DIATREME GAINS $3M FUNDING TO ADVANCE CYCLONE PROJECT

19 May 2015

HIGHLIGHTS

- **Diatreme secures funding agreement with private investor for $3 million convertible note facility**

- **Diatreme on track to advance flagship Cyclone Zircon Project**

Diatreme Resources Limited (ASX:DRX) is on track to advance its flagship Cyclone Zircon Project following the signing of a favourable funding agreement with a private Chinese investor.

The new $3 million convertible note facility confirms continued investor support for the Company's heavy minerals project, which was recently estimated at having a Mineral Resource comprising 211 million tonnes at 2.3% heavy minerals (HM), containing 4.8 million tonnes HM (refer ASX announcement 9 April 2015).

Welcoming the investor backing, Diatreme's Chief Executive Officer, Neil McIntyre said: "Diatreme has been able to source an extremely favourable funding facility, which will allow us to progress our key projects without diluting shareholders.

"The Cyclone project is approaching the final permitting phase and a suitably structured debt facility is key to advancing the definitive feasibility study (DFS) for this important new project in Western Australia's Eucla Basin.

"Diatreme is focused on advancing the Cyclone project, which is one of the highest grade zircon projects currently under development. The Company has also applied a rigorous approach towards its project portfolio, with the aim of maximising funds available for the highest quality projects and divesting non-core greenfields tenements. By preserving shareholder capital and maximising the value of our projects, we are in the best position to deliver for our shareholders," Mr. McIntyre said.

"Diatreme's management and Board are focused on unlocking the value in our projects and ensuring maximum returns for shareholders, and this is demonstrative of our approach."

The facility terms are as follows:

* $3 million facility to be drawn in $500,000 tranches over a 12-month period, with first drawdown due for late May 2015.

* Attached coupon interest rate of 5.2% payable by half yearly installments in arrears on the six month anniversary of each drawdown.

* Term of 36 months from last note drawdown date, with provision for a further extension of 12 months at the request of the noteholder.

* 50% of notes ($1.5 million) convertible to ordinary shares at maturity at fixed price of $0.02 (122% premium to share price at agreement signing).

* Balance of 50% of notes ($1.5 million) to be redeemed by company at maturity.

Neil McIntyre
CEO

Competent Person Statement
The information in this report, insofar as it relates to Exploration Results and 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.