

ASX ANNOUNCEMENT

27 March 2019

\$1.5m placement to progress Galalar Silica Project

Emerging silica sands explorer and developer, Diatreme Resources Limited (ASX:DRX) announced today the completion of a bookbuild to raise \$1.5 million (before costs) via a placement of approximately 136 million fully paid ordinary shares at an issue price of 1.1 cents, with the funds targeted towards the Company's emerging Galalar Silica Project in North Queensland.

The placement was well supported by new sophisticated and professional investors and existing shareholders, with leading Australian financial services company Hartleys Limited acting as Lead Manager.

The funds raised from the placement will be used to advance the Galalar project, including:

- Further resource drilling focussed on major resource extension targets Elim Road North/South;
- Bulk testing and product definition - delivery of larger bulk samples to potential off-takers;
- Advancement of permitting and development approvals (mining lease, environmental and other approvals);
- Advancement of project economic studies; and
- Working capital.

The successful fund-raising follows Diatreme's recent announcement of an initial silica sands Exploration Target ranging from 210 million tonnes (Mt) to 2.1 billion tonnes (refer ASX announcement 25 March 2019), and the previous upgrade of its Inferred Mineral Resource estimate to 26.4 Mt > 99% SiO₂ (silicon dioxide) (refer ASX announcement 7 March 2019).

Commenting on the placement, Diatreme's Chief Executive Officer, Neil McIntyre, said: "Diatreme thanks the support of shareholders and welcomes new investors to our register following this significant investment in the future of our Company.



“We continue to advance the Galalar project at a rapid pace in this world-class silica province, with previous results showing our ability to produce premium-grade silica for fast-growing Asian markets (refer ASX announcement 9 January 2019).

“Our recent mineral resource upgrade and large maiden regional Exploration Target have further demonstrated the project’s potential to make an important contribution to the region’s development, in partnership with the traditional owners, Hopevale Congress.

“We will now further test priority exploration targets and further delineate resource extensions, along with other studies evaluating Galalar’s ability to deliver genuine economic returns for the benefit of all stakeholders.”

Placement Details

The new shares will be issued on the same terms and rank equally in all respects with the existing fully paid ordinary shares in the Company. The allotment of the placement (except for Director participation) is not subject to shareholder approval and will fall within the Company’s 15% placement capacity under ASX LR 7.1 shares.

Settlement is expected on or around Wednesday, 3 April 2019.

Neil McIntyre
Chief Executive Officer

Greg Starr
Chairman

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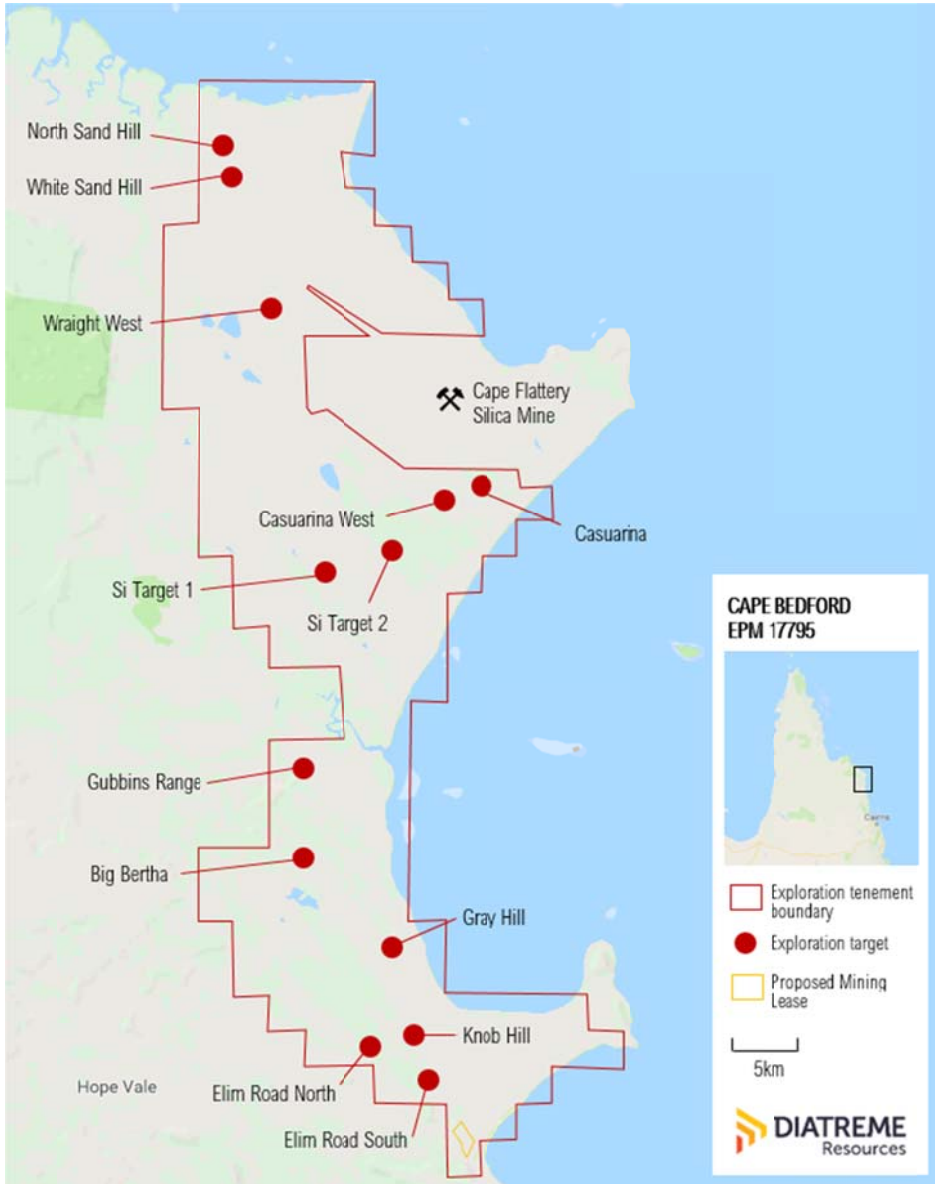


Figure 1. Galalar Silica Project and Resource Area

About Galalar Silica Project

The Galalar Silica Project EPM17795 is located approximately 200km north of Cairns in North Queensland, and covers the extent of a large Quaternary sand dune field, part of which is currently being mined by Cape Flattery Silica Mines

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Pty Ltd (CFSM), a wholly owned subsidiary of Mitsubishi Corporation. Cape Flattery has operated since 1967 and is the world's largest silica sand mining operation.

The Cape Bedford/Cape Flattery region of north Queensland is dominated by an extensive Quaternary sand mass and dune field that stretches inland from the present coast for approximately 10km and extends 50km from north to south.

Historical exploration has focused on the Cape Flattery area, within the Mining Leases of CFSM, but reconnaissance exploration has been carried out over the entire dune field in the late 1960's and again in the early 1980's. This exploration confirmed the presence of both silica sand and heavy mineral sands, and Diatreme intends to build on the existing data and initially target those areas (e.g. Nob Point) where prospective silica sand dunes have been identified and access is readily available.

Following the signing in 2017 of a Conduct and Compensation Agreement and a Cultural Heritage Agreement with the traditional owners, Hopevale Congress, Diatreme has worked closely with Hopevale Congress to maximise the economic benefits for the local community.

In August 2018, Diatreme defined a maiden Inferred Mineral Resource for the project's Nob Point Silica Sand Prospect (now Galalar Silica Project) located in the southern area of the tenement (refer ASX announcement released 13 August 2018).

Diatreme subsequently announced an expanded Inferred Mineral Resource (refer ASX announcement 7 March 2019) of 26.4 Mt > 99% SiO₂, followed by a maiden Exploration Target ranging from 210 million tonnes to 2.1 billion tonnes of silica (refer ASX announcement 25 March 2019).

Bulk testing results have demonstrated the project's ability to produce premium-grade silica using standard processing techniques, meeting the requirements for high-end glass and solar panel manufacturing and capable of attracting premium prices (refer ASX announcement 9 January 2019).

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