

ASX

ANNOUNCEMENT



DIATREME VENDS TICK HILL PROJECT INTO NEW GOLD IPO

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
Code: DRX

Board of Directors Non-Executive
Gregory Starr – Chairman
William Wang
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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5 June 2018

- **Diatreme signs binding terms sheet for sale of Tick Hill Gold Project to Carnaby Resources Limited (Carnaby)**
- **Up to 4.5 million ordinary shares @ 25c each to be issued to DRX as consideration, valued at up to \$1.125 million, based on successful Carnaby IPO**

Emerging mineral sands producer Diatreme Resources Limited (**Diatreme**, or **Company**) (ASX:DRX) has unlocked value from its non-core Tick Hill Gold Project, announcing today the project's vending into the upcoming Initial Public Offering (IPO) by Carnaby Resources Limited (**Carnaby**).

Under a binding terms sheet, Diatreme will receive a minimum of 3,225,000 shares and a maximum of 4,500,000 shares dependent on total subscriptions received priced at \$0.25 cents each (valued from \$806,250 to \$1.125 million) to be allocated in a successful public float by Carnaby. Diatreme's share allocation will represent 4.5% of the total capitalisation of Carnaby upon listing.

Diatreme's Tick Hill joint venture partner, Superior Resources Limited (**Superior**), has also agreed to vend its interest in consideration for the issue of a minimum of 1,075,000 shares and a maximum of 1,500,000 shares in the IPO (valued at up to \$375,000). Superior's share allocation represents 1.5% of the total capitalisation of Carnaby upon listing.

Superior's current interest in the Project is an earn-in interest under an Exploration Farm-in and Joint Venture Agreement (**JV Agreement**) with Diatreme. Under the JV Agreement, Superior may earn a 50% interest in the project by:

- spending a minimum of \$750,000 on exploration;
- paying Diatreme \$100,000; and
- paying Diatreme 50% of the environmental bond (current bond totals \$298,000).

To date, Superior has spent approximately \$350,000 on the Project and has not met its earn-in requirements. However as a result of that expenditure to date, Superior holds a 50% interest in the surface gold (separate from any interest in the tenements), comprising mainly the residual gold contained in the Tick Hill Tailings Ponds (630,000t @ 1.08 g/t Au, for 22,000 ounces (@ 0.5 g/t cut-off grade).

The results of a scoping study and additional work by Superior during 2016/7 did not result in defining a pathway to viable extraction of the residual gold contained in the tailings.

For the purposes of the Terms Sheet, Superior's interest in the Project is deemed to be a 25% beneficial interest with Diatreme's interest deemed to be 75% legal and beneficial interest.

The agreement with Carnaby is subject to conditions precedent including successful completion of the IPO within 120 days of signing. The Carnaby shares issued to Diatreme and Superior are likely to be subject to an escrow period of up to 12 months under the listing rules.

Diatreme's CEO, Neil McIntyre, described the agreement as a win-win outcome for shareholders, providing the potential benefits from the IPO and Carnaby's future exploration work at no cost to the Company.

"Diatreme's refocus on our flagship Cyclone Zircon Project and emerging Cape Bedford Silica/Heavy Minerals Project has required the concentration of company resources on our most prospective assets. With Tick Hill's history of successful gold production and recent high Australian dollar gold prices, it represents an attractive asset to Carnaby, which has put together a number of gold assets for its upcoming float on the Australian stock exchange," Mr McIntyre said.

"Carnaby's technical team and management led by former Beadell Resources Limited executives Peter Bowler and Robert Watkins have a highly successful track record in progressing gold projects from exploration to mining, with a unique insight into the Tick Hill tenements and the nearby region. As a foundation shareholder in the IPO, I am confident Diatreme shareholders will benefit greatly from Carnaby's focus on value-adding exploration and the unlocking of Tick Hill's real value, giving Diatreme exposure to the potential upside at zero cost and no risk to the Company."

Meanwhile, Diatreme has continued to progress with its technical partner, China ENFI Engineering Corporation, a bankable feasibility study (BFS) for the Cyclone project, with the BFS expected early in the third quarter 2018. Testwork results at Cape Bedford have also shown the potential for high-quality, glass-grade silica sand (refer ASX announcement 2 March 2018).

“The recent upturn in the mineral sands industry has pointed to the positive outlook for our mineral sands projects, amid constrained supply and growing demand from industrialising Asia and elsewhere. Diatreme is committed to pursuing further growth in shareholder value through maximising the value of these projects, along with adding further value through successful divestments of non-core assets,” Mr McIntyre added.

Diatreme will continue to keep shareholders informed of developments with the Carnaby transaction including lodgment of the prospectus for the IPO.

For further information:

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