



ASX : DRX

30 May 2017

**CHAIRMAN'S ADDRESS**  
**Presented to Annual General Meeting of Shareholders**  
**Tuesday 30 May 2017**

Dear shareholders

Thank you for attending today's Annual General Meeting for Diatreme Resources Limited. Your support is crucial to our Company and I thank you again for your loyalty.

Looking back, the past year has seen some major achievements, which have laid the foundations for future growth.

There is a famous Chinese proverb that says, "A journey of 1,000 miles begins with a single step". We have taken plenty of these steps as we walk the path towards delivering greater shareholder value.

In 2016, these significant steps have included completing the 'de-risking' process for our Cyclone Zircon Project in Western Australia's Eucla Basin.

We have also opened up new opportunities for shareholder wealth by expanding our project pipeline. This includes the exciting Cape Bedford Silica/Heavy Minerals Project, along with the Grays Hill Heavy Minerals Project and Tick Hill Gold Project, all in Queensland.

Advancing our projects amid challenging industry and market conditions has required a tremendous effort. I would like to thank our Board, management, staff and everyone associated with Diatreme for making our achievements possible.

Importantly, we have kept our focus on projects that can generate shareholder wealth, while minimising costs to the fullest extent possible, including downsizing our corporate head office.

**Cyclone ready for investment**

Looking now at our projects, and it has been a standout year for our flagship, Cyclone. After considerable effort and investment, I am pleased to report that Cyclone is now de-risked and we are in an excellent position to advance the project towards mining.

This has followed a number of milestones, including receiving the necessary environmental approvals; securing a Mining Lease; reaching agreement with the traditional owners; identifying the necessary water supplies; and expanding the projected mining life through the acquisition of the adjacent Cyclone Extended.

An independent study reaffirmed Cyclone's potential to deliver wealth for shareholders. It showed an estimated net present value of \$121 million, an internal rate of return of 23 per cent and potential payback in under three years. These are excellent numbers, and they may even improve further, with the potential for cost savings on key capital and operating expenditure.



In January this year, final ministerial approval was received for Cyclone's Public Environmental Report. This was the culmination of an extensive stakeholder and regulatory consultative process and I wish to thank everyone responsible for delivering this.

Project partners and investors have stressed the importance of this de-risking process. We are now in an excellent position to attract further investment to complete a definitive feasibility study, capitalising on the upturn in mineral sands prices and constrained supply.

### **Project pipeline strengthened**

Diatreme's project portfolio is constantly reviewed to ensure any capital allocated must be ultimately linked either to major discoveries or commercially mineable deposits.

In this regard, we are excited by the potential for our project pipeline, which continues to deliver opportunities for growth in shareholder value.

Among our emerging projects is Cape Bedford, which is seen having tremendous potential as part of our mineral sands portfolio. Located near the world's largest silica mine at Cape Flattery, Cape Bedford has potential for heavy mineral deposits that could be mined in conjunction with the associated high purity silica sand.

In June 2016, we secured a five-year exploration permit for the project. This was followed in January this year with the signing of a conduct and compensation agreement with the traditional owners which aims to share the project's potential economic benefits. A cultural heritage agreement is currently being negotiated.

Having already identified high potential exploration targets for silica sands, we look forward to advancing this project further in 2017, pending the conclusion of the necessary agreements.

Another potentially valuable addition to our mineral sands portfolio is Grays Hill. Pending an agreement with the primary landholder, we look forward to undertaking exploration for potential heavy minerals at this project.

Meanwhile, rising gold prices, particularly in Australian dollars, have highlighted the value of our Tick Hill project near the famous mining district of Mount Isa.

In January 2016, Diatreme announced a maiden mineral resource for Tick Hill's tailings material located within its rehabilitated tailings dam. This comprised 630 kilotonnes at 1.08 grams per tonne gold (0.5 g/t cut-off), containing 680 kilograms (22,000 troy ounces) gold.

Studies conducted with our joint venture partner, Superior Resources Limited, have shown the potential for a 20-month-long operation processing the tailings. Subsequent studies showed that additional metallurgical testwork is required to develop a process flowsheet, determine capital and operating costs, and further assess its economic potential.

Given its past history as one of Australia's highest-grade gold deposits, Tick Hill has great potential to be revitalised as a profitable mining operation.

### **Brighter picture**

2017 is Asia's Year of the Rooster, and already we have seen a strong start to the year for the resource sector. According to industry forecaster TZMI, stronger mineral sands prices and rising demand are expected this year, particularly in the titanium dioxide pigment sector.

Predictions of a zircon supply shortfall before the end of the decade have also added to confidence in the economic viability of Cyclone, the Eucla Basin's largest undeveloped zircon project.



Gold prices have also performed strongly in 2017, amid geopolitical worries, increasing consumer demand in China and India and the prospect of rising inflation.

China, the world's largest resource consumer, has outperformed this year to exceed official economic growth forecasts. India has become the fastest-growing major economy, while Southeast Asia continues to flourish.

Longer term, consultancy A.T. Kearney has predicted the global middle class will reach 3.2 billion people by 2020, up from 1.8 billion in 2009, with much of this growth occurring in Asia.

As a mining company operating in Australia, we are in a fortunate position to be able to take advantage of Asia's economic growth, while offering customers stable supply of high quality minerals.

The positive signals seen this year have boosted investor confidence in the mining sector, including in Diatreme. We are very grateful to shareholders and investors for supporting our capital raising initiatives over the past year, and are determined to reward your financial commitment.

Once again, on behalf of the Board I would like to thank shareholders, employees, contractors, management and everyone involved with Diatreme for contributing to our recent achievements. Like the proverb, a journey of 1,000 miles begins with a single step and we have taken that step together. I am confident that the journey ahead will be a profitable one for our Company.

A handwritten signature in black ink, appearing to read 'William Wang', with a stylized flourish at the end.

William Wang  
Chairman