

ASX

ANNOUNCEMENT



CYCLONE DFS BUILDS MOMENTUM AMID TALKS WITH PROJECT PARTNERS

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

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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4 April 2018

- **China ENFI Engineering Corporation (ENFI) mobilises specialist teams to complete Cyclone Zircon Project's definitive feasibility study (DFS); final report expected early 3rd quarter 2018**
- **Strong interest in Cyclone from potential project partners over construction, finance and product offtake, with Diatreme working to formalise agreements amid improved mineral sands outlook**

Emerging mineral sands producer Diatreme Resources Limited (ASX:DRX) announced today further progress towards the development of one of Western Australia's next major mineral sands mines, amid an improved pricing outlook for valuable heavy minerals and constrained supply.

Following January's signing of Cooperation and Consulting Services agreements with leading Chinese engineering company China ENFI Engineering Corporation (refer ASX announcement 11 January 2018), and Diatreme's payment of the necessary staged study costs, ENFI has mobilised specialist teams to ensure the successful delivery of a DFS for Diatreme's flagship Cyclone Zircon Project.

Diatreme's CEO, Neil McIntyre said the Company anticipates delivery of the final DFS report by early in the third quarter 2018, benefitting from ENFI's extensive international experience and resources.

"ENFI has shown a strong commitment towards delivering a high-quality DFS within the stated timeframe. We are encouraged by the results thus far and are continuing to work closely with ENFI to ensure the best possible outcome for shareholders," Mr McIntyre said.

He added: "Based on January's agreements, ENFI has also facilitated discussions with parties within its networks interested in providing potential project construction, finance and product offtake.

“While these discussions are at an early stage, following recent talks in China we are greatly encouraged by the interest shown in what could become a major mining operation in the world-class Eucla Basin. The next steps will include formalising with these interested parties the appropriate memoranda of understanding (MOUs) or similar, to help determine eventual potential project participants concurrently with the DFS process.”

ENFI is backed by one of China’s largest state-owned enterprises (SOEs) involved in the mining services sector, being a wholly owned subsidiary of Metallurgical Corporation of China, part of the China Minmetals Group. Headquartered in Beijing, China Minmetals is the nation’s largest metals and minerals group, with 1.6 trillion renminbi (A\$331 billion) in total assets, having ranked 120th in the Fortune Global 500 for 2016.

The agreements with ENFI follow Diatreme’s successful de-risking of its flagship project, with the issuing of final environmental approvals from the Western Australian Government in January 2017, along with the determination of a suitable water supply, agreement with the Native Title holders and award of a Mining Lease.

Recent market commentary and analysis has pointed to increasing demand for heavy mineral sands such as zircon, along with constrained supply, adding to the necessity for new projects such as Cyclone.

In February 2018, major producer Iluka Resources increased its zircon reference price by nearly 15% to US\$1,410 per tonne, having reported a 40% increase in the zircon price since the start of 2017. Rutile prices also rose by 13% from the start of last year, amid limited scope for a short-term supply response and solid mineral sands demand.

“The minerals sand market is moving in Diatreme’s favour at exactly the right time for our flagship project, which is rapidly building momentum as we look to finalise the DFS and advance towards production. Cyclone, together with our emerging Cape Bedford Silica/Heavy Minerals Project in North Queensland, are looking increasingly attractive to investors and project partners in this environment, as we work to unlock increased value for shareholders,” Mr McIntyre said.

For further information, please contact:



Neil McIntyre, CEO
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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.

In November 2014, Western Australia’s Department of Mines and Petroleum granted a Mining Lease (M69/141) for the project, which followed the signing of a Project Agreement with the traditional owners, the Spinifex People. In January 2017, the project received final ministerial consent allowing for the development of a mineral sands mine and associated infrastructure.

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.

De-Risking Process

Following an extensive work and regulatory program, the Cyclone project has effectively been de-risked following final 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, allowing Diatreme and its partner ENFI to now move confidently towards completing final aspects of the DFS.

Key risks that have been mitigated and related management measures comprise the following:

- **Water Supply** - Water supply discovered and test bore completed at the Cyclone mine site (refer ASX announcement 11 November 2013); 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 (refer ASX announcement 17 November 2014).
- **Mining Lease** - Granted by the WA Department of Mines and Petroleum on 18 November 2014 (refer ASX announcement 24 November 2014).
- **Mine Life** - Acquisition of Cyclone Extended has increased the proposed mine life to 14 years at a mining rate of 10 million tonnes per year (refer ASX announcement 14 December 2015).
- **Independent Update and Assessment** - The Project Enhancement and Update Study by Sedgman Limited undertaken in June 2016 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** - Granted by WA Environment Minister (State) 9th January 2017.
- **China ENFI Agreements** – Signed in January 2018, under which one of China's largest mining services providers will undertake the remaining aspects of Cyclone's commercial studies to DFS standard, while also assisting in sourcing potential project investors, offtakers and project lenders.

About China ENFI Corporation (ENFI)

One of China's premier design institutes, Beijing-based ENFI has large geological, mining engineering and metallurgical teams as well as significant plant design, procurement and construction capabilities. It has achieved significant success working in a number of countries in Africa, Asia, the Middle East and South America and owns a number of global patents concerning processing technologies.

ENFI is backed by one of China's largest state-owned enterprises (SOEs) involved in the mining services sector, being a wholly owned subsidiary of Metallurgical Corporation of China, part of the China Minmetals Group. Headquartered in Beijing, China Minmetals has 1.6 trillion renminbi (A\$331 billion) in total assets and ranked 120th in the Fortune Global 500 for 2016 (refer <http://www.minmetals.com/english/>).