



ASX : DRX

30 May 2018

CHAIRMAN'S ADDRESS
Presented to Annual General Meeting of Shareholders
Wednesday 30 May 2018

Dear shareholders

Good afternoon and thank you for attending today's Annual General Meeting.

As shown in our Annual Report, there have been some significant achievements for Diatreme Resources Limited over the past year. I would like to draw your attention to some of the highlights.

Cyclone – WA's next mineral sands mine

The Cyclone Zircon Project is our flagship project and recent developments have been very heartening for the creation of a new mineral sands mine in the world-class Eucla Basin.

In 2017, we substantially completed the de-risking of the project, thereby boosting investor confidence. This was signified by the award in January 2017 of Western Australian Government approval for the development and operation of a new mineral sands mine.

Congratulations are in order for our Board and management team for their success in this process, and to our shareholders for your patience. It was not an easy process but ultimately should prove highly rewarding.

Regulatory approval followed a de-risking process that included the discovery of the necessary water supply; a Native Title and Mining Agreement with the traditional land owners; the award of a Mining Lease; the acquisition of the adjacent Cyclone Extended; and an independent project study to enhance Cyclone's economics.

The reward for our efforts was shown in September 2017, when we signed a non-binding MOU with China ENFI Engineering Corporation (ENFI) for the completion of Cyclone's bankable feasibility study (BFS).

ENFI is a significant corporation. It is backed by one of China's largest state-owned enterprises and part of the China Minmetals group, which has an estimated A\$327 billion in total assets.

In January this year, we converted the initial MOU into two agreements with ENFI.

These comprised a Cooperation Agreement, under which ENFI is accessing its network within China's SOE and banking sectors to assist in sourcing project investors, offtakers and debt funding. It also involved a Consulting Services Agreement, detailing the remaining BFS aspects to be completed by ENFI and its world-leading team of engineers and other analysts.



I can advise that the BFS is progressing well and we expect to announce the results early in the third quarter of 2018.

We would expect a market re-rating of DRX shares to follow this announcement, given the reaction to our January 11 announcement concerning ENFI, when our share price significantly increased.

The market's renewed interest in Diatreme follows an uptick in mineral sands prices and forecasts of constrained supply, spurring demand for new, independent projects such as Cyclone.

In February, major producer Iluka Resources Limited increased its zircon reference price by nearly 15% to US\$1,410 per tonne. It reported a 40% rise in the zircon price since the start of 2017, with continued demand from industrialising Asia and other major economies.

During a recent visit to China, we were delighted by the interest in our project from potential partners. While these discussions are at an early stage, we are working to formalise such interest to help secure new project partners.

Together with our partner ENFI, we are confident of driving this project towards production, generating valuable new jobs and investment for Western Australia and wealth for our shareholders.

Expanding project pipeline

In addition to Cyclone, Diatreme is in a fortunate position to have other projects capable of increasing shareholder value.

Foremost among these is our Cape Bedford Silica/Heavy Mineral Sands project located north of Cairns. Situated near the world's largest silica sand mining operation, Cape Bedford is considered highly prospective for both silica and heavy mineral sands.

Similar to Cyclone, Diatreme has worked hard to ensure community support for the project. We have developed a good relationship with the traditional owners, the Hopevale Congress, having signed Conduct and Compensation as well as Cultural Heritage agreements in 2017.

Initial exploration work at Cape Bedford has been promising, showing the potential for high-quality silica sand. Results from the reconnaissance drilling and initial metallurgical testwork have been released to the ASX and I would refer you to our announcement dated 2 March 2018 for further details.

We are now looking to advance exploration drilling, with the aim of compiling a Mineral Resource estimate for the Nob Point dune system.

Notably, the Cape Bedford project is favourably located as the closest high-grade undeveloped project to the world's largest silica sand markets in Asia. Notably, the silica sand market is seen reaching nearly US\$10 billion in annual revenues by 2022, including from automotive and construction demand.

Elsewhere in our project pipeline, we continue to explore opportunities to unlock value from other projects such as the Tick Hill Gold Project and the Clermont Copper Project. Our aim is to minimise expenditure commitments while maximising potential gains for shareholders, amid solid copper and gold prices.

Strengthened Board

I would also like to introduce you to our recently appointed new Non-Executive Director, Mr Gregory Starr, who joined the Board last October. Greg has more than 20 years' international



experience in the mining industry, including companies listed on the Australian and Canadian stock exchanges. His industry expertise and experience in merger and acquisition and capital raisings is highly valuable to Diatreme and he has already made an excellent contribution to our Company.

Greg adds to an already experienced Board and management team with experience across all stages of mining project development. As we grow as a Company, we will continue to evaluate our team to ensure we have the right people in the right places to enhance shareholder value, while also maintaining strong corporate governance.

I would also like to thank our shareholders and new investors for supporting our capital management initiatives over the past year. These have ensured Diatreme is well placed to advance our key projects at the right time in the cycle.

Strong outlook

Looking ahead, the outlook appears extremely favourable for our Company.

Globally, the world is now enjoying synchronised growth for the first time since the global financial crisis. The world's largest economies, including China, Europe and the United States, are all expanding, while emerging economies in Asia continue to pick up speed.

Domestically, we are seeing an upturn in confidence in the resources sector. Share prices are rising, investors are investing again and miners are increasing exploration activity.

And as I highlighted earlier, the mineral sands industry is seeing an upturn, which we are already benefitting from as investors re-examine our sector.

Put these factors together and there is a very positive environment for Diatreme, both globally and domestically.

As an emerging mineral sands miner in Australia, we are perfectly placed to capitalise on these promising conditions, with the support of all our stakeholders.

Of course Diatreme is subject to the normal challenges pertaining to ASX listed exploration companies with small market capitalisation, and obtaining appropriate levels of funding remains a challenge for Diatreme to achieve all its goals. However we remain positively focussed on those challenges and our major project progress will certainly aid in that task.

On behalf of the Board, I wish to thank all shareholders, employees, contractors, management and everyone involved with Diatreme for your important contribution to our recent successes.

More successes lie ahead of us in 2018, and I am very confident our team will deliver.

William Wang
Chairman