

ASX

ANNOUNCEMENT



**Diatreme
Resources
Limited**

ABN: 33 061 267 061

ASX:DRX 



ACQUISITION EXPANDS CYCLONE RESOURCE

Diatreme Resources Limited is an Australian based diversified mineral explorer with significant projects in WA, SA, VIC and QLD.

The Company seeks to develop the Cyclone Zircon Deposit in WA, through a joint venture arrangement, and conducts exploration over a number of project areas prospective for heavy mineral sands, silica sand, copper and gold.

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, DRXO

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

Executive:
Neil McIntyre – Chief Executive
Tuan Do – Chief Financial Officer
Ian Reudavey – Chief Geologist

Joint Company Secretaries:
Leni Stanley
Tuan Do

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

Diatreme Resources Limited contact:
Neil McIntyre – Chief Executive
Phone: +61 7 3832 5666
Fax: +61 7 3832 5300

Share Registry:
Link Market Services Limited
Level 15, ANZ Building
324 Queen Street, Brisbane, Q 4000

11th November 2014

In a major expansion of its flagship Cyclone Zircon Project, Diatreme Resources Limited (ASX:DRX) announced today the execution of a conditional purchase agreement with Image Resources NL (ASX:IMA) to acquire its Eucla Basin tenement which includes the Cyclone Extended Heavy Mineral Resource.

The addition of Cyclone Extended will increase the resource of Diatreme's flagship mineral sands project in Western Australia from 137 million tonnes at 2.2% heavy minerals (containing 3.0 Mt of HM) to 223 Mt at 2.1% HM (containing 4.6 Mt of HM). This is an effective increase of 53% in contained heavy minerals.

Key commercial terms of the agreement are as follows:

Consideration of \$435,000 cash, to be paid in two separate tranches:

Tranche 1: Non-refundable deposit of \$20,000, payable at agreement execution 10th November 2014;

Tranche 2: Remaining \$415,000 to be paid within 120 days of agreement execution date linked to a successful capital raising being undertaken by Diatreme within that period.

A production royalty of 1% will be retained by Image on all heavy mineral production within the area of the transferred tenement. Diatreme will have the option to acquire the royalty at an agreed value of \$435,000 exercisable by the 1st January 2017. Should Diatreme choose not to exercise the option, the royalty will remain in place.

Diatreme's Chairman, Mr William Wang, said "The acquisition shows that Diatreme is determined to develop the Cyclone Project and we now have the larger resource size to achieve project scale. Today's agreement is a win-win for both parties, designed to enhance the core business for both companies."

Diatreme's Chief Executive, Neil McIntyre said: "The agreement with Image has helped consolidate a world class zircon rich mineral sands deposit. The Cyclone Extended tenement represents the continuation of the same body of mineralisation, allowing for the seamless extension of mining and processing once the Cyclone ore reserve is exhausted.

This acquisition has the potential to extend mine life by five years or more, based on Diatreme's existing mine design plans, and is a significant increase to the project's known HM resource. It also allows for a wider range of options in mine planning and design, which could include ramping up production levels or targeting higher grade ore on the commencement of mining."

The agreement with Image follows Diatreme's announcement on 18 September 2014 that project partner Perpetual Mining Holding Limited (PMHL) had completed its initial farm-in commitment at Cyclone by investing \$2 million to earn a 6% stake in the project. Diatreme is continuing work under its partnership with Hong Kong-based PMHL to increase investment confidence in the project, including water testing, environmental studies and regulatory approvals, as well as negotiations with the Pila Nguru People for a Cyclone Project Mining Agreement.

"Diatreme is confident of the outlook for mineral sands and Cyclone's potential to satisfy growing demand from an industrialising Asia. We are focused on developing this significant project with the support of our partners, maximising shareholder value and generating long-lasting economic benefits for all stakeholders," Mr McIntyre said.

The following Cyclone Project HM resource estimate is based on Image's resource estimate for Cyclone Extended in July 2010 and Diatreme's updated resource estimate for Cyclone in January 2014 (refer to Image ASX announcement 23 July 2010 and Diatreme ASX announcement 9 January 2014):

Table 1: Cyclone Project HM Resource at 1% HM cut-off

Deposit	Resource Category	Volume (million m ³)	Material (million t)	HM (%)	Slimes (%)	HM (million t)
<i>Image Resources</i>						
Cyclone Extended	Indicated	44.5	77.3	2.0	5.6	1.5
Cyclone Extended	Inferred	5.4	9.0	1.2	3.3	0.1
Cyclone Extended	Total	49.9	86.3	1.9	5.3	1.6
<i>Diatreme Resources</i>						
Cyclone	Measured	69.6	118.4	2.3	4.1	2.7
Cyclone	Indicated	11.1	18.8	1.5	3.3	0.3
Cyclone	Total	80.7	137.2	2.2	4.0	3.0
<i>Combined HM Resource post-acquisition</i>						
Cyclone Project	Measured	69.6	118.4	2.3	4.1	2.7
Cyclone Project	Indicated	55.6	96.1	1.9	5.2	1.8
Cyclone Project	Inferred	5.4	9.0	1.2	3.3	0.1
Cyclone Project	Total	130.6	223.5	2.1	4.5	4.6

Competent Person Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Ian Reudavey, a Competent Person who is a Member of the Australian Institute of Geoscientists. Ian Reudavey is a full time employee of Diatreme Resources Limited. Ian Reudavey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being 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'. Ian Reudavey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

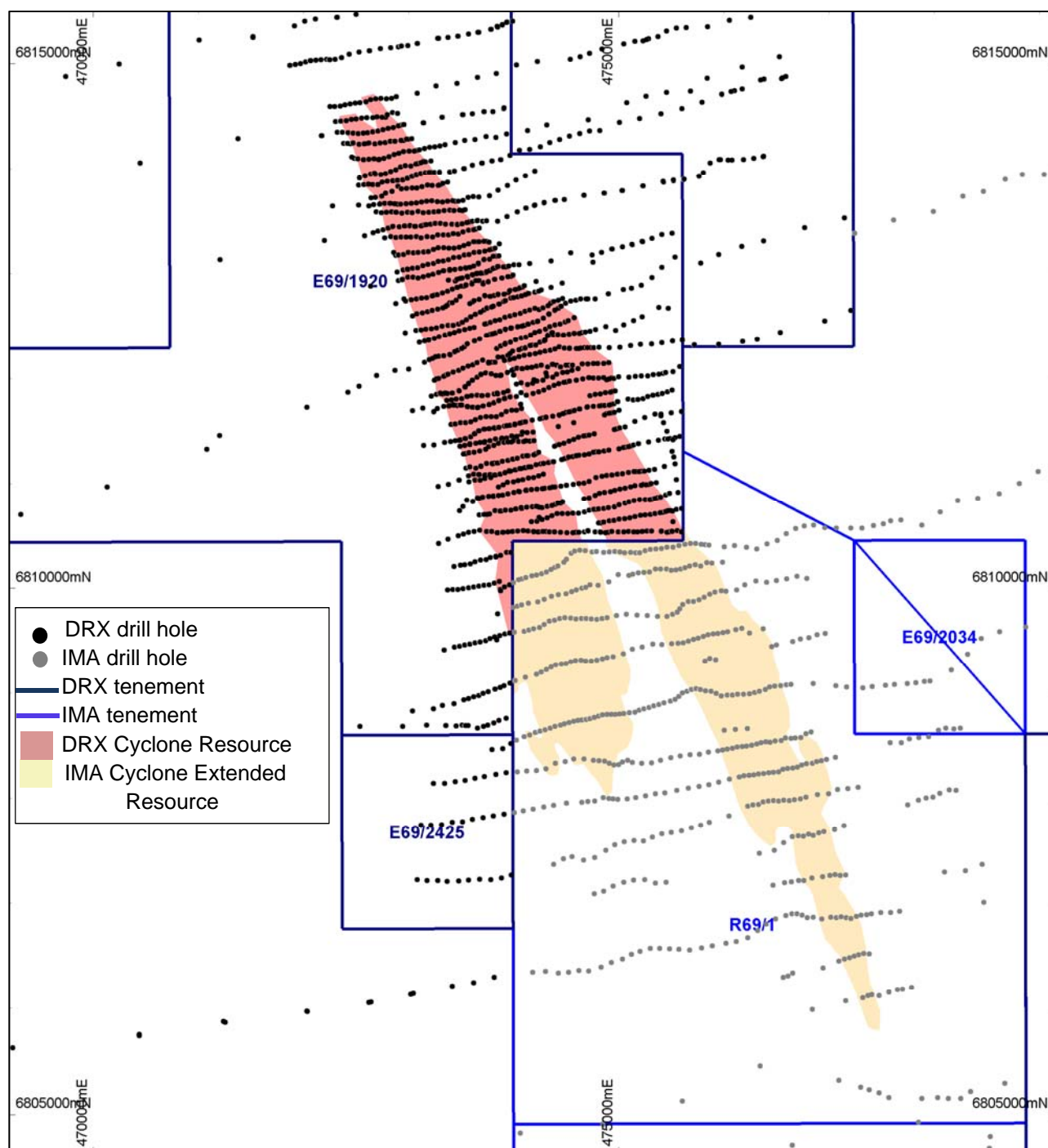


Figure 1: Location Plan for Cyclone and Cyclone Extended