's Cyclone database.
- Reporting of a global mineral resource estimate for the Cyclone Project of 211 million tonnes (Mt) at 2.3% heavy minerals (HM) at a 1% HM cut-off grade, containing 4.8Mt of HM.

- Costs associated with the Wanna East tenement were written down during the year due to the low development potential of the Zephyr resource. Similarly costs associated with the Wanna South tenement were written down during the year due to the low development potential of the Nearshore mineralisation within the tenement.
- Relocation of the company's drilling equipment to the Tick Hill project, and planning of a preliminary exploration drilling program to assess the potential for gold contained within the on-site tailings dam and alluvial/eluvial gold adjacent to the old open pit.
- Closure of the Clermont regional office, with exploration equipment and data being relocated to the Brisbane head office. Costs associated with the Clermont tenements were written down during the year due to a series of partial relinquishments and difficult market conditions for metals projects.

With market conditions remaining difficult for junior explorers, the Company maintains tight control over expenditure whilst aiming to ensure that the Company assets retain their true value.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



W Wang  
Chairman  
28 August 2015

## DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF DIATREME RESOURCES LIMITED

As lead auditor for the review of Diatreme Resources Limited for the half-year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Diatreme Resources Limited and the entities it controlled during the period.

A J Whyte

Director



BDO Audit Pty Ltd

Brisbane: 28 August 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2015**

	Note	Half-year	
		2015 \$	2014 \$
Revenue	3	107,108	185,132
Employee benefits expenses		(373,879)	(464,251)
Termination benefits expenses		(57,200)	-
Depreciation expenses		(31,223)	(55,584)
Exploration assets written off	3	(1,557,884)	(1,753,358)
Share based payment expenses	4	-	(134,258)
Other expenses	3	(457,168)	(469,930)
Finance costs		(1,080)	(3,374)
<b>Loss before income tax</b>		<b>(2,371,326)</b>	<b>(2,695,623)</b>
Income tax expense		-	-
<b>Net loss for the half-year</b>		<b>(2,371,326)</b>	<b>(2,695,623)</b>
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive loss for the half-year</b>		<b>(2,371,326)</b>	<b>(2,695,623)</b>

	Cents	Cents
<b>Loss per share</b>		
Basic earnings per share	(0.3)	(0.4)
Diluted earnings per share	(0.3)	(0.4)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015**

	Note	30 Jun 2015 \$	31 Dec 2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		441,701	354,422
Trade and other receivables		139,326	134,098
Total current assets		<u>581,027</u>	<u>488,520</u>
<b>Non-current assets</b>			
Available-for-sale financial assets		3,252	3,252
Property, plant and equipment		260,178	305,501
Exploration and evaluation assets	1(b) & 5	13,285,072	14,120,130
Other assets		117,936	319,957
Total non-current assets		<u>13,666,438</u>	<u>14,748,840</u>
<b>Total assets</b>		<u>14,247,465</u>	<u>15,237,360</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		392,276	450,845
Provisions		5,546	5,546
Interest Bearing Liabilities	6	500,000	-
Total current liabilities		<u>897,822</u>	<u>456,391</u>
<b>Total liabilities</b>		<u>897,822</u>	<u>456,391</u>
<b>Net assets</b>		<u><b>13,349,643</b></u>	<u><b>14,780,969</b></u>
<b>EQUITY</b>			
Issued capital	7	48,048,903	47,108,903
Reserve	8	191,938	191,938
Accumulated losses		<u>(34,891,198)</u>	<u>(32,519,872)</u>
<b>Total equity</b>		<u><b>13,349,643</b></u>	<u><b>14,780,969</b></u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2015**

	Issued capital	Share based payments reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
<b>Balance at 1 January 2014</b>	<b>45,733,401</b>	<b>131,567</b>	<b>(25,267,163)</b>	<b>20,597,805</b>
Total comprehensive income: Loss for the half-year	-	-	(2,695,623)	(2,695,623)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital, net of transaction costs	256,648	-	-	256,648
Options issued	-	60,371	-	60,371
<b>At 30 June 2014</b>	<b>45,990,049</b>	<b>191,938</b>	<b>(27,962,786)</b>	<b>18,219,201</b>

	Issued capital	Share based payments reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
<b>At 1 January 2015</b>	<b>47,108,903</b>	<b>191,938</b>	<b>(32,519,872)</b>	<b>14,780,969</b>
Total comprehensive income: Loss for the half-year	-	-	(2,371,326)	(2,371,326)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital, net of transaction costs	940,000	-	-	940,000
<b>At 30 June 2015</b>	<b>48,048,903</b>	<b>191,938</b>	<b>(34,891,198)</b>	<b>13,349,643</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2015**

		Half-year	
	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts in the course of operations		70,484	147,357
Payments to suppliers and employees		(881,641)	(777,178)
Interest received		12,480	15,249
Finance costs		(1,080)	(3,374)
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>		(799,757)	(617,946)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(929)	-
Payment for tenement acquisition	9	(415,000)	-
Payments for exploration and evaluation assets		(368,230)	(2,195,725)
Receipt from Perpetual Mining Holding Limited	10	-	1,750,000
Proceeds from sale of property, plant and equipment		37,511	10,228
Refund of security deposit		200,421	20,500
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from investing activities</b>		(546,227)	(414,997)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,000,000	231,445
Payments for share issue costs		(66,737)	(48,684)
Receipt of deposit on convertible note	6	500,000	-
Receipt of deposit on shares placement		-	350,000
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from financing activities</b>		1,433,263	532,761
Net increase/(decrease) in cash and cash equivalents		87,279	(500,182)
Cash and cash equivalents at the beginning of the half-year		354,422	981,546
<b>Cash and cash equivalents at the end of the half-year</b>		<hr/> <hr/>	<hr/> <hr/>
		441,701	481,364

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2015****1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**b) Critical judgements in applying accounting policies**

The accounting policies include the capitalisation of exploration and evaluation expenditure which as at 30 June 2015 amounts to \$13,285,072 (31 December 2014: \$14,120,130). This represents a significant asset of the Group. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the relevant areas or where activities in the areas have not reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the areas are continuing.

**c) Material uncertainty regarding going concern**

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the half-year ended 30 June 2015 of \$2,371,326 (2014: \$2,695,623), and a net cash outflow from operations of \$799,757 (2014: \$617,946). At 30 June 2015, the Group's current liabilities exceeded its current assets by \$316,795 (31 December 2014: current assets exceeded current liabilities \$32,129).

The Group's ability to continue as a going concern and pay its debts as and when they fall due, is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the Group's tenements, and/or sale of non-core assets.

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional capital through debt or equity issues as and when the need to raise working capital arises.

During the current half-year to 30 June 2015, the Group raised \$1,000,000 from share placements to sophisticated and professional investors, and secured a \$3 million convertible

note facility. At 30 June 2015, \$500,000 of this facility had been drawn down and a further \$500,000 is expected to be drawn down in August 2015.

In the event that adequate funds cannot be raised as required, there will exist a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of business.

The Directors believe that they will continue to be successful in securing additional funds through the issue of securities as and when required. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

#### **d) New, revised or amending Accounting Standards and Interpretations**

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### **e) Fair values**

The fair values of the Group's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

## **2. SEGMENT INFORMATION**

The Group currently operates in one business segment and one geographical segment, namely explorer for heavy mineral sands, copper, gold and base metals in Australia. The revenues and results of this segment are those of the Group as a whole and are set out in the Consolidated Statement Profit or Loss and Other Comprehensive Income

	6 months ended	
	30 Jun 2015	30 Jun 2014
	\$	\$
<b>3. REVENUE, IMPAIRMENT AND OTHER EXPENSES</b>		
<b>(a) Revenue</b>		
Interest	12,480	16,535
Other	94,628	168,597
	107,108	185,132
<b>(b) Other expenses</b>		
Professional fees	55,439	70,210
Rental expenses on operating leases	193,991	202,818
Listing and share registry expenses	35,340	33,808
Administration costs	172,398	163,094
	457,168	469,930

**(c) Exploration assets written off**

During the half year a review of exploration data in conjunction with management assessment, resulted in \$1,557,884 write-off of exploration assets (30 June 2014: \$1,753,358).

**4. SHARE BASED PAYMENT EXPENSE**

Share based payments made during the period <sup>(1)</sup>	-	73,887
Share based option payments made during the period <sup>(2)</sup>	-	60,371
	-	134,258

<sup>(1)</sup> 3,694,235 shares at an issue price of 2 cents per share (and 3,694,235 free attaching options) were issued as full consideration for the Corporate Advisory and Management Fees incurred under the Lead Manager mandate for the 2014 renounceable rights issue.

<sup>(2)</sup> The Company established an employee share option plan (ESOP 2012) which was approved by shareholders at the AGM on 24 May 2012.

9,400,000 share options were issued to the Company's employees and consultants on 15 March 2013, and on 31 May 2013, following shareholders' approval, 6,000,000 share options were issued to the Directors. The exercise price of the options is \$0.10 per share vesting on 1 May 2014, and with an expiry date of 30 April 2019.

All options issued were valued using the Black-Scholes model. The fair value of options granted was estimated on the date of issue using the following assumptions:

	Issue date	
	15 Mar 2013	31 May 2013
Exercise price (\$)	0.10	0.10
Share price volatility (%)	103.68	107.76
Risk-free interest rate (%)	3.28	3.28
Expected life of the options (years)	6.13	5.92
Share price at issue date (\$)	0.02	0.01

**5. EXPLORATION AND EVALUATION ASSETS**

	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets – at cost less impairment	<u>13,285,072</u>	<u>14,120,130</u>
Opening balance	14,120,130	19,598,602
Tenement acquisition	435,000	-
Costs capitalised	287,826	338,762
Costs written off	<u>(1,557,884)</u>	<u>(5,817,234)</u>
	<u>13,285,072</u>	<u>14,120,130</u>

On 20 March 2015, the Department of Natural Resources and Mines approved the transfer of the three mining leases comprising the Tick Hill Project (MLs 7094, 7096 and 7097) from Mount Isa Mines Limited (MIM) to the Company.

This event satisfied the final milestone under the Tick Hill Gold Project “Exploration Farm-in and Joint Venture Agreement”, dated 17 June 2013 (JVA), between Diatreme Resources Limited and Superior Resources Limited (SPQ).

In addition, on 30 January 2015, SPQ and the Company confirmed that the remaining conditions of the JVA have been waived and as a result, SPQ rights and obligations in relation to the Tick Hill Gold Project have commenced from that date.

Under the JVA, SPQ has the right to earn a 50% interest in the project by:

- spending a minimum of \$750,000 on exploration, which will include substantial drilling over a two year earn-in period;
- making a payment to the Company of \$100,000; and
- lodging 50% of the Queensland Government security bond on the tenements.

At 30 June 2015, SPQ has not earned any interest in the joint venture.

**6. INTEREST BEARING LIABILITIES**

During the period ended 30 June 2015, as part of the capital raising exercise, the Company entered into a funding agreement with a private investor for provision of a \$3 million convertible note facility.

The facility terms are as follows:

- Six \$500,000 tranches drawn quarterly over a 15 month period, starting from receipt of the deposit (1<sup>st</sup> tranche) to comprise a fully drawn facility of \$3 million.
- Interest rate – 5.20% pa.
- Term – 36 months from last note drawdown date.
- Repayment:
  - 50% of notes (\$1.5 million) convertible to ordinary shares at maturity at fixed price of \$0.02.
  - 50% of notes (\$1.5 million) in cash by the Company at maturity.

As at 30 June 2015, the Company had received a deposit (1<sup>st</sup> tranche) of \$500,000. This amount has been accounted for as a deposit because as at 30 June 2015, under the terms of the contractual arrangement, the investor was still able to terminate the funding agreement in which case the deposit was refundable to the investor.

Subsequently on 30 July 2015, following advice from the investor that all conditions have now been met under the terms of the agreement therefore the second tranche and remaining

drawdowns are now triggered, (\$500,000) is expected in late August 2015 with further tranches drawn in lots of \$500,000 at every 3 months until convertible note total of \$3 million is fully drawn.

## 7. ISSUED CAPITAL

	30 Jun 2015 \$	31 Dec 2014 \$
809,749,043 (Dec 2014: 726,415,709) fully paid ordinary shares	48,048,903	47,108,903

### (a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price \$	\$
1 January 2014	Opening balance	609,582,431		45,733,401
Mar <sup>(1)</sup>	Shares issued	11,572,276	0.020	231,446
May <sup>(2)</sup>	Shares issued	3,694,335	0.020	73,887
Aug <sup>(3)</sup>	Shares issued	50,000,000	0.012	600,000
Aug	Shares issued	27,700,000	0.011	304,700
Oct <sup>(4)</sup>	Shares issued	16,666,667	0.012	200,000
Dec	Shares issued	7,200,000	0.012	86,400
	Shares issue costs	-		(120,931)
31 December 2014	Balance	726,415,709		47,108,903
Jan 2015	Shares issued	25,000,000	0.012	300,000
Mar	Shares issued	16,666,667	0.012	200,000
Apr	Shares issued	41,666,667	0.012	500,000
	Shares issue costs	-		(60,000)
30 June 2015	Balance	809,749,043		48,048,903

<sup>(1)</sup> In March 2014, the Company completed a non-renounceable rights issue to shareholders on a 1 for 4 basis. As a consequence, \$231,446 was raised through the issue of 11,572,276 fully paid ordinary shares at 2 cents each, each with a free attaching listed option exercisable at 2 cents expiring on 11 March 2016.

<sup>(2)</sup> 3,694,235 Shares (and 3,694,235 listed options) issued as full consideration for the Corporate Advisory and Management Fees incurred under the Lead Manager mandate for the 2014 renounceable rights issue.

<sup>(3)</sup> 50,000,000 shares were issued with 25,000,000 free attaching unlisted options. Each option is exercisable at 2 cents with 30 June 2016 expiry date.

<sup>(4)</sup> 16,666,667 shares were issued with 8,333,333 free attaching unlisted options. Each option is exercisable at 2 cents with 30 June 2016 expiry date

### (b) Share options

Expiry date	Exercise price	Number 30 Jun 2015	Number 31 Dec 2014
11 March 2016 (listed) <sup>(1)</sup>	\$0.02	15,266,611	15,266,611
30 June 2016 (listed) <sup>(2)</sup>	\$0.02	33,333,333	33,333,333
30 April 2019 (unlisted) <sup>(3)</sup>	\$0.10	8,000,000	9,400,000

<sup>(1)</sup> 15,266,611 listed options were issued during the 2014 year. (Refer Note 7(a) above).

<sup>(2)</sup> 33,333,333 unlisted options were issued during the 2014 year. (Refer Note 7(a) above).

<sup>(3)</sup> 1,400,000 unlisted options expired during the period ended 30 June 2015 out of the 9,400,000 unlisted options at 31 Dec 2014. (Refer Note 4 above).

Share options issued by the Company carry no rights to dividends and no voting rights. All options are exercisable for cash on a 1:1 basis.

## 8. RESERVE

<b>Share-based payment reserve</b>	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>
	<b>\$</b>	<b>\$</b>
Opening balance	191,938	131,567
Share based payments relating to unlisted options issued	-	60,371
Closing balance	<u>191,938</u>	<u>191,938</u>

## 9. PAYMENT FOR TENEMENT ACQUISITION

The Group's 100% owned subsidiary, Lost Sands Pty Ltd ("Lost Sands") executed a purchase agreement with Image Resources NL on 10th November 2014 to acquire its Eucla Basin tenement R69/1, including the Cyclone Extended Heavy Mineral Resource.

A non-refundable deposit of \$20,000 was paid at agreement execution date of 10<sup>th</sup> November 2014. During the period ended 30 June 2015, the balance of the purchase price of \$415,000 was paid thereby effecting full settlement of the acquisition.

## 10. RECEIPT FROM PMHL

The Group's 100% owned subsidiary, Lost Sands Pty Ltd ("Lost Sands") executed a Heads of Agreement ("HoA") on 9 January 2014 with Perpetual Mining Holding Limited ("PMHL") for \$2 million investment in the Cyclone Zircon Project. Under the HoA, PMHL agreed to invest \$2 million into the Project to earn 6% equity by way of a series of cash calls.

For the half-year ended 30 June 2014 Lost Sands received \$1,750,000 from PMHL. From this receipt, Lost Sands had incurred exploration and evaluation costs of \$1,712,335 as at 30 June 2014, with the balance of \$37,665 spent in July 2014. The final cash call of \$250,000 was received in September 2014.

## 11. CONTINGENCIES

There has been no change in contingent liabilities since the end of the previous annual reporting date.

## 12. COMMITMENTS

### (a) Tenement expenditure commitments

So as to maintain current rights to tenure of exploration tenements, the Group will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These outlays (exploration expenditure and rent), which arise in relation to granted tenements, inclusive of tenement applications are as follows:

	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>
	<b>\$</b>	<b>\$</b>
Payable within 1 year	653,357	436,974
Payable between one and five years	2,317,178	1,176,740
	<u>2,970,535</u>	<u>1,613,714</u>

The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished. In 2015 cash security bonds totalling \$12,267 were held by the relevant governing authorities to ensure compliance with granted tenement conditions (2014:\$212,688).

**(b) Operating lease commitments**

	<b>30 Jun 2015</b>	<b>31 Dec 2014</b>
	<b>\$</b>	<b>\$</b>
Payable within 1 year	318,731	310,319
Payable between one and five years	27,085	195,308
	<u>345,816</u>	<u>505,627</u>

The Company has leasing arrangements for the rental of office space expiring on 31 July 2016.

**13. EVENTS SUBSEQUENT TO REPORTING DATE**

There are no matters or circumstances that have arisen since 30 June 2015 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods



**DIRECTORS' DECLARATION**

The Directors declare that the financial statements and notes set out on pages 5 to 15 are in accordance with the Corporations Act 2001 and:

- (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date.

In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



W Wang  
Chairman  
Brisbane, 28 August 2015

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Diatreme Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Diatreme Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Diatreme Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Diatreme Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Diatreme Resources Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

### Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(c) in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

### BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'A J Whyte', is written over a horizontal line.

A J Whyte

Director

Brisbane: 28 August 2015