

ASX

ANNOUNCEMENT



**Diatreme
Resources
Limited**

ABN: 33 061 267 061

ASX:DRX 



MOU SIGNED WITH CHINA ENFI TO COMPLETE CYCLONE BFS

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
Codes: DRX

Board of Directors Non-Executive
William Wang - Chairman
Andrew Tsang
Daniel Zhuang

Executive:
Neil McIntyre – Chief Executive
Tuan Do – CFO & Co. Secretary
Ian Reudavey – Chief Geologist

Key Projects:
• Cyclone Zircon Project
• Tick Hill Gold Project
• Cape Bedford Silica/HMS Project
• Clermont Copper Project

Diatreme Resources Ltd Contact:
Neil McIntyre – Chief Executive
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Share Registry:
Link Market Services Limited
Level 15, ANZ Building
324 Queen Street, Brisbane, Q 4000

11th September 2017

- **Non-binding Memorandum of Understanding (MOU) signed with China ENFI Engineering Corporation (ENFI) for completion of Cyclone Zircon Project's bankable feasibility study (BFS)**
- **ENFI to assist Diatreme in sourcing project equity investors, product off-takers and project debt funding**
- **MOU targeted to be replaced with binding heads of agreement (HOA) within 60 days.**

Prospects for a major new mineral sands mine in Western Australia have received a major boost, with Diatreme Resources Limited (ASX:DRX) announcing today the signing of a non-binding MOU with China ENFI Engineering Corporation (ENFI) for the completion of the Cyclone Zircon Project's BFS.

ENFI is backed by Metallurgical Corporation of China one of China's largest state-owned enterprises (SOEs) involved in the mining services sector, being a wholly owned subsidiary of the China Minmetals Group.

Under the final terms of the HOA, which is being negotiated and expected to be completed within 60 days, ENFI will undertake the Cyclone project's high-level engineering design and planning required to facilitate definitive final project costings, implementation and economics for this potentially company-making project in the Eucla Basin region of Western Australia.

Importantly, ENFI have agreed under the MOU to assist Diatreme in sourcing potential project equity or joint venture parties from within its extensive network, as well as facilitating engagement with Chinese banking consortia to assemble the project financing necessary for the mine's construction.

Welcoming the agreement, Diatreme's Chairman, William Wang said it was a huge step forward for the largest undeveloped zircon project in the Eucla Basin.

“Whilst non-binding at this stage, the signing of this MOU with ENFI sets the groundwork for a broader relationship as we negotiate a binding HOA that will encompass delivery of all the final aspects of the BFS, including detailed feasibility studies and final mine planning/engineering studies that will allow us to advance the project rapidly,” Mr Wang said.

“ENFI’s support in accessing their commercial and Chinese SOE networks to engage with other potential project investors and Chinese banks will also be crucial in fast-tracking the eventual establishment of mining operations.

“Today’s agreement could prove crucial in ultimately delivering an operating mine that generates positive cash flow for the benefit of all shareholders, in an environment of constrained supply and rising prices.”

Diatreme has accordingly allowed ENFI access to all the relevant Cyclone project information studies, reports and other data under standard commercial confidentiality terms, for the purposes of advancing the HOA.

The MOU follows Diatreme’s 27 June 2017 announcement reporting that talks were underway with potential Chinese offtake partners. This came after the Company’s successful de-risking of its flagship project, with the issuing of final environmental approvals from the Western Australian Government in January 2017, along with the determination of a suitable water supply, agreement with the Native Title holders and award of a Mining Lease.

Recent market commentary and analysis by industry researchers TZMI, has pointed to increasing demand for heavy mineral sands such as zircon, along with constrained supply, which should ensure Cyclone comes into production amid a favourable pricing environment.

CYCLONE ZIRCON PROJECT

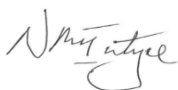
De – Risking Process

The Cyclone Project, following an extensive work and regulatory program has now been effectively de-risked following final grant of the environmental licence. The de-risking process has mitigated key project risks identified in the PFS and during the early stage of the BFS. DRX can now move confidently towards completing final aspects of the BFS, subject to market conditions remaining favourable, with the knowledge and comfort provided by the de-risking process.

In summary, the key risks that have been mitigated and related management measures are listed below:

- **Water Supply** - Water supply discovered and test bore completed at the Cyclone mine site (refer ASX announcement 11 November 2013); detailed water supply design to be completed in the DFS.
- **Native Title and Mining Agreement** - Agreement executed with the Native Title holders on 15 November 2014 (refer ASX announcement 17 November 2014).
- **Mining Lease** - Granted by the WA Department of Mines and Petroleum on 18 November 2014 (refer ASX announcement 24 November 2014).
- **Mine Life** - Acquisition of Cyclone Extended has increased the mine life to 14 years at a mining rate of 10 million tonnes per year (refer ASX announcement 14 December 2015).
- **Independent Update and Assessment** - The Project Enhancement and Update Study by Sedgman Limited undertaken in June 2016 has revealed cost reductions and demonstrated robust financial results (refer ASX announcement 15 June 2016). Sedgman has highlighted other opportunities for improving project economics.
- **Environmental Approval** - Granted by WA Environment Minister (State) 9th January 2017.

For further information, please contact:



Neil McIntyre, CEO

About the Cyclone Zircon Project

Discovered in 2007, the Cyclone Zircon deposit is located along the Barton shoreline within the Wanna Lakes area of the northern Eucla Basin, 25 kilometres from Western Australia's state border with South Australia and 220 kilometres north of the transcontinental railway.

Following the acquisition of the Cyclone Extended Heavy Mineral Resource, the Cyclone Project's JORC Mineral Resource (Measured and Indicated) has been estimated at comprising 211 million tonnes at 2.3% heavy minerals (1% cut-off grade) containing 4.8 million tonnes HM (refer ASX announcement 9 April 2015). This includes a Measured Resource of 156Mt at 2.4% HM and an Indicated Resource of 55Mt at 1.8% HM (both at 1% HM cut-off grade).

In November 2014, Western Australia's Department of Mines and Petroleum granted a Mining Lease (ML69/141) for the project, which followed the signing of a Project Agreement with the traditional owners, the Spinifex People. In January 2017, the project received final ministerial consent allowing for the development of all mine associated infrastructure including access roads.

A Definitive Feasibility Study is underway along with further project specific commercial and operational enhancement studies, with Cyclone representing potentially the largest undeveloped zircon project in the Eucla Basin.

About China ENFI Corporation (ENFI)

ENFI is one of China's premier design institutes and has large geological, mining engineering and metallurgical teams as well as significant plant design, procurement and construction capabilities. It has achieved significant success working in many African, Asian, South American and Middle Eastern countries and owns a number of global patents over processing technologies.

Competent Person Statement

The information in this report, insofar as it relates to Mineral Resources is based on information compiled by Mr Ian Reudavey, who is a full time employee of Diatreme Resources Limited and a Member of the Australian Institute of Geoscientists. Mr Reudavey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of 'The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Reudavey consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report, insofar as it relates to Ore Reserves is based on information compiled by Mr Phil McMurtrie, who is a director of Tisana Pty Ltd (a consultant to Diatreme Resources Limited), and a Member of the Australasian Institute of Mining and Metallurgy. Mr McMurtrie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of 'The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McMurtrie consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.