

ASX ANNOUNCEMENT

5th December 2018

Galalar Silica Project launched with traditional owners' backing

- DRX's Nob Point silica resource renamed as Galalar Silica Project, following consultations with traditional owners, Hopevale Congress and continued successful advancement of the project.
- Name change reflects community involvement and broad local support for new high-grade silica sand mine
- Further drilling and sampling program completed in November, with additional 30 holes drilled for over 699m and 699 silica samples obtained for further product testing
- Detailed hydrographic survey undertaken to determine potential export point; further studies underway

Plans for a new silica sand mine in North Queensland supported by the local community have further advanced, with emerging mineral sands miner Diatreme Resources Limited (ASX:DRX) announcing today the launch of the Galalar Silica Project (Galalar) following consultations with the traditional owners.

The name change from the previous Nob Point Prospect (an area contained within the Cape Bedford exploration tenement) reflects the backing of traditional owners, Hopevale Congress and the Company's desire for maximum local economic benefit from the establishment of a new high-grade silica sand mine.

Galalar forms part of Diatreme's Cape Bedford Silica/Heavy Minerals Project, located around 200km north of Cairns and near the world's biggest operating silica sand mine at Cape Flattery.

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Commenting on the name change, Diatreme's CEO, Neil McIntyre said: "In renaming the project 'Galalar' we are confirming and acknowledging the strong community involvement needed to ensure the project's successful implementation and our desire for it to become a viable mine that contributes to the community.

"We are delighted to be working with Hopevale Congress on this project and look forward to realising the benefits of this partnership for the benefit of all stakeholders."

Further Exploration Activity

Diatreme has continued to advance the project, recently completing a program of additional drilling, exploration and testing during November.

This follows the announcement of a maiden Inferred Mineral Resource for Galalar (then the Nob Point Prospect) of an estimated **21.6 million tonnes at > 99% purity silica** (refer ASX announcement 13 August 2018) and earlier bulk sample process testwork results confirming the project is capable of producing high-quality silica sand at **99.9% SiO₂** (refer ASX announcement 16 August 2018).

The drilling program undertaken with Diatreme's drill rig and crew comprised a further 30 aircore drilled holes for some 700 metres of total drilling, conducted as part of a program to increase the resource confidence through a staged progressive process.

An Unmanned Aerial Vehicle (UAV) survey was completed across the site to ensure accurate and recent topography data is used for all future resource calculations and checked against the topography used for the Inferred Mineral Resource calculations as a form of quality assurance.

Drill space density trials were also completed to determine if 50 x 100m spaced drilling is adequate for a resource upgrade from Inferred to an Indicated level of confidence.

In addition, a number of holes were twinned from previous programs to:

- determine the adequacy of 3m composite samples for higher confidence resource estimation, and
- confirm the repeatability of drilling to better understand the continuity and repeatability of the air-core drilling technique.



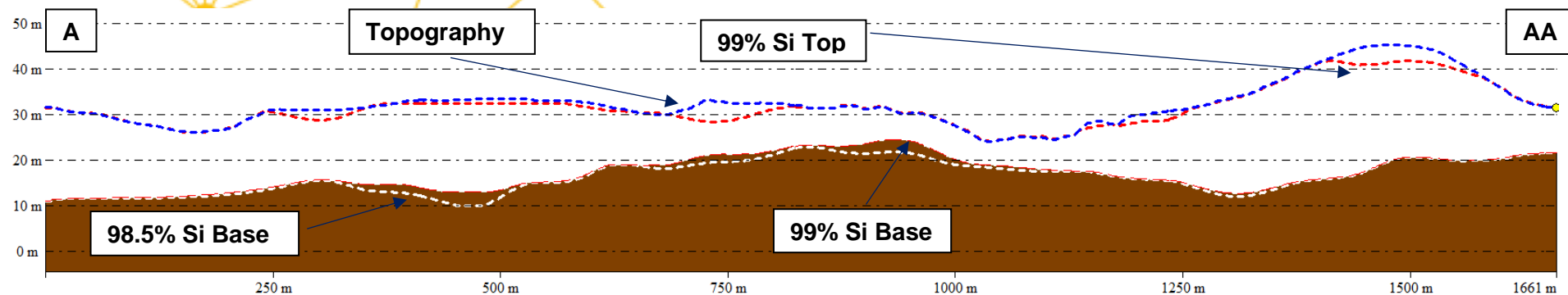
Refer to the drilling map attached (**Fig 1**) with recent drilling points identified and detailed cross sections (**Fig 2**) of the resource deposition.

The extensive sampling program was undertaken at 1m drilling intervals, resulting in some 700 samples being prepared for further specialist testing. The purpose of the extensive sampling program was to obtain further high-quality information to confirm the in-situ silica purity, moisture levels, in situ bulk density and to further examine any geological deposition trends within the deposit.

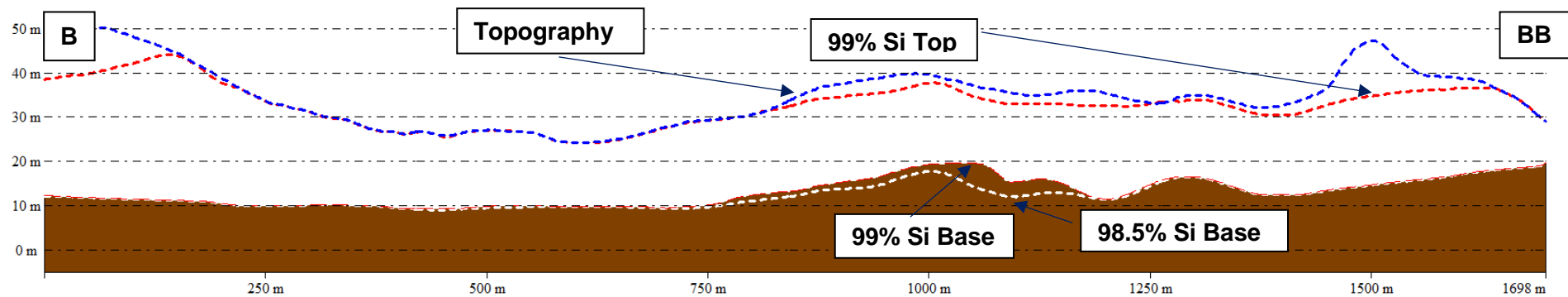
It is anticipated results from this further testing should be available within the next three to four weeks. As these results become available, they will be supplied to an engaged resource consultant who will input the additional data into the resource model. Estimates will then be completed to determine if there is adequate information as part of this initial program to increase a portion of the resource from Inferred to Indicated, and provide additional recommendations for the next drilling program.

Fig 2 – Detailed resource cross sections

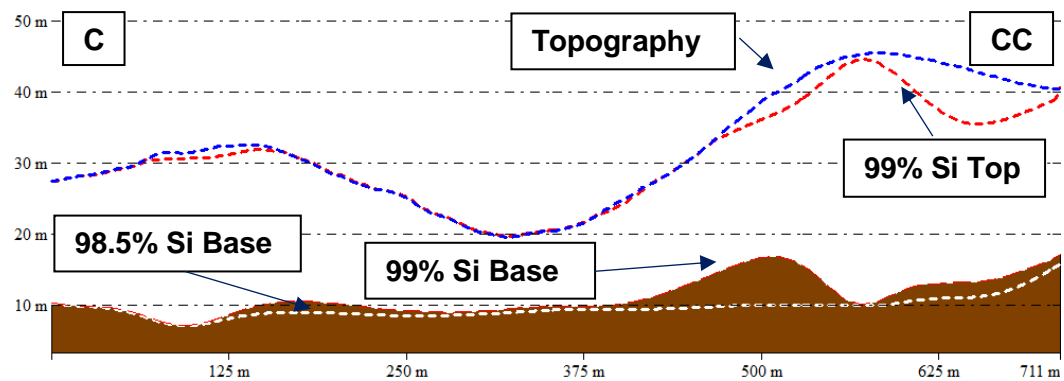
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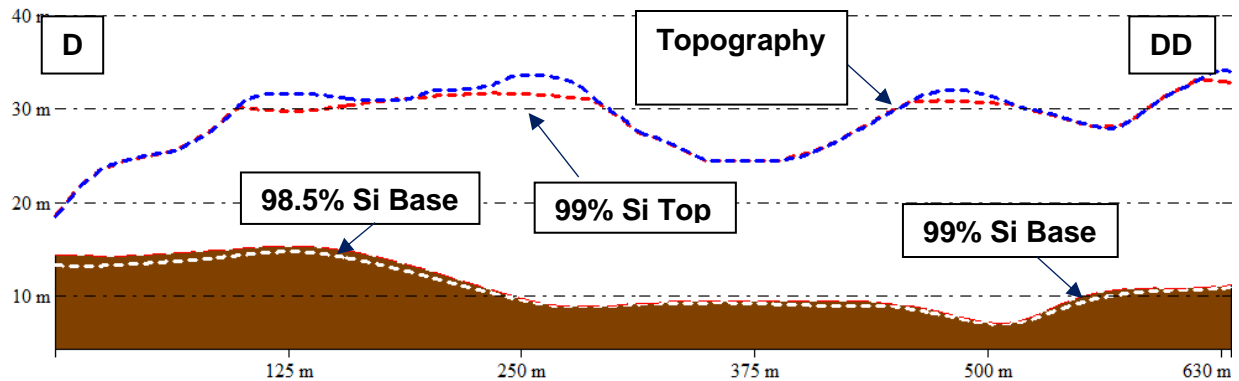
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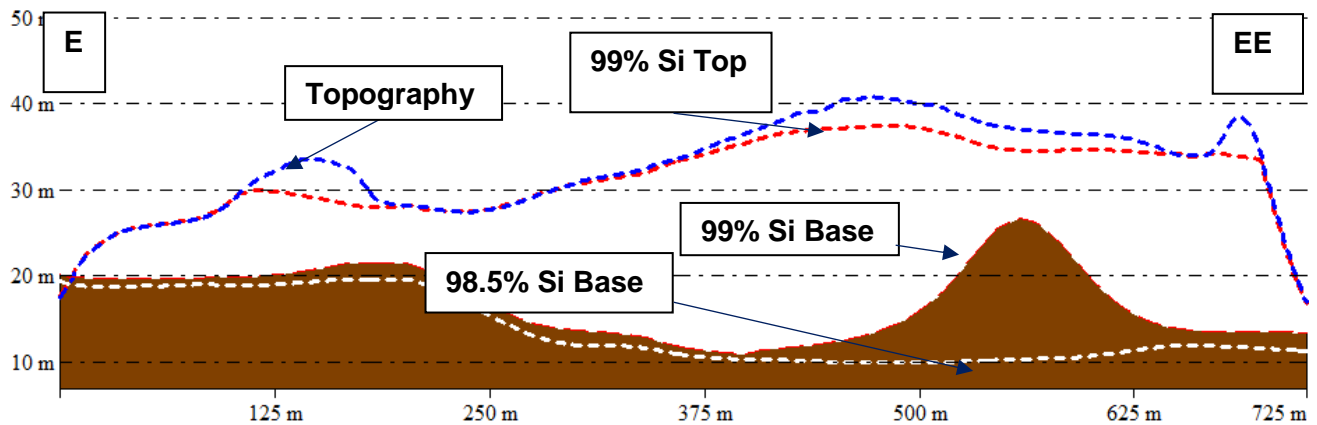
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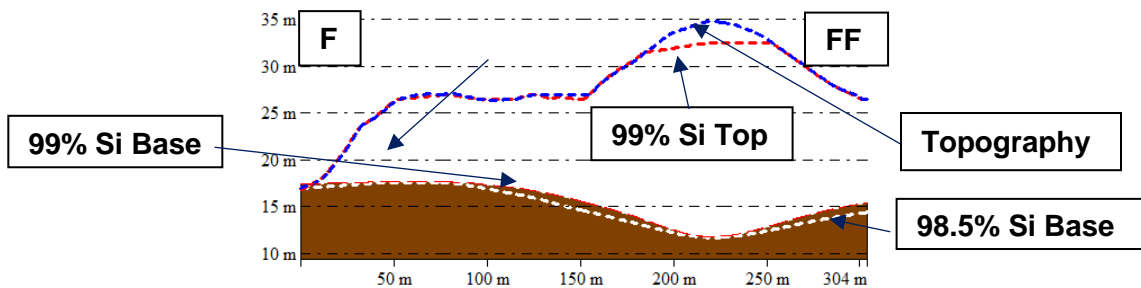
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Hydrographic Survey

Diatreme has engaged a specialist firm to undertake a detailed hydrographic study of the coast at Nob Point to identify water depths (at low and high tides) and allow preliminary concept designs to be undertaken regarding a suitable methodology for eventual product export.

These studies have identified a section of coastline within approximately 3km of the identified resource that should be suitable for construction of barging facilities (barge ramp), subject to more detailed commercial, permitting and engineering assessments.

Further specialist input will now be obtained to determine to potential construction costs associated with building this infrastructure so Diatreme can commence the process of more detailed project economic assessment.

Next Steps

Diatreme is engaging with various regulatory and permitting agencies to design and scope appropriately the level of studies required, the permitting process and generate a realistic project implementation timeline moving forward.

This is being undertaken concurrently with further resource definition work and engagement with potential silica product offtakers to design suitable product specifications, pricing and delivery methodology.

Diatreme has identified potential high-tech applications, such as solar panel manufacture for the silica resource following meetings in China with a number of high purity silica sand end users and product sales agents. Bulk product testing of 350kgs of raw sample is underway in China at a specialist silica testing facility and should the product meet the required specifications, Diatreme aims to potentially generate a low Fe, high purity silica sand product capable of attracting premium prices.

The Cape Bedford project is seen capable of supplying fast-growing Asian markets with high-grade silica sand used in high-end glass manufacturing within the automotive, construction, electronics and other sectors. The global silica sand market is seen reaching nearly US\$10 billion in revenues by 2022, with a healthy compound annual growth rate of 7.2% (source: IMARC Group).

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Diatreme expects mining at Cape Bedford to be a relatively simple operation due to the small amount of overburden present which can be easily removed. An initial operation with annual production of 300,000 to 500,000 tonnes of high-grade silica product is envisaged, pending further commercial studies and discussions with potential customers.

Mr McIntyre added: “The Galalar project has the potential to be a source of new jobs and investment for the local community and we are excited by the opportunities from our partnership with Hopevale Congress”.

“In the meantime, our flagship Cyclone Zircon Project in Western Australia is gaining momentum following its positive definitive feasibility study (refer ASX announcement 15 November 2018). Diatreme has an excellent year ahead as we work to progress our key projects in an environment of constrained supply and rising demand from Asia, with the prospects for sustained growth in shareholder value.”

Neil McIntyre

Chief Executive Officer

Greg Starr

Chairman

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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.

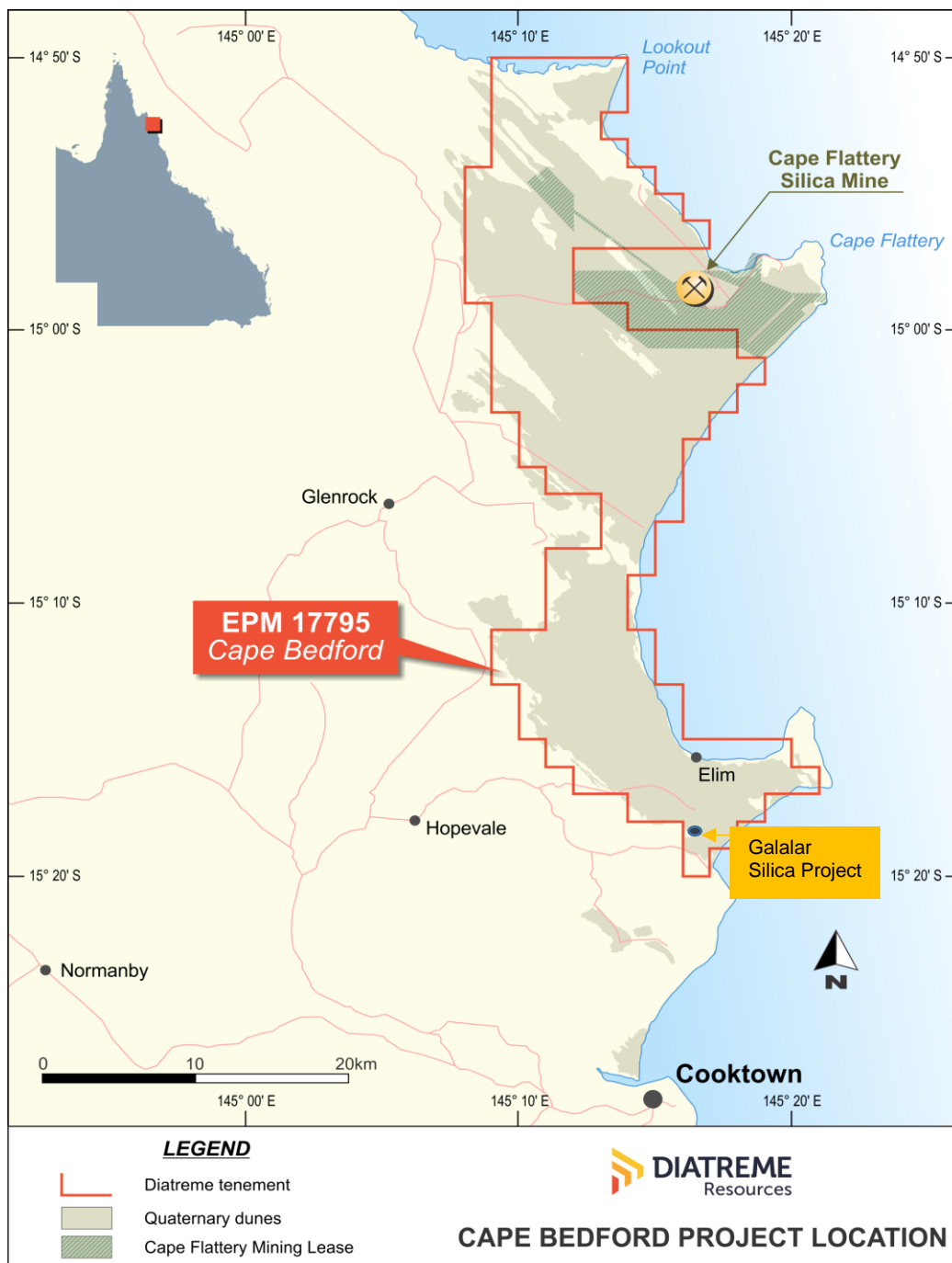
The Cape Bedford/Cape Flattery region of north Queensland is dominated by an extensive Quaternary sand mass and dune field that stretches inland from the present coast for approximately 10km and extends 50km from north to south.

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, 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).

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