

ASX ANNOUNCEMENT

12 March 2019

Golden upside for shareholders in Tick Hill sale to Berkut


- Diatreme executes binding Heads of Agreement with ASX-listed Berkut Minerals Limited (ASX:BMT) for sale of non-core Tick Hill Gold Project, Qld
- Consideration comprises fully paid ordinary shares in BMT worth \$562,500 upon issue; shares subject to 12-month escrow and replacement of Diatreme's associated tenement bonds totaling \$336,844.
- Deal gives DRX shareholders exposure to upside in BMT's Australian gold assets in WA and Qld amid rising AUD price of yellow metal; allows DRX to focus on key heavy mineral and silica sands projects

Emerging mineral and silica sands miner Diatreme Resources Limited (**Diatreme**, or **Company**) (ASX:DRX) announced today an agreement with ASX-listed Berkut Minerals Limited (**Berkut**) (ASX:BMT) concerning the sale of Diatreme's non-core Tick Hill Gold Project (**Tick Hill**) near Mount Isa, Qld, giving Diatreme shareholders exposure to Berkut's Australian gold assets amid rising Australian dollar gold prices.

Under the legally binding, conditional Heads of Agreement (HOA) with Berkut, Diatreme has agreed the sale of its three related mining tenements (ML7094, ML7096 and ML7097 – see Figure 1) and associated mining information to a Berkut nominee. Consideration for the sale is the issue of fully paid ordinary shares in BMT to the value of \$562,500 upon issue, with the shares subject to voluntary escrow for a 12-month period from their date of issue.

Upon settlement, Diatreme's joint venture with Superior Resources Limited (**Superior**) (ASX:SPQ) concerning Tick Hill will be terminated, in addition to Diatreme's term sheet with Carnaby Resources Limited (**Carnaby**) (refer ASX announcement 5 June 2018).

Diatreme's CEO, Neil McIntyre, said the agreement offered DRX shareholders the potential for further growth in market value at zero cost.



“This deal is a win-win for Diatreme and Berkut, giving Diatreme shareholders exposure to Berkut and its promising gold assets in Western Australia and now also Queensland, while allowing us to continue our focus on our key heavy mineral and silica sand projects,” Mr McIntyre said.

“Tick Hill is historically one of Australia’s richest gold mines and with Berkut’s experience in gold exploration along with rising gold prices offers great potential to deliver value for the shareholders of both companies.”

Berkut’s Managing Director, Neil Inwood commented: “We welcome this agreement with Diatreme, which will cement our gold portfolio in Australia with the highly prospective Tick Hill Deposit and surrounds. The gold sector is enjoying rising investor interest due to high prices and solid consumption growth in Asia, and we look forward to exploring these projects as rapidly as possible for the benefit of our shareholders.”

Transaction overview

Diatreme currently holds a 100% legal interest and a 75% beneficial interest in the assets forming the Tick Hill Gold Project, with its mining leases containing one of the highest-grade gold deposits in Australia’s recent gold producing history.


Diatreme acquired its interest in the assets in March 2015, triggering the commencement of the DRX Farm-In and Joint Venture Agreement with Superior over Tick Hill (refer SPQ announcement 24 March 2015).

The Tick Hill gold deposit was previously mined between 1991 and 1995 by Carpentaria Gold Pty Ltd (a subsidiary of MIM Holdings Limited), producing 513,333 ounces of gold from 705,000 tonnes of ore at a recovered grade of 22.6 g/t gold (source: MIM Holdings).

Since being acquired by Diatreme, SPQ has conducted further exploration to earn an interest in the project and currently holds the remaining 25% beneficial interest in the mining tenements.

Berkut has entered into a series of interdependent agreements whereby it will first acquire Carnaby, and then through Carnaby (as its nominee) will further acquire 100% of the legal and beneficial interest in the assets, through:

- (a) the HOA with Diatreme – under which it will acquire the 100% legal interest in the assets, including a 75% beneficial interest in the mining tenements; and
- (b) a separate agreement with SPQ, under which it will acquire the remaining 25% beneficial interest in the mining tenements.



Upon settlement of these agreements, the Superior JV between Diatreme and SPQ will also be terminated. Both Berkut and Carnaby are parties to the HOA. Neither BMT or Carnaby are related parties of Diatreme.

BMT is also planning to undertake a capital raising to raise up to A\$1,600,000 in connection with the transactions, at an approximate issue price of A\$0.078.

BMT will also, as a condition of settlement and title transfer, replace existing tenement environmental bonds held by the regulatory authority (Department of Natural Resources Mines and Energy) totalling \$336,844. These bonds are currently supported by cash equivalent security (\$336,844) deposited by Diatreme, which will be refunded to Diatreme on discharge.

Consideration

As consideration for the sale, Diatreme will be issued with that number of fully paid ordinary shares in the capital of BMT ('Consideration Shares'), at the finally determined capital raise price such that the value of the Consideration Shares upon issue is A\$562,500.

Diatreme has agreed that the Consideration Shares will be subject to voluntary escrow for a period of 12 months from their date of issue. Upon receipt of the Consideration Shares, Diatreme expects that it will become a substantial shareholder of BMT holding greater than 5% of its then issued capital.

Conditions

The sale of Diatreme's interests is conditional upon a number of conditions being met on or before 30 April 2019 ('End Date'), including:

- (i) BMT's simultaneous acquisition of Carnaby;
- (ii) Carnaby's simultaneous acquisition of SPQ's interests in the mining tenements;
- (iii) Indicative approval to the transfer of the mining tenements by the relevant Minister;
- (iv) BMT confirming its satisfaction with its legal due diligence enquiries;
- (v) BMT obtaining all necessary shareholder and regulatory approvals required to complete the transaction, including under the ASX Listing Rules and the Corporations Act;
- (vi) termination of the Superior JV with effect from settlement; and
- (vii) Carnaby agreeing to be bound by all third-party dealings which impact the assets (including the gold production royalty and copper processing benefits in favour of MIM, all compensation agreements and similar dealings).



Other key terms

Diatreme has also granted exclusivity to BMT and Carnaby in respect of the sale of the assets and subject to conditions being met, expects the transaction to complete in early May 2019.



Figure 1: Tick Hill Mine

Diatreme’s Mr McIntyre added: “We are focused on unlocking value from our minerals portfolio for the benefit of shareholders as this latest deal demonstrates. Diatreme’s Cyclone Zircon Project in Western Australia and our emerging Galalar Silica Project in North Queensland are rapidly gaining momentum, amid an environment of rising prices and constrained supply, and we look forward to delivering even more shareholder value in 2019.”

Neil McIntyre
Chief Executive Officer

Greg Starr
Chairman

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