



DIATREME RESOURCES LIMITED

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ASX : DRX

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CHAIRMAN'S ADDRESS Presented to Annual General Meeting of Shareholders Thursday 28 May 2015

Dear shareholders

Firstly, thank you for attending today's meeting.

The past year has seen significant progress for Diatreme Resources and we are now in a much stronger position as a company.

Following last July's restructuring, we now have a new team in place. This includes myself as Chairman and Mr Neil McIntyre as Chief Executive Officer, along with an experienced managerial and technical team.

I would like to thank our previous Executive Chairman/CEO, Mr Tony Fawdon, and Executive Director-Operations, Mr David Hall, for their years of past service to the company.

However, our change of leadership allowed for successful re-engagement with investors, as shown by the success of recent fund-raising activities. This is particularly important in the current market, where investor appetite for risk has diminished considerably.

Diatreme's new team has 'skin in the game' and is committed to delivering for shareholders. We are focused on extracting maximum benefit from our high value resource projects, led by the Cyclone Zircon Project, while minimising overheads.

An example of our success in cutting excess costs is our tenement portfolio. From 29 exploration properties in 2013, with associated holding costs, we now have just nine, including four mining leases. This has been achieved by divesting greenfield exploration areas which do not satisfy our rigorous new commercial, geological and geographic review process.

This relentless focus on creating value, by minimising overheads and progressing high value projects, is the best strategy for Diatreme.

Cyclone is our flagship project, and our recent achievements have confirmed its status as one of the highest zircon grade projects under development.

In recent months, Cyclone has been effectively 'de-risked' for further investment, while also gaining an expanded mine life.

Recent milestones for Cyclone have included:

- (i) Acquiring Image Resources' Eucla Basin tenement, including its Cyclone Extended Heavy Mineral Resource, thereby extending Cyclone's forecast mine life by more than five years;



- (ii) Concluding an agreement with the traditional owners, the Spinifex People, which will generate substantial economic benefits for the Indigenous community;
- (iii) The award of a Mining Lease from the Western Australian government, and submission of a Public Environmental Review (PER) report;
- (iv) Successfully upgrading Cyclone's Mineral Resource, which is now estimated at 211 million tonnes at 2.3 per cent heavy minerals (HM). It now contains 4.8 million tonnes HM, a 60 per cent increase. *

These achievements show we have succeeded in advancing our key project, despite difficult market and economic conditions.

We now aim to obtain environmental approval, as well as further reduce the project's capital and operating costs.

Based on recent discussions with Chinese investors, we now see a significant opportunity in supplying heavy mineral concentrate. Thanks to our recent funding agreement, we are now in a position to advance the project's definitive feasibility study (DFS) and unlock the value of this important project.

Independent equity analysts have identified significant value in Cyclone, which is expected to come into production in 2017 at a time of improving prices. With the added benefit of a lower Australian dollar, we expect to generate healthy profits.

Importantly, Diatreme is not a one-project company. Our project pipeline includes mineral sands projects at Cape Bedford and Grays Hill, as well as the Tick Hill Gold Project, all in Queensland.

The Tick Hill Gold Mine is one of the highest grade gold deposits in Australia's recent gold producing history. Together with our partner, Superior Resources, we aim to explore the potential for high-grade gold in one of Queensland's most famous mining districts.

Looking ahead, it is hard not to be optimistic about the outlook for our company. China continues to industrialise and to implement its silk-road economic belt strategy linking Asia and Europe, with its central and western areas catching up to the eastern seaboard. Meanwhile, the rest of Asia is rapidly growing, including India and ASEAN, with "decades of urban growth to come," according to the World Bank.

This will result in continued growth in demand for resources, including mineral sands, with an increasing number of product end uses.

With attractive, high-value projects, investor support and an experienced management and board, Diatreme has all the elements for continued success.

I would like to conclude by thanking all involved with our company for your support, including shareholders, employees, contractors and other stakeholders. We are confident of further progress in fiscal 2016, as we work to repay your loyalty by maximising shareholder value.

William Wang
Chairman

* DRX ASX release dated 9 April 2015