ASX
ANNOUNCEMENT

28 June 2018

Exploration shows prospects for new NQ silica mine

- **Maiden Mineral Resource for Cape Bedford Silica/Heavy Minerals Project in North Queensland expected next month following latest drilling**
- **Follow-up exploration drilling of Nob Point Silica Sand Prospect completed, with a further 41 air-core holes completed for 824m; further composite/bulk samples undergoing analysis**
- **Preliminary commercial and permitting studies to be advanced**
- **Talks with traditional owners, Hope Vale Congress confirm economic benefits for region**

Emerging mineral sands producer Diatreme Resources Limited (ASX:DRX) announced today further advances towards the development of a new silica sand mine in North Queensland, following recent exploration and talks with the traditional owners, the Hope Vale Congress.

Following the successful conclusion of a Conduct and Compensation Agreement and a Cultural Heritage Agreement with the Hope Vale Congress, Diatreme has conducted a follow-up exploration drilling program at the Nob Point Silica Sand Prospect located in the southern area of the tenement.

Some 41 air-core holes were completed for a total of 824m of drilling, with drill samples submitted for laboratory analysis ahead of the planned release of a maiden Mineral Resource for the project in late July. The latest drilling adds to an exploration program conducted from April to June that collected additional composite and bulk samples for geochemical analysis and preliminary metallurgical studies into the processing of the silica sands.

Located some 200km north of Cairns and near the world's biggest silica sand mine, Cape Bedford is seen potentially satisfying an emerging supply deficit in Asia, with growing demand from the automotive and construction industries for high-purity silica sand.

+61 7 3397 2222
Unit 8, 55–61 Holdsworth St
Coorparoo, Qld, 4151
diatreme.com.au

Diatreme's CEO, Neil McIntyre said Cape Bedford had the potential to become a new source of jobs and wealth for the local community.

"Recent talks with Hope Vale Congress and other stakeholders, including government, have reaffirmed our commitment to maximising the benefits of this project for the region, including the delivery of new jobs and investment," he said.

"We are keenly anticipating further exploration results, which will form part of our upcoming maiden Mineral Resource for the project that will provide a closer examination of its potential as a new silica sand mine."

Detailed Sample Analysis Pending

Drill samples (248) from the April-June drilling program have been submitted to the laboratory for XRF analysis for silica, with assay results expected in late July 2018. In addition, 500kg of bulk samples will be composited contingent on results from the laboratory for metallurgical testwork.

Samples have been submitted to a specialist laboratory to commence a series of tests to determine the characteristics of the Nob Point dune sand and assess its potential for use as a premium glass grade sand product and secondary grade construction sand.

Diatreme looks forward to updating the market as test results are obtained over the coming weeks as it seeks to further define and announce a maiden silica resource within the current exploration area.

Next Step - Commercial & Permitting Studies

Meanwhile, Diatreme has also commenced internal "desktop" commercial studies to examine the potential for the extraction of a premium grade silica sand product to be exported from the Nob Point tenement area, which has now been subject to an extensive drilling and testing program.

The area under examination at Nob Point has some characteristics which, subject to further detailed studies, show the following natural advantages:

1) Immediate access to a high-quality workforce on a drive-in (daily) basis from the local community;
2) Access to existing road infrastructure;
3) Potential shipping/export point identified within a short distance to potential mining activity;
4) Strong community support for development.

Given these factors and the highly favourable drilling and exploration activity undertaken to date Diatreme has decided to “fast track” detailed elements concerning site logistics, export, product offtake, permitting and commercial studies whilst awaiting the detailed bulk testing results.

Subject to further definitive commercial studies and permitting approvals, a new mine has the ability to generate up to 30 jobs for the local community during construction, with a smaller number employed during its potential 20 year-plus operating life. Diatreme is pleased to welcome the support of Hope Vale Congress as a genuine partner in the project, which could deliver long-term benefits to the Indigenous community.

Mr McIntyre said: “Cape Bedford has considerable potential to support economic development in North Queensland and we look forward to updating the market on our upcoming results. Together with our flagship Cyclone Zircon Project, Cape Bedford offers the opportunity for the generation of near-term cashflow for the benefit of shareholders and long-term economic gains for the community.”

Neil McIntyre
Chief Executive Officer

About Cape Bedford

The Cape Bedford 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 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, Hope Vale Congress, Diatreme has worked closely with Hope Vale Congress to maximise the economic benefits for the local community.

Diatreme now aims to define a maiden Mineral Resource for the Nob Point Silica Sand Prospect, having identified numerous targets of interest for both silica sands and mineral sands exploration.