



ANNUAL REPORT 2015

2015



**Diatreme
Resources
Limited**

ABN: 33 061 267 061

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Corporate Directory

Company

Diatreme Resources Limited
ABN 33 061 267 061

and subsidiaries

Lost Sands Pty Ltd

Regional Exploration Management Pty Ltd

Chalcophile Resources Pty Ltd

Board of Directors - Non-executive

Cheng (William) Wang - Chairman

Andrew Tsang

Yufeng (Daniel) Zhuang

Executive

Neil McIntyre - Chief Executive

Tuan Do - CFO and Company Secretary

Ian Reudavey - Chief Geologist

Registered and Principal Office

Level 2, 87 Wickham Terrace

Spring Hill Queensland 4000

Telephone: 07 3832 5660

Email: manager@diatreme.com.au

Website: www.diatreme.com.au

Postal Address

PO Box 10288

Brisbane Adelaide Street QLD 4000

Share Registry

Link Market Services Limited

ANZ Building

Level 15, 324 Queen Street

Brisbane Queensland 4000

Postal Address

Locked Bag A14

Sydney South NSW 1235

Telephone: 1300 554 474 02 8280 7454

Facsimile: 02 9287 0303

Email: registrars@linkmarketservices.com.au

Auditor

BDO Audit (QLD) Pty Ltd

Level 10, 12 Creek Street

Brisbane Queensland 4000

Stock Exchange

ASX Limited

Code: DRX – shares

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Chairman's Review 2015

Fiscal 2015 has been a groundbreaking year for Diatreme Resources Ltd as we further advanced towards the development of your company's mining operations, despite extremely challenging industry and market conditions.

The progress achieved followed the consolidation undertaken in the previous year, including the streamlining of the company's tenement portfolio and changes to the board and management. This allowed for a refocus on projects considered key to the company's future, comprising our flagship Cyclone Zircon Project in Western Australia and the revitalisation of the Tick Hill Gold Project in North Queensland.

Importantly, this has been undertaken in a prudent and fiscally responsible manner to preserve shareholder capital, with tight controls on expenditure to ensure any capital allocated towards exploration is only on projects with the highest potential for increasing shareholder value.

Cyclone – ticking the boxes

Diatreme made substantial progress towards commercially and technically de-risking the Cyclone project, including the following milestones:

- ✓ Acquisition of Cyclone Extended tenements from Image Resources Limited, adding a significant mineral resource to the project at a considerably lower cost than comparable exploration expenditure
- ✓ Post-acquisition of Cyclone Extended, a substantial upgrade to the Cyclone Mineral Resource to 211 million tonnes (Mt) at 2.3% heavy minerals (HM) containing 4.8 Mt HM, or an increase in contained HM by 60%
- ✓ Expansion of Cyclone's Ore Reserve to 140 million tonnes at 2.5% HM (0.71% zircon), up 47%, through the incorporation of Cyclone Extended, with the forecast mine life increased to 14 years based on the planned 10 million tonnes per annum mining rate
- ✓ Release for public comment of the project's Public Environmental Review (PER) report, with approvals expected during the second quarter 2016. Together with the securing of a Mining Lease, an agreement with the traditional owners and the identification of water supplies in 2014, this marks the final stage of the de-risking process.

Put together, these achievements demonstrate that Cyclone has continued to build momentum as a potential producer of valuable heavy minerals in a world-class zircon province. By expanding and de-risking the project, Diatreme has placed it in the best possible position to attract further investment towards the completion of the definitive feasibility study and subsequent potentially profitable mining operations.

Tick Hill – a golden opportunity

In partnership with Superior Resources Limited, the Tick Hill Gold Project represents an excellent opportunity for short-term cash flow for shareholders in an environment of high Australian dollar gold prices.

The mining leases acquired from MIM (Glencore) contain one of the highest-grade gold deposits in Australia's recent gold producing history, the former Tick Hill Gold Mine near Mount Isa which was last mined during the 1990s.

Following mobilisation of Diatreme's drill rig to Tick Hill and two separate drilling programs, Diatreme announced a 22,000 oz gold maiden Mineral Resource contained within the tailings dams, with an overall grade of 1.08 g/t based on results from 55 aircore drill holes.

Metallurgical studies showed the tailings gold is highly amenable to reprocessing with an anticipated high recovery rate from cyanide leaching, confirming the potential commerciality of such gold recovery operations. A separate study has shown that the tailings could be processed through a standard CIP/CIL circuit in a 20-month-long operation.

Diatreme and Superior Resources Ltd are now undertaking further engineering and commercial studies with a goal of quickly progressing this potentially valuable project towards mining.

In addition to Cyclone and Tick Hill, Diatreme has maintained an attractive project pipeline which includes the Cape Bedford Silica/Heavy Minerals Project in North Queensland, located next to the world's largest high quality silica mine.

Investor support crucial

Diatreme's ability to attract investor support despite turbulent financial markets is extremely important. This has been demonstrated again in 2015, including a \$3 million convertible note placed with a Chinese investor and the \$1 million raised following an investor "road show" in Australia.

Such support is crucial in the current environment, and Diatreme is extremely conscious of the need to maximise return on investment for our loyal shareholders.

Importantly, there are signs of an upturn in the resource cycle, with analysts including ANZ Research citing a recent improvement in sentiment. This has been seen in the uptick in our company's market value and trading activity in 2016, reflecting increased confidence in the outlook for China's economy along with gold and mineral sands.

Industry forecasters have predicted a rebound in mineral sands prices in the second half of 2016, with Iluka Resources forecasting a "zircon supply challenge within three years" without substantial new investment. Analysts Beer & Co. expect the zircon price to reach US\$1,500/t by 2018, which together with an expected weak Australian dollar could add to the profitability of Cyclone's mining operations.

Meanwhile, gold prices have moved towards A\$1,700/oz on the back of increasing gold consumption in China and India and increased investor interest due to lower interest rates. Morningstar expects the yellow metal's shift from a "financial" to a "consumer" commodity will bode well for future demand.

With China, the world's biggest resource consumer, taking steps to stimulate its economy to ensure a target growth rate of 6.5% a year for the next five years, the prospects for an upturn in the mining sector appear bright.

Finally, I would like to extend a special thanks to all Diatreme shareholders, employees, contractors and other supporters who have contributed towards the company's growth in 2015. This includes Ms Leni Stanley, who resigned as Joint Company Secretary in April 2015 after five years in the role, having made a significant contribution to the company.

Diatreme has entered 2016 with a streamlined structure geared toward maximising opportunities in the current market conditions. By maintaining a clear focus on our most valuable projects along with an attractive project pipeline, led by an experienced board and management, the company is in an excellent position to unlock value for shareholders and further benefits for all stakeholders.



William Wang
Non-executive Chairman

Operations Report

INTRODUCTION

During 2015, Diatreme Resources Limited (“Diatreme”) continued its focus on development activities and mineral exploration within Australia, with particular effort targeting the Company’s West Australian Cyclone Zircon Project.

The process of commercially and technically de-risking Diatreme’s major asset, the Cyclone Project, continued with advancement of final project permitting and a significant increase in mineral resource and ore reserve size following the acquisition of the Cyclone Extended tenure from Image Resources.

In Queensland, the acquisition of the Tick Hill mining leases from MIM Ltd was finalised, allowing transfer of title and the commencement of the Joint Venture with Superior Resources, resulting in development and implementation of a small exploration program to assess the potential to re-process tailings from the previous mine workings.

Diatreme continued with its focus of tenement consolidation, acquisition of immediate “value add” tenements and prioritising of expenditure towards projects that have highest potential for adding material value to the company through major discovery or transition to mining operations.

MINERAL SANDS

CYCLONE ZIRCON PROJECT

Following exhaustive technical studies by Diatreme and its external environmental consultants the Cyclone Project Public Environmental report (PER) was released for public comment and review by Government line agencies. Public and line agency comments were then addressed in further final submission to the Office of the Environmental Protection Agency (OEPA) who are the approving State entity. Final submissions and EPA Board presentations were undertaken by Diatreme in December 2015 with approvals anticipated during the second quarter of 2016.

The acquisition of the Cyclone Extended tenement from Image Resources Limited (Image) was finalised in March 2015 following payment by Diatreme of \$415,000. This acquisition adds a significant mineral resource to the Cyclone Project at a cost significantly less than comparative exploration expenditure. The Cyclone Extended heavy mineral resources were assimilated into the projects existing development plan and a Mineral Resource increase of 60% to 211Mt at 2.3% HM was announced in April 2015, followed by an Ore Reserve increase of 47% to 140 Mt at 2.5% HM announced in December 2015.

Environmental Assessment

A Public Environmental Review (PER) process for the project is required for approval of the haul road from Cyclone to the Forrest rail siding. The PER also incorporates the mine site and mine infrastructure, including the accommodation camp, water supply and airstrip. The Public Environmental Review (PER) Report for the Cyclone Project was released for public review in late June 2015 for a period of five weeks as required by the WA Environmental Protection Authority (EPA). The Office of the Environmental Protection Authority (OEPA) received submissions from eight respondents during the public review period and provided copies of the submissions to DRX in late August 2015. The OEPA also provided a summary of the submissions identifying the principle issues requiring attention by DRX. DRX submitted its report responding to the public submissions in October 2015 to the OEPA.

During November 2015 the EPA requested more detailed information for the responses to several of the public review questions. DRX attended a meeting with the EPA in December 2015 to present the current status of the project and provide additional information relevant to the public review. A detailed response providing the additional information that has been requested by the EPA was submitted to the OEPA in January 2016.

As part of the approvals process DRX will negotiate an offsets package for the proposed disturbance to the Great Victoria Desert Nature Reserve which will result from construction of the haul road from the Cyclone mine to the Forrest rail siding. DRX continues to provide additional project information as requested by the OEPA and other regulatory authorities during the environmental approval process.

The OEPA will assess the additional PER response submitted in January 2016, for consideration by the EPA and a recommendation is expected to be finalised early in 2016. Completion of the PER process is expected to result in a positive recommendation to the Minister of Environment by the EPA for approval of the Cyclone Project. This recommendation will cover the mining operation, support services, and all infrastructure, including the haul road from Cyclone to the Forrest rail siding. The timing of these activities is expected to result in DRX receiving environmental approval for the Cyclone Project by April 2016.

Diatreme referred the project to the Commonwealth Department of the Environment (DoE) for consideration under the EPBC Act. Information on the project was made available for public review and comment as part of the assessment process by the DoE. The DoE subsequently provided written notice to Diatreme that the proposed action for the Cyclone Project is not a controlled action and it does not require any further assessment or approval under the EPBC Act before it can proceed. This assessment confirmed that the WA process through the EPA, which is now well advanced, is the sole environmental approval process for the project.

Water Supply Assessment

No work was undertaken on water supply during 2015. The 2014 hydrogeological report recommended pump testing and geophysical logging of the Cyclone #1 bore to obtain data necessary for hydrogeological modelling and design the optimum borefield for the mine. The bore intersected 270 metres of high yielding aquifer and a flow of approximately 40 litres per second was airlifted during development of the bore. Results to date have confirmed that the capital cost estimate for water supply used in the Pre-Feasibility Study was appropriate, and the operating cost estimate will be reviewed upon completion of the pump test and borefield design. The current estimate is for a network of at least eight bores to a depth of approximately 650 metres to supply the 7.8 gegalitres of water required for the mine and wet concentrator plant each year.

Process and Plant Design

Diatreme has been investigating options for redesign of the Cyclone Project to reduce capital and operating costs, with the first stage involving excluding the proposed mineral separation plant from the project. The heavy mineral concentrate produced by the mine site wet concentrator plant will be sold rather than being upgraded to final products.

Advances in spiral separator technology provide an opportunity to design a compact relocatable wet concentrator which would be located close to the mine face and tailings area, thereby reducing pumping costs for ore to the concentrator and tailings from the concentrator. This concept is expected to result in a 25% reduction in the capital cost for the wet concentrator and large savings in diesel-generated power.

Other changes expected to reduce project capex include a lower cost upgrade for the Eyre Highway to Forrest access road, exclusion of earlier sunk costs on project development, reductions in site facilities and infrastructure, and consequent reductions in engineering, procurement and project management.

The revised project model, based on heavy mineral concentrate sales rather than final product sales, has undergone preliminary financial evaluation, with initial indications that the project will produce solid financial results at forecast near-term mineral prices. Based on a preliminary internal assessment, forecast capital costs have been revised down by \$77 million to an estimated \$146 million, while average estimated annual operating cash costs have been cut by \$11 million (based on previous PFS studies announced to market).

DRX plans to engage a recognised mineral sands engineering firm during the first quarter of 2016 to undertake a value engineering study of the mining units and wet concentrator plant planned for the Cyclone mine site. The study will review the current engineering design to identify opportunities to reduce the capital and operating cost estimates that were prepared for the PFS.

Cyclone Extended acquisition

A conditional purchase agreement was executed with Image Resources in November 2014 to acquire mineral tenement R69/1 which hosts the Cyclone Extended mineral resource, and all available exploration data. The key commercial terms involved total payment of \$435,000 with an FOB production royalty of 1% retained by Image on all heavy mineral production within the area of the transferred tenement. The acquisition was finalised in March 2015, with formal transfer of title later in the year.

Cyclone Extended represents the strike extension of Diatreme's Cyclone mineralisation across a tenement boundary, allowing for the seamless extension of mining and processing for the Cyclone Project. The 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.

Cyclone Mineral Resource Update

Diatreme confirmed a significant expansion of the mineral resource at the Cyclone Zircon Project in April 2015 with the compilation of a resource estimate that incorporated data from the Cyclone Extended deposit. The Mineral Resource for Diatreme's flagship Cyclone Zircon Project is now estimated at 211 million tonnes (Mt) at 2.3% heavy minerals (HM) containing 4.8 Mt HM, increasing contained HM by 60%. Approximately 75% of the resource tonnes and 80% of the HM tonnes are classified as Measured, with the remainder classified as Indicated.

The Zircon content of the HM is estimated at 27% (comprising 1.27 Mt of zircon in the mineral resource), an increase of 40% from previously reported estimates – confirming Cyclone's status as one of the highest zircon grade projects awaiting development. The estimate again highlights the low levels of slimes (<53µm) at 4.2% and oversize (>2mm) at 4.9% within the Cyclone mineralisation. These characteristics are conducive to simple, low cost, mining, processing and tailing operations.

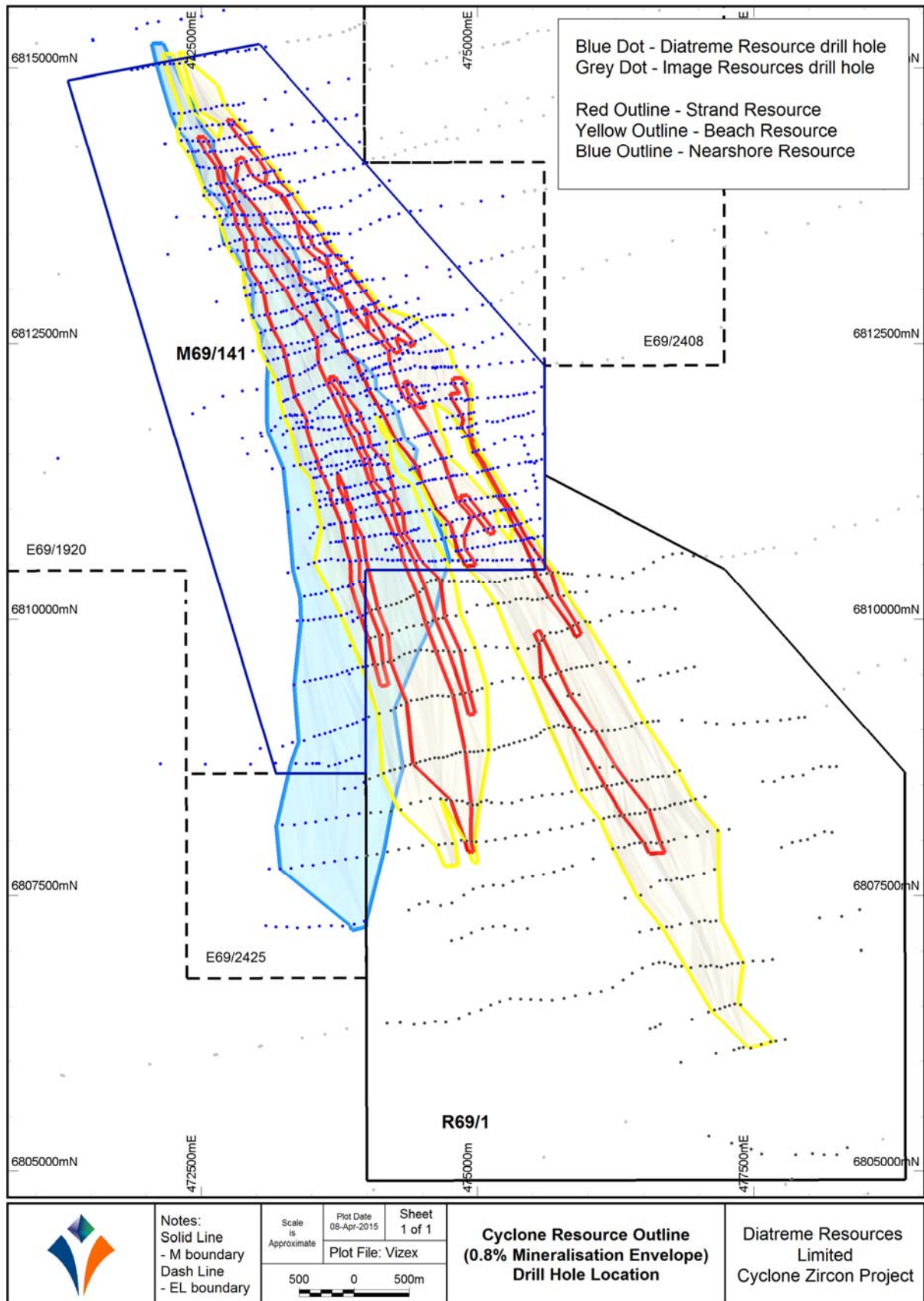
Cyclone is interpreted as a Tertiary beach strandline HM system with analogies to Iluka's Jacinth/Ambrosia HM deposit in the eastern Eucla Basin. Mining of beach strandline deposits is well understood and has formed the basis of global mineral sands production to date.

Following completion of initial resource definition drilling by both Diatreme and Image in 2009, a substantial infill drilling program was conducted at Cyclone by Diatreme in several stages from late 2010 to mid-2012, and at Cyclone Extended by Image in mid-2011. Mineral Assemblage analysis was undertaken by Quantitative Evaluation of Minerals by Scanning Electron Microscopy ("QEMSCAN®").

The geological interpretation of the mineralisation includes 3 distinct geological domains;

- a "Beach" domain of well sorted marine and reworked dunal sands occurring as 2 broadly tapered elongate mineralised sand units originating from a common point and extending for over 7km
- a "Strand" domain of higher grade (>4%) HM mineralisation occurring as a series of continuous elongate strandline features within the broader "Beach" domain.
- A "Nearshore" domain of bimodal marine sands with fine grained HM mineralisation underlying the western beach unit and extending for over 8km as an arcuate feature.

Although these domains display some distinctive geological characteristics, they are expected to be extracted as a combined body of mineralisation.



Cyclone Mineral Resource and Drilling

Cyclone Ore Reserve Update

In December 2015 Diatreme announced a revised Probable Ore Reserve estimate for the Cyclone Project of 140 Mt at 2.5% HM, including 0.71% Zircon, containing 3.5 Mt of HM, including 1 Mt of Zircon. The revised estimate primarily relates to the inclusion of mineralisation from the Cyclone Extended deposit which was purchased from Image Resources early in 2015, but also reflects updates to the resource model and mineral resource estimate since the maiden ore reserve was announced back in February 2012. This Ore Reserve estimate represents a 47% increase in contained HM from the previous study in 2012.

The Ore Reserve is based upon mine planning parameters developed for the Cyclone Prefeasibility Study, with appropriate recognition of subsequent metallurgical testwork and process flowsheet development undertaken by Mineral Technologies.

The design parameters for the open pit were developed based on simultaneous assessment of a number of economic and mining factors:

- A nominal 0.4% Zircon cut-off grade was applied. Lower grade material was included in areas with less overburden and where required to create a practical pit geometry for dozer trap mining.
- Areas with higher stripping ratios required a higher grade ore to be economic.
- The base of induration (within the Quaternary weathering profile) was used as the top of the ore zone to exclude indurated material (with poor quality HM) from mining.
- Low grade interburden material, which was not part of the Mineral Resource, was included in the pit design to allow mining of the Beach and Nearshore mineralisation in a single pass.
- Pit wall design used batter angles of 35° for ore and interburden (both unconsolidated sand) and 45° for overburden (variably indurated sandy loam).

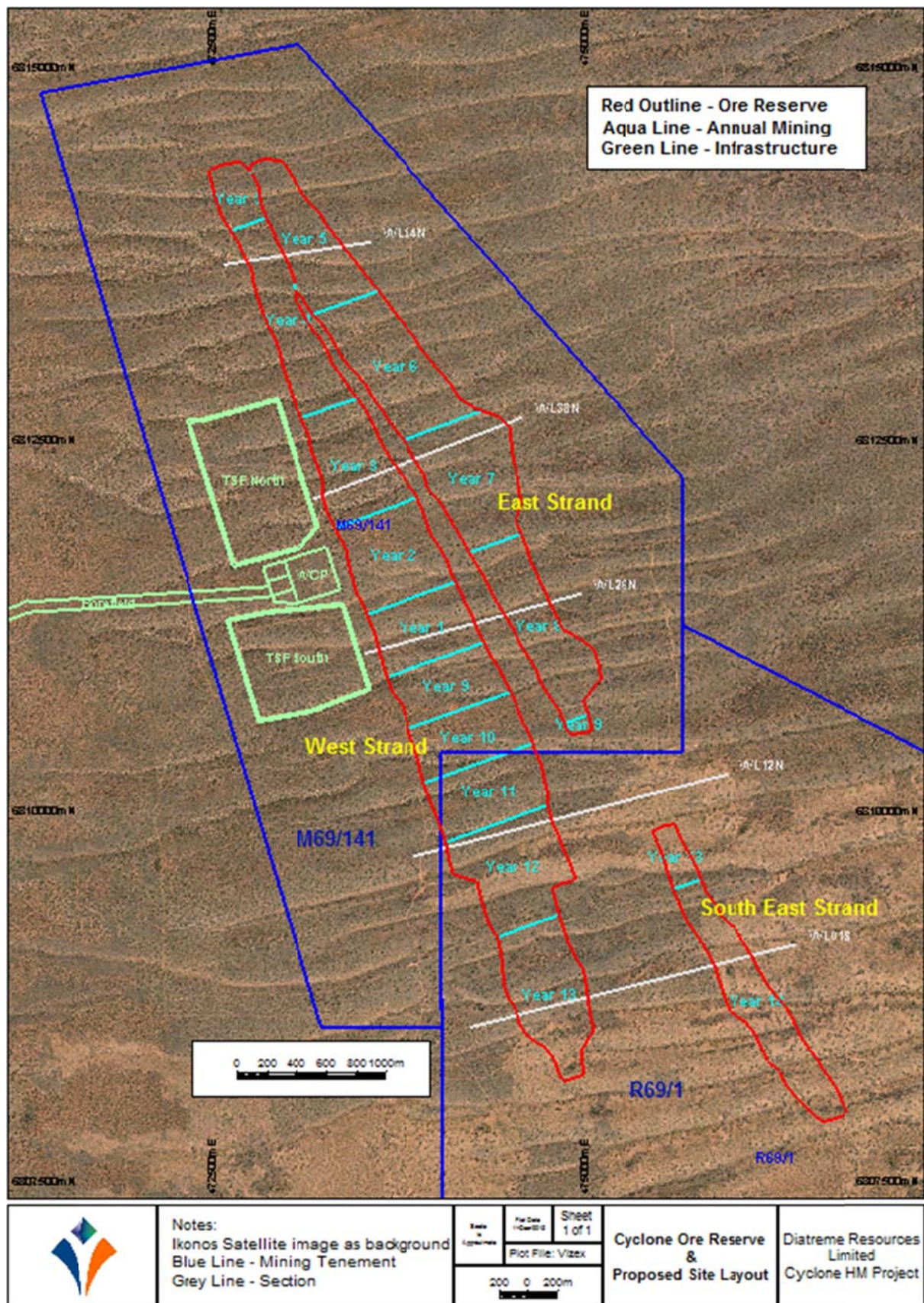
The pit design includes 84 Mbcm of overburden with a strip ratio of 1:1 however, the strip ratio is considerably lower in the early years of the mine operation.

The Ore Reserve has been classified as Probable based on the accuracy of the project cost estimates (PFS quality) and additional work required for the marketing of Cyclone HMC in China to more accurately define revenue. However, 90% of the Ore Reserve is derived from Measured Resource, and there is a high level of confidence in the other modifying factors applied. The Ore Reserve represents a 75% conversion rate from Mineral Resource for contained HM tonnes.

EUCLA BASIN EXPLORATION

No exploration has been undertaken within the Eucla Basin during 2015, with company activity focussed on progression of environmental approvals and the integration of Cyclone Extended in to the Cyclone Project.

The company drill rig was mobilised from Ceduna to North Queensland during the year.



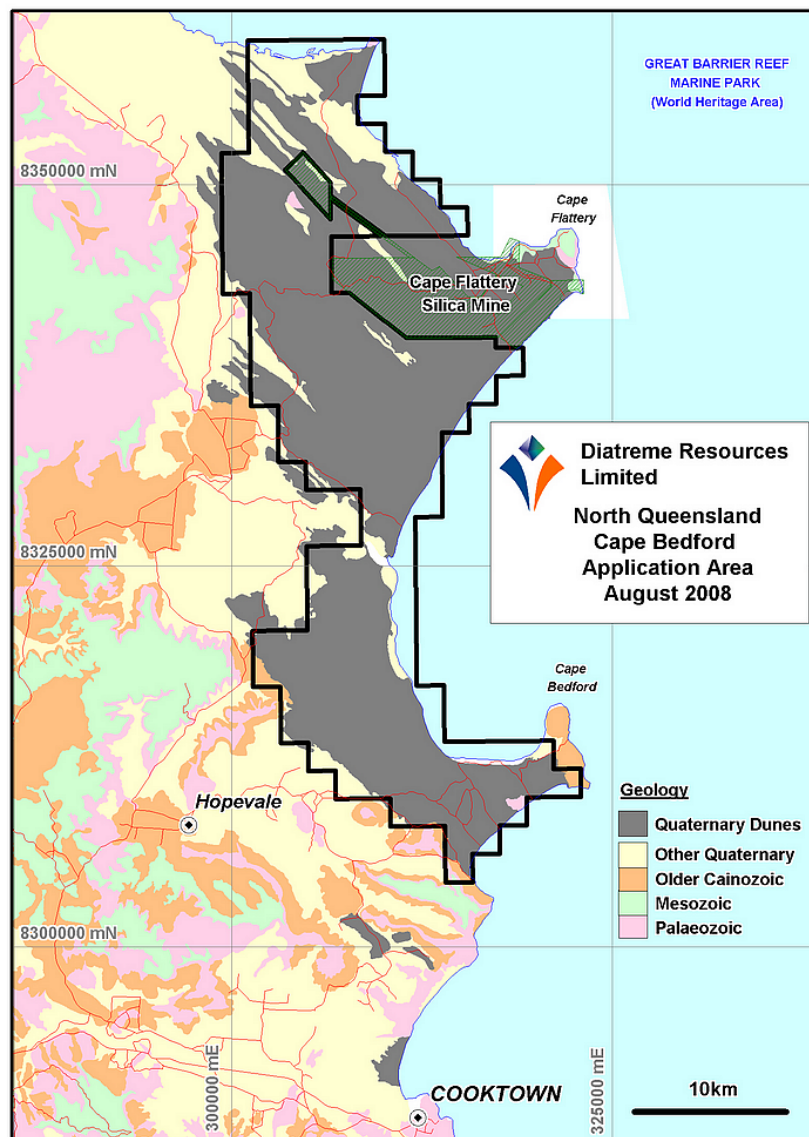
Cyclone Ore Reserve and Site Layout

CAPE BEDFORD PROJECT – NORTH QUEENSLAND

The Cape Bedford / Cape Flattery area has large quantities of high quality silica sand with the potential for heavy mineral sands underlying the silica sands. Mitsubishi Corporation operates a Silica sand mine at Cape Flattery, an area surrounded by the Diatreme tenement application area.

On grant of the tenement and subject to an exploration agreement with the traditional landowners, Diatreme will commence drilling and assaying to assess known silica sand occurrences. The initial exploration is expected to define resources in order that they may be reported by the Company in accordance with the JORC Code and obtain bulk samples for process flowsheet development and analysis. Feasibility studies would then be undertaken. The Cape Bedford project has the potential to develop into a very high value project for Diatreme and the Company considers that it displays numerous characteristics that would allow timely development.

A reconnaissance trip was undertaken in September 2015 as part of ongoing negotiations with Hopevale Congress.



Cape Bedford Project Tenement Locality Map

GRAYS HILL HM PROJECT – CENTRAL QUEENSLAND

The company has identified a number of topographic features within Quaternary sediments on the coastal plain in the eastern part of EPM25117 that may represent targets for HM accumulation. An agreement needs to be negotiated with the landholder to facilitate access for reconnaissance exploration.

METALS

TICK HILL GOLD PROJECT – NORTHWEST QUEENSLAND

The Tick Hill Gold Project comprises three granted Mining Lease No's 7094, 7096 and 7097 (totaling 390ha). The Tick Hill Gold Deposit was mined between 1991 and 1995 by Carpentaria Gold Pty Ltd (a subsidiary of MIM Holdings Limited) for the production of 513,333 ounces of gold from 705,000 tonnes of ore at a recovered grade of 22.6 g/t gold (source: MIM – Annual Reports). This makes it one of the highest grade gold deposits in Australia's recent gold producing history.

Pursuant to the 2004 Tick Hill Option and Sale Agreement with MIM, DRX exercised that option via an Implementation Deed resulting in the assignment to DRX of a 100% interest in the three ML's. Finalisation of transfers and tenement ownership in Diatrema's name was achieved in March 2015. The final assignment satisfied certain conditions precedent for the commencement of the DRX Farm-In and Joint Venture Agreement with Superior Resources Limited (ASX:SPQ) over the Tick Hill Gold Project. Under the Joint Venture Agreement, Superior Resources has the right to earn a 50% interest in the project by:

- Completing \$750,000 of exploration expenditure;
- Making a payment to DRX of \$100,000; and
- Lodging 50% of the Queensland Government security bond on the tenements.

However, exploration and assessment of the surface material within the leases (including alluvials, tailings and waste dumps) is to be conducted as a joint operation, with each party contributing 50% of the costs.

The initial exploration work program was focussed on an assessment of the tailings from the previous mining to determine if they contained sufficient gold to warrant detailed investigation of reprocessing options, with a particular emphasis on the short term opportunity to facilitate positive revenue generation. The total reported production for the Tick Hill Gold Mine was 705,000t at 22.6 g/t Au for 15,900kg Au at 97% gold recovery. Some high grade open pit ore was mined and transported to the Carpentaria Gold operations at Ravenswood to provide early cash flow to the project, this has been estimated at 20,000t based on the reported 19,000oz produced at Ravenswood in the 1991/1992 financial year (with head grades for that year of 30.2 g/t Au). This information suggests that approximately 685,000t of tailings remain on site, with an estimated grade around 0.7 g/t Au.

A 12-month Plan of Operations for exploration and rehabilitation activity was prepared during the second quarter of 2015, with final regulatory approval obtained in mid-July.

SPQ is also planning to conduct exploration over areas containing possible offset extensions or repetitions of the previously mined lode.

Tails Drilling

A reconnaissance drilling program of the filled and capped tailings dam, decant pond and an area of alluvial potential (as defined by historical soil surveys) occurred in late July 2015 utilising the company's aircore drilling rig which was relocated from the Eucla Basin in May 2015 to allow a cost efficient exploration program to be undertaken using in-house equipment and expertise.

Encouraging results were returned from the tailings dam, with an overall average grade of 1.04 g/t Au. The eastern tailings paddock returned an average grade of 1.42 g/t Au from 78 samples, whilst the western tailings paddock which has been filled to a slightly higher elevation, returned 0.73 g/t Au from 91 samples. Tailings material from the decant pond was also mineralised, with an average of 0.46 g/t Au returned from the 7 holes sampled.

Results from the reconnaissance drilling of a historical soil gold geochemical anomaly NW of the open pit to assess the alluvial/eluvial potential were generally disappointing, with only one significant assay returned from the upper section of one hole. Weathered bedrock was encountered at generally shallow depths (between 1m and 2m) and it appears that there is insufficient mineralisation and volume of alluvium to warrant further investigation in this area.

An infill drilling program was undertaken over the Tailings Dam in September 2015 with holes drilled at 50m x 50m spacing with an equidistant offset from the reconnaissance drilling.

The infill drill results show good correlation with the reconnaissance drilling results, with the combined weighted average grade for the eastern paddock calculated at 1.42 g/t Au (74.1m at 1.42 g/t Au from reconnaissance drilling and 81.2m at 1.43 g/t Au from infill drilling) and the combined weighted average grade for the western paddock calculated at 0.81 g/t Au (88.8m at 0.73 g/t Au from reconnaissance drilling and 107.1m at 0.88 g/t Au from infill drilling).

The tailings dam is calculated to have an average weighted grade of **1.08 g/t Au** based on the combination of reconnaissance and infill drilling (including a top cut of 4.0 g/t Au).

Tails Metallurgical Study

Bulk samples were collected during the infill drilling and a ~50kg composite sample from the central N-S line of drilling through each of the tailings paddocks was submitted for metallurgical testwork by ALS Metallurgy in Perth.

As the presence of cyanide had been noted in previous environmental sampling of the tailings material, a 20kg sub-sample of the bulks was re-pulped with water for 24 hours and then pressure filtered. Analysis of the solids and solution returned assays showing gold distribution in solution of 11% for the eastern paddock, and 15% for western paddock.

By combining assays from the re-pulping work with earlier assays of the as-received bulk sample, a calculated head grade of 1.27 g/t Au for the eastern paddock and 0.71 g/t Au for the western paddock can be calculated. This correlates well with mass weighted average grades of the included drill samples of 1.33 g/t Au for the eastern paddock and 0.77 g/t Au for the western paddock.

Cyanidation leach testwork on the washed tailings residue was undertaken, with generally low gold extraction rates of 24% for the eastern paddock and 32% for the western paddock. The low extraction rate is considered consistent with 'as-received' tailings material, and sizing analysis and assay indicate that gold distribution is weighted towards the coarser fractions of the tailings material, with 70% of the gold contained in the +75µm fractions of both tailings paddocks. As the gold grade increases in the coarser size fractions this suggests that unrecovered gold in the tailings is likely to be directly related to grind size and degree of liberation.

An ultra-fine re-grind of the samples was then undertaken, with the eastern paddock returning 95% gold extraction from a 24-hour leach on a sample with a p80 of 14 µm, and the western paddock returning 98% gold extraction from a 24-hour leach on a sample with a p80 of 11 µm. For both samples very high levels of gold extraction were achieved within 4 hours (89% and 94% respectively). A series of grinding and leaching tests were then undertaken to develop a gold extraction vs grind size recovery curve, with a clear trend between grind size and gold extraction such that gold extraction increases at increasingly finer grind size. The target size would be a trade-off between costs (particularly grinding energy costs) and additional gold extraction.

The metallurgical work completed to date indicates that very high levels of gold extraction can be achieved by cyanide leaching of re-ground tailings material, and this coupled with a significant proportion of water soluble gold provides encouragement for efficient processing of the Tick Hill tailings material.

Tails Resource

Subsequent to the reporting period Diatreme announced a maiden mineral resource estimate for tailings material located within the rehabilitated tailings dam at the Tick Hill Gold Project (*ASX announcement 19 Jan 2016*). The Indicated Resource is estimated at 630kt at 1.08 g/t Au (at 0.5 g/t Au cut-off) containing 680kg (22,000 troy ounces) of gold.

The resource estimate utilises data from Diatreme's 2015 drilling programs, together with documented design parameters for the Tailings Dam construction and a high resolution DEM captured by Glencore in 2013. The resource estimate concurs with previous calculations of the tailings material based on historical production and the exploration drilling results.

Work is now being planned to assess potential tailings mining and gold processing options, including process flowsheet design. Results from this work will allow completion of a scoping study and guide project development.



Tick Hill Gold Mine (circa 1993) looking easterly



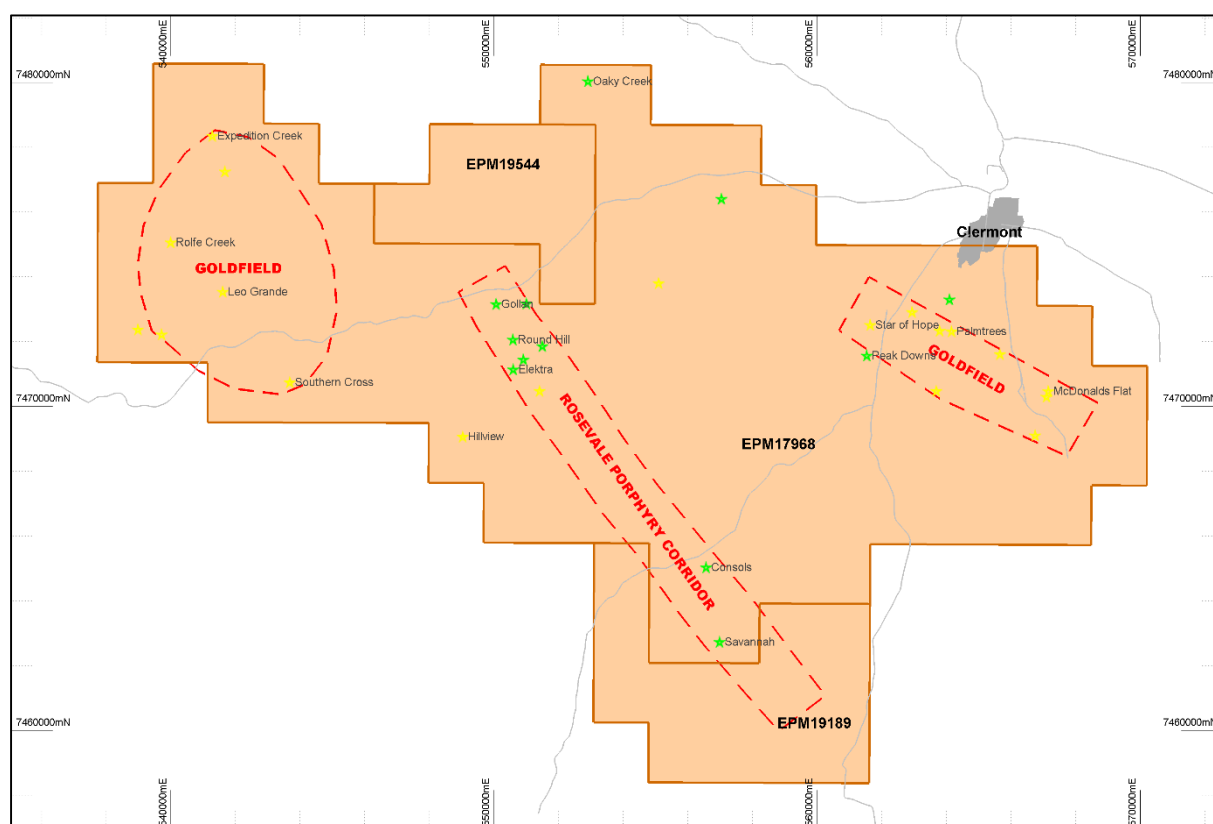
Tick Hill Project, tails drilling and previous site layout

CLERMONT COPPER/GOLD PROJECT – CENTRAL QUEENSLAND

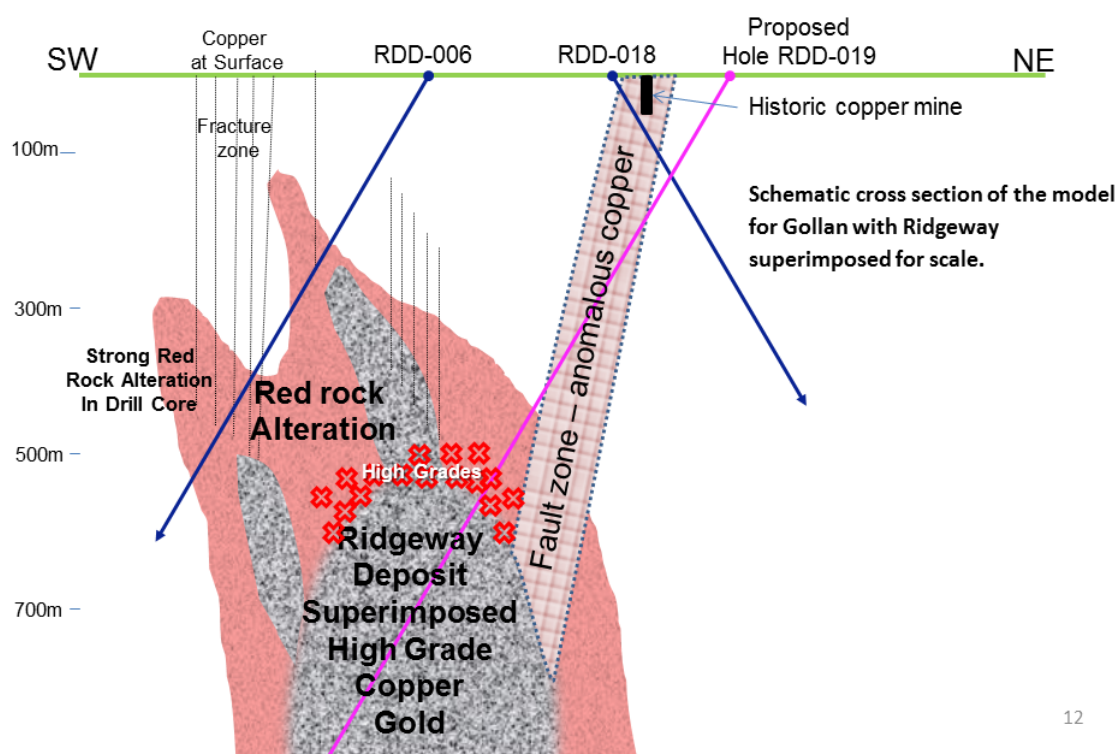
The Clermont Project, consisting of three exploration permits, is situated close to the town of Clermont in central Queensland. Diatreme is exploring the area for porphyry copper/gold targets and mesothermal gold targets. The project area covers numerous prospects including Rosevale Project and the historic Peak Downs Copper Mine.

At the Gollan Prospect, toward the north of the Rosevale Porphyry Corridor (RPC), the Company has defined, from previous drilling, a wide zone of hematite-bearing propylitic alteration of the intrusives, located in a zone of abundant secondary carbonate copper on surface. The geological setting is reminiscent of the high grade Ridgeway deposit at Cadia NSW. Recent exploration has highlighted drill-ready porphyry copper targets for follow-up drilling.

No field exploration was undertaken during 2015, but further exploration is warranted over Clermont particularly over the RPC for copper and over the Palm Trees Prospect for gold. The Clermont regional office was closed down early in 2015, with exploration equipment relocated to North Queensland and exploration data records relocated to the Brisbane head office.



Location of Clermont tenements and prospects



Schematic cross section of model for Gollan Prospect with Ridgeway superimposed for scale

GRAYS HILL COPPER PROJECT – CENTRAL QUEENSLAND

A review of historical exploration data and reports for the Wasp Porphyry prospect was undertaken by a consultant geologist familiar with porphyry related mineralisation systems. It is apparent that the Wasp prospect displays classic porphyry alteration together with low grade copper-molybdenum mineralisation, but has been discounted by previous explorers in the 1970's and 1980's as not representing potential open pitminable mineralisation.

An exploration opportunity has been identified for both structurally controlled epithermal mineralisation (which was not recognised and/or targeted by previous explorers) and porphyry mineralisation beyond the limits of previous drilling. Historical drilling has not fully tested the areal or depth extent of the porphyry as it was typically <150m deep, and focussed on the outcropping south-eastern portion of the granodiorite stock. Field work is required to better assess the exploration opportunity at the Wasp prospect.

TENEMENT CONSOLIDATION

In maintaining the company's focus on core projects, there were minor changes to the company's tenement holding during 2015.

Glenthompson Project: Following a strategic review of exploration potential and the anticipated high cost of exploration over an area of deep cover somewhat remote from the company's primary exploration focus and base – a decision was made to divest the sole Glenthompson tenement.

Eucla Basin Heavy Mineral Sands Project: Following the grant of M69/141 which secured title over the Cyclone mineral resource and its immediate environs, the company could not justify significant exploration with the remainder of the underlying exploration tenure (E69/1920), and an application for its renewal was subsequently refused by the department, resulting in the surrender of the tenement.

COMPETENT PERSON STATEMENTS

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.

The information in this report that relates to Ore Reserves is based on information compiled by Mr Phil McMurtrie, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr McMurtrie is a director of Tisana Pty Ltd, and is a consultant to Diatreme Resources Limited. 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.

Directors' Report

The Directors present their report on Diatreme Resources Limited ("Diatreme" or "the Company") and its subsidiaries (the "Group") for the year ended 31 December 2015.

The following persons were directors of Diatreme Resources Limited during the whole year and up to the date of this report:

A Tsang
C Wang
Y Zhuang

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was exploration for heavy mineral sands, copper and gold in Australia. There were no changes in the nature of the Group's principal activities during the year.

DIVIDENDS

No dividend has been paid since the end of the previous year and the Directors do not recommend the payment of any dividend for the year ended 31 December 2015.

REVIEW OF OPERATIONS

Overview

During the course of the year, the process of commercially and technically de-risking Diatreme's major asset, the Cyclone Project, continued through advancement of final project permitting and a significant increase in mineral resource size.

In addition Diatreme continued with its focus of tenement consolidation, acquisition of immediate "value add" tenements and prioritising of expenditure towards projects that have highest potential for adding material value to the company through major discovery or transition to mining operations.

Diatreme also continues to actively monitor expenditure levels to ensure it is operating in a prudent and fiscally responsible manner.

Major Activities

Key highlights, presented chronologically during the period in review included;

- Finalisation, following a number of years of negotiation and discussions, the acquisition of Tick Hill mining leases from MIM Holdings (Glencore). This enables Diatreme and its project Joint Venture partner Superior Resources Limited to design work programs to fully assess tailings from the old mine workings and explore the potential for re-establishment of mining operations to exploit remnant ore left in the old workings. In addition, future exploration will be undertaken to examine if the main ore body, which abruptly finished at a relatively shallow depth, has been structurally re-located within the existing tenement area.
- Finalisation of acquisition of Cyclone Extended tenements from Image Resources Limited (Image) following payment by Diatreme of \$415,000. This acquisition adds a significant mineral resource to the Cyclone Project at a cost significantly less than comparative exploration expenditure.
- Post-acquisition from Image, following a detailed review of exploration data the company released a significant upgrade to the mineral resource of the Cyclone Project from 137 to 211 million tonnes.

- Following negotiation, finalisation of a \$3.0m convertible Note facility from a private Chinese Investor on highly favourable terms to the company. First drawdown of \$500,000 effected in May 2015 followed by a further drawdown in September of \$500,000 with further drawdowns in \$500,000 lots to follow into 2016 until facility is fully drawn.
- Following exhaustive technical studies by Diatreme and its external environmental consultants the Cyclone Project Public Environmental report (PER) was released for public comment and review by Government line agencies. Public and line agency comments were then addressed in further final submissions to the Office of the Environmental Protection Agency (OEPA) who are the approving State entity. Final submissions and EPA Board presentations were undertaken by Diatreme in December 2015 with approvals anticipated during second quarter 2016.
- Following mobilisation of the Diatreme owned drill rig to site at Tick Hill and two separate drilling programs, Diatreme announced a 22,000 oz gold (Au) resource contained within the Tick Hill tailings dams with an overall grade of 1.08 grams/tonne Au based on results from 55 aircore drill holes.
- Metallurgical studies undertaken externally by ALS laboratories indicate the tailings gold is highly amenable to cyanide leaching with recovery rates of 95-98% when tails residue is reground to <15um. These results indicate the tailings are attractive for re-processing with an anticipated high recovery rate, confirming the potential commerciality of gold recovery operations.
- Cyclone Extended tenement heavy mineral resources were assimilated into the projects existing mining plan and an Ore Reserve increase of 47% was announced to now stand at 140 million tonnes.

Fundraising

During the course of 2015 Diatreme finalised the following fund raising activities;

- \$1.0m was received during the first quarter as part of a placement program to new and existing investors following a capital raising “road show” undertaken through Qld, NSW and Victoria with the assistance of Beer & Co Corporate advisors to the program.
- In May a \$3.0m convertible note was negotiated with a Chinese based investor. The note is to be progressively drawn down over the course of 2015/16.

Diatreme's fund raising program was set against a very difficult and turbulent capital market background. All minerals exploration companies, and certainly those within Diatreme's market capitalisation comparative are experiencing these fund raising difficulties. However the company has been able even within that difficult external environment to raise the capital required to ensure operations continue to be funded and indeed priority programs are implemented ensuring that value adding activities for the company continue.

Exploration

Exploration operations undertaken during the year in review included:

- Integration of exploration data from the Cyclone Extended deposit with the company's Cyclone database.
- Reporting of a global mineral resource estimate for the Cyclone Project of 211 million tonnes (Mt) at 2.3% heavy minerals (HM) at a 1% HM cut-off grade, containing 4.8Mt of HM.
- A review of exploration tenure within the general Cyclone Project area resulted in costs associated with the Wanna East tenement being written down during the year due to the low development potential of the Zephyr resource. Similarly, costs associated with the Wanna South tenement were written down during the year due to the low development potential of the nearshore mineralisation within the tenement.

- Relocation of the company's drilling equipment, and some exploration equipment to North Queensland. Planning and implementation of a reconnaissance exploration drilling program and an infill drilling program at the Tick Hill project to assess the potential for gold contained within the on-site tailings dam and alluvial/eluvial gold adjacent to the old open pit.
- Closure of the Clermont regional office, with exploration equipment relocated to North Queensland and data relocated to the Brisbane head office. Costs associated with the Clermont tenements were written down during the year due to a series of partial relinquishments and difficult market conditions for metals projects generally.

The Company maintains tight control over expenditure and has established rigorous protocols to ensure any capital allocated to exploration programs is linked to tangible benefit to company and ultimately linked to the potential for major discoveries or confirmation of commercially viable mineral deposits.

OPERATING RESULTS

The net loss of the Group for the financial year ended 31 December 2015 was \$3,877,435 (2014: loss of \$7,252,709).

During the year the Group utilised its cash resources to undertake exploration and evaluation activities within its tenement portfolio. The Group monitors cash flow requirements for operational, exploration and evaluation expenditure and will continue to use capital market issues to satisfy anticipated funding requirements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the Company successfully completed several share placements to sophisticated and professional investors. As a result issued capital increased by \$940,000 (from \$47,108,903 to \$48,048,903) from the issue of 83,333,334 ordinary shares.

The Company also entered into a funding agreement with a private investor for provision of a \$3 million convertible note facility. As at 31 December 2015, the Company had drawn \$1,100,000. During 2016, further tranches totalling \$1,900,000 million will be progressively drawn down.

EVENTS SUBSEQUENT TO REPORTING DATE

Scheduled drawdown of \$500,000 on convertible note facility due for 31 December 2015 (refer ASX announcement 19th May 2015) only partially received (\$100,000), with balance of \$400,000 delayed into January due to remittance delays over public holiday period. Balance of \$400,000 was received in full as at 21st January 2016.

FUTURE DEVELOPMENTS

The Group intends to continue its exploration activities on its existing projects, and progress development of the Cyclone Project.

INFORMATION ON DIRECTORS

Name:	Cheng (William) Wang
Title:	Non-executive Chairman
Qualifications:	MBA
Experience:	Mr Wang was appointed Director in May 2011. For 15 years he held senior management positions in several Chinese state owned companies. Now domiciled in Australia, he has been active with Australian companies including directorships with China Century Capital Limited and Jupiter Mines Limited. He is currently Director of Gulf Alumina Limited. Mr Wang was appointed Non-executive Chairman on 1 July 2014.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of audit committee
Interests in shares:	2,637,822 ordinary shares
Interests in options:	1,000,000 unlisted options

Name:	Andrew Tsang
Title:	Non-executive Director
Qualifications:	None
Experience:	Mr Tsang is a naturalised Australian citizen who was born and educated in China and who has successfully established and run construction, engineering and property development businesses both in China and Australia as well as establishing successful import agencies for Australian manufactured goods into China.
Other current directorships:	Mindax Limited (since 28 March 2008)
Former directorships (last 3 years):	None
Special responsibilities:	Member of remuneration committee
Interests in shares:	111,536,110 ordinary shares
Interests in options:	8,333,333 listed options 1,000,000 unlisted options

Name:	Yufeng (Daniel) Zhuang
Title:	Non-executive Director
Qualifications:	BA (Beijing, China), MSc (New Jersey, USA)
Experience:	Mr. Zhuang was nominated to the Board by the (former) association of Chinese shareholders Messrs Zhensheng Zhuang, Chenfei Zhuang and Qi Lin, to represent their significant investment and ongoing corporate commitments toward the Company. He has worked for Ping An Securities in Beijing and Fujian Minxing Group in Zhangzhou, China.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of audit committee
Interests in shares:	59,660,000 ordinary shares
Interests in options:	None

COMPANY SECRETARY

Mr Tuan Do was appointed Company Secretary in May 2011 and is also the Group Financial Controller. The previous Joint Company Secretary was Ms. Leni Pia Stanley who resigned on 30 April 2015.

MEETINGS OF DIRECTORS

The number of meetings of the board of Directors held during the year ended 31 December 2015, and the number of meetings attended by each Director was:

Name	Board		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
A Tsang	2	-	-	-	-	-
C Wang	2	2	2	2	-	-
Y Zhuang	2	2	2	2	-	-

REMUNERATION REPORT - AUDITED

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Relationship of remuneration with Group performance
- C Details of remuneration
- D Service agreements
- E Share-based compensation
- F Additional disclosures relating to key management personnel
- G Transactions with related parties

A Principles used to determine the nature and amount of remuneration

The board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

(i) Executive Directors

The combination of Directors' fees, salary, non-cash benefits and superannuation make up the Executive Directors' total remuneration. The salary component of Executive Directors' remuneration packages is reviewed annually to ensure the Executives' pay is competitive with the market. Executive Directors' pay is not directly linked to the financial performance of the Group. (Refer to Note B below).

(ii) Non-executive Directors

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Director. Non-executive Directors' fees and payments are reviewed annually by the Remuneration Committee.

(iii) Directors' fees

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$300,000 per annum plus statutory superannuation.

B Relationship of remuneration with Group performance

The Directors consider that, as the Group is in an exploration phase of its development, it is not appropriate that remuneration for employees and Directors be linked to the financial performance of the Group. Once the Group enters a sustained production phase, this assessment may change accordingly.

		2011	2012	2013	2014	2015
Share price at year end	\$/share	0.07	0.02	0.02	0.01	0.01
Market capitalisation	\$	24,821,820	9,471,648	12,191,649	7,264,157	8,097,490
Revenue	\$	510,638	223,274	263,729	267,799	153,374
Total assets	\$	24,859,782	23,064,562	22,102,096	15,237,360	13,545,426
Net profit/(loss) after tax	\$	(4,377,262)	(4,908,468)	(4,797,128)	(7,252,709)	(3,877,435)

C Details of remuneration

The key management personnel of the Group include the Directors as per the “Directors” sections above and the following persons:

N J McIntyre – Chief Executive Officer (appointed 26 August 2014)

T Do – Group Financial Controller/Company Secretary

L Stanley – Joint Company Secretary (resigned 30 April 2015)

Details of the remuneration of the key management personnel of the Group are set out in the following tables.

2015	Short-term employee benefits	Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	
Name	Cash salary, fees & leave \$	Superannuation \$	Long service leave \$	Termination payments \$	Options \$	Total \$
Non-executive Directors						
A Tsang ⁽¹⁾	32,000	3,040	-	-	-	35,040
C Wang ⁽¹⁾	32,000	3,040	-	-	-	35,040
Y Zhuang	90,000	8,550	-	-	-	98,550
Other key management personnel						
N J McIntyre	179,825	-	-	-	-	179,825
T Do ⁽²⁾	141,041	12,255	-	-	-	153,296
L Stanley ⁽³⁾	10,500	-	-	-	-	10,500
Total	485,366	26,885	-	-	-	512,251

(1) The Directors voluntarily reduced their fees and salaries during the year ended 31 December 2015 due to the need for the Company to conserve cash.

(2) Employees worked at reduced hours per working week during the year ended 31 December 2015 due to the need for the Company to conserve cash.

(3) Resigned 30 April 2015.

2014	Short-term employee benefits	Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	
Name	Cash salary, fees & leave \$	Superannuation \$	Long service leave \$	Termination payments \$	Options \$	Total \$
Non-executive Directors						
G H White ⁽¹⁾	16,664	1,541	-	-	3,568	21,773
A Tsang ⁽²⁾	32,875	3,081	-	-	3,568	39,524
C Wang ⁽²⁾	32,875	3,081	-	-	3,568	39,524
Y Zhuang	84,473	7,926	-	-	-	92,399
Executive Directors						
A J Fawdon ^{(2) (3)}	95,325	8,818	-	300,113	3,568	407,824
D H Hall ^{(2) (4)}	76,565	7,082	-	245,935	3,568	333,150
Other key management personnel						
N J McIntyre ⁽⁵⁾	125,875	1,561	-	-	3,568	131,004
D Jelley ^{(6) (7)}	83,850	7,756	-	62,397	4,145	158,148
L Stanley	31,500	-	-	-	-	31,500
T Do ⁽⁷⁾	135,770	12,094	-	-	4,145	152,009
Total	715,772	52,940	-	608,445	29,698	1,406,855

(1) Represents remuneration from 1 January 2014 to 28 May 2014 (date of resignation).

(2) The Directors voluntarily reduced their fees and salaries during the year ended 31 December 2014 due to the need for the Company to conserve cash.

(3) Mr Fawdon departed the Company on a negotiated early retirement and redundancy package, in accordance with his contractual obligations, on 1 July 2014. As a result Mr Fawdon is entitled to termination benefits totalling \$300,113. For the 6 months to 31 December 2014, he received termination payments of \$270,113, with the balance of \$30,000 paid over 4 months to April 2015.

(4) Mr Hall departed the Company on a negotiated early retirement and redundancy package, in accordance with his contractual obligations, on 1 July 2014. As a result Mr Hall is entitled to termination benefits totalling \$245,935. For the 6 months to 31 December 2014, he received termination payments of \$218,735, with the balance of \$27,200 paid over 4 months to April 2015.

(5) Mr McIntyre was appointed Acting Managing Director on 1 July 2014; he resigned as a Director and appointed Chief Executive Officer on 26 August 2014. His fees for the year ended 31 December 2014 include the fees in his capacity as Non-executive Director.

(6) Mr Jelley was made redundant on 1 July 2014. As a result, Mr Jelley received a termination payment of \$62,397 in accordance with the terms of his employment contract.

(7) Employees worked at reduced hours per working week during the year ended 31 December 2014 due to the need for the Company to conserve cash.

D Service agreements

A Tsang, Non-executive Director

- Term of agreement – no fixed term.
- Base salary, inclusive of superannuation, of \$49,163.
- No termination benefit is specified in the agreement.

C Wang, Non-executive Chairman

- Term of agreement – no fixed term.
- Base salary, inclusive of superannuation, of \$49,163.
- No termination benefit is specified in the agreement.

Y Zhuang, Non-executive Director & Financial Investment Advisor

- Term of agreement – no fixed term.
- Base salary, inclusive of superannuation, of \$98,325.
- The agreement may be terminated by 1 month notice from either party
- In the event that the position is made redundant, redundancy payment will be made equivalent to minimum of 4 weeks' pay up to maximum of 12 weeks' pay, dependent on years of service with the company.

N J McIntyre, Chief Executive Officer

- Term of agreement – 12 months, with continuous renewal option for further 12 months.
- Fixed monthly fee - \$15,000.
- The agreement may be terminated by 1 month notice from the employee and 3 months' notice from the company.
- No termination benefit is specified in the agreement.

T Do, Group Financial Controller/ Company Secretary

- Term of agreement – no fixed term.
- Base salary, inclusive of superannuation, of \$176,166.
- The agreement may be terminated by 1 month notice from either party.
- In the event that the position is made redundant, redundancy payment will be made equivalent to minimum of 4 weeks' pay up to maximum of 12 weeks' pay, dependent on years of service with the company.

E Share-based compensation

Options provided as remuneration and shares issued on exercise of such options

No new options or performance rights were granted as compensation to Directors and other key management personnel during the 2015 and 2014 financial years.

2015	Beginning balance	Granted as remuneration	Exercised during the year	Options lapsed	Balance at end of year
A Tsang	1,000,000	-	-	-	1,000,000
C Wang	1,000,000	-	-	-	1,000,000
Y Zhuang	-	-	-	-	-
N J McIntyre	1,000,000	-	-	-	1,000,000
T Do	1,000,000	-	-	-	1,000,000

F Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of compensation	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
A Tsang	111,536,110	-	-	-	111,536,110
C Wang	2,637,822	-	-	-	2,637,822
Y Zhuang	59,660,000	-	-	-	59,660,000
N J McIntyre	-	-	-	-	-
T Do	-	-	-	-	-
Total	173,833,932	-	-	-	173,833,932

Option holding – non-remuneration

The number of listed options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Additions	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
A Tsang	8,333,333	-	-	-	8,333,333
C Wang	-	-	-	-	-
Y Zhuang	-	-	-	-	-
N J McIntyre	-	-	-	-	-
T Do	-	-	-	-	-
Total	8,333,333	-	-	-	8,333,333

G Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	\$	\$
Trade debtor owing by Director related entity	-	71,352

At 31 December 2014 Diatre Resources Limited (the Company) was owed \$71,352 by Xiang Rong Management Trust relating to costs of a former employee of the Company which was being reimbursed by Xiang Rong Management Trust. Mr Andrew Tsang, who is a director of the Company, is also a director and unitholder of Xiang Rong Management Trust. In 2015 all of the \$71,352 has been written off as bad debt as the amount is now considered to be uncollectible.

END OF AUDITED REMUNERATION REPORT

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Issue/grant date	Expiry date	Exercise price	Number under option	
24 March 2014	11 March 2016	2 cents	11,572,276	Listed
21 May 2014	11 March 2016	2 cents	3,694,335	Listed
1 August 2014	30 June 2016	2 cents	25,000,000	Unlisted
29 October 2014	30 June 2016	2 cents	8,333,333	Unlisted
31 May 2013	30 April 2019	10 cents	3,000,000	Unlisted
15 March 2013	30 April 2019	10 cents	5,000,000	Unlisted

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

BDO Audit Pty Ltd, the Company's current auditor, did not perform any other services in addition to their statutory audit duties.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

CORPORATE GOVERNANCE STATEMENTS

The Company's Corporate Governance Statement is available to view publicly on the Company's website at [www.diatreme.com.au/Corporate Governance](http://www.diatreme.com.au/Corporate%20Governance)

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



William Wang
Non-executive Chairman

29 March 2016
Brisbane

Auditor's Independence Declaration

DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF DIATREME RESOURCES LIMITED

As lead auditor of Diatreme Resources Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Diatreme Resources Limited and the entities it controlled during the year.



A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 29 March 2016

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2015

		Consolidated	
	Note	2015	2014
		\$	\$
Revenue	6	153,374	267,799
Other income	6	45,024	22,423
Employee benefits expenses		(713,821)	(707,681)
Termination benefits expenses		(57,200)	(608,445)
Depreciation expenses	6 & 11	(62,597)	(97,583)
Exploration assets written off	12	(2,309,339)	(5,817,234)
Other expenses	6	(884,200)	(1,104,872)
Finance costs		(48,676)	(5,155)
Loss before income tax		(3,877,435)	(8,050,748)
Income tax benefit	7	-	798,039
Net Loss for the year		(3,877,435)	(7,252,709)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(3,877,435)	(7,252,709)

		Cents	Cents
Loss per share			
Basic earnings per share	30	(0.5)	(1.2)
Diluted earnings per share	30	(0.5)	(1.2)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

		Consolidated	
		2015	2014
	Note	\$	\$
Current Assets			
Cash and cash equivalents	8	20,320	354,422
Trade and other receivables	9	63,142	134,098
Total Current Assets		83,462	488,520
Non-current Assets			
Available-for-sale financial assets	10	3,252	3,252
Property, plant and equipment	11	231,262	305,501
Exploration and evaluation assets	12	13,114,514	14,120,130
Other assets	13	112,936	319,957
Total Non-current Assets		13,461,964	14,748,840
Total Assets		13,545,426	15,237,360
Current Liabilities			
Trade and other payables	14	361,702	450,845
Provisions	15	5,546	5,546
Total Current Liabilities		367,248	456,391
Non-current Liabilities			
Borrowings	16	983,409	-
Provisions	15	272,000	-
Total Non-current Liabilities		1,255,409	-
Total Liabilities		1,622,657	456,391
Net Assets		11,922,769	14,780,969
Equity			
Issued capital	17	48,048,903	47,108,903
Reserve	18	271,173	191,938
Accumulated losses	19	(36,397,307)	(32,519,872)
Total Equity		11,922,769	14,780,969

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Note	Issued capital	Share- based payment reserve	Convertible note reserve	Accumulated losses	Total
		\$	\$	\$	\$	\$
Balance at 1 January 2014		45,733,401	131,567	-	(25,267,163)	20,597,805
Total comprehensive income: Loss for the year		-	-	-	(7,252,709)	(7,252,709)
Transactions with owners in their capacity as owners:						
Shares issued		1,496,433	-	-	-	1,496,433
Share issue costs		(120,931)	-	-	-	(120,931)
Options issued		-	60,371	-	-	60,371
Balance at 31 December 2014		47,108,903	191,938	-	(32,519,872)	14,780,969
Total comprehensive income: Loss for the year		-	-	-	(3,877,435)	(3,877,435)
Transactions with owners in their capacity as owners:						
Shares issued		1,000,000	-	-	-	1,000,000
Share issue costs		(60,000)	-	-	-	(60,000)
Convertible note draw down		-	-	79,235	-	79,235
Balance at 31 December 2015	17 to 19	48,048,903	191,938	79,235	(36,397,307)	11,922,769

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

		Consolidated	
	Note	2015	2014
		\$	\$
Cash flows from operating activities			
Receipts in the course of operations		124,366	224,555
Receipts from research and development tax claims		-	718,236
Payments to suppliers and employees		(1,579,603)	(2,159,329)
Interest received		12,701	31,070
Finance costs		(3,389)	(5,155)
Net cash used in operating activities	29	(1,445,925)	(1,190,623)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,388)	-
Receipt from Perpetual Mining Holding Limited	27	-	2,000,000
Payments for exploration and evaluation assets		(680,882)	(3,141,857)
Proceeds from sale of property, plant and equipment		37,409	35,001
Payments for tenement acquisition	28	(415,000)	(20,000)
Refund of security deposits		200,421	382,003
Net cash used in investing activities		(861,440)	(744,853)
Cash flows from financing activities			
Proceeds from issue of shares		1,000,000	1,422,546
Payments for share issue costs		(66,737)	(114,194)
Proceeds from drawdowns of borrowings		1,100,000	-
Payments for borrowing costs		(60,000)	-
Net cash from financing activities		1,973,263	1,308,352
Net increase/(decrease) in cash and cash equivalents		(334,102)	(627,124)
Cash and cash equivalents at the beginning of the financial year		354,422	981,546
Cash and cash equivalents at the end of the financial year	8	20,320	354,422

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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1. CORPORATE INFORMATION

Diatreme Resources Limited (the “Company”) is a public company listed on the Australian Securities Exchange (trading under the code DRX), and is incorporated and domiciled in Australia. The address of the Company’s registered office and principal place of business is 87 Wickham Terrace, Spring Hill, Queensland 4000. The Group financial statements as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group”).

The principal activity of the Group during the course of the financial year was the exploration for heavy mineral sands, copper, gold and base metals in Australia.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 29 March 2016.

(b) Basis of measurement

The Group financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These Group financial statements are presented in Australian dollars, which is the Company’s functional currency and the functional currency of the Group.

(d) Adoption of new and revised accounting standards

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2015. Information on the more significant standard(s) is presented below.

AASB 2014-1 *Amendments to Australian Accounting Standards* (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles).

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards *Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle*.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010-2012 Cycle*:

- clarify that the definition of a ‘related party’ includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011-2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

(e) Material Uncertainty Regarding Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the year ended 31 December 2015 of \$3,877,435, and a net cash outflow from operations of \$1,445,925. At 31 December 2015, the Group's current liabilities exceeded its current assets by \$283,786.

The Group's ability to continue as a going concern and pay its debts as and when they fall due, is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the Group's tenements, and/or sale of non-core assets.

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional capital through debt or equity issues as and when the need to raise working capital arises.

During the year ended 31 December 2015, the Group raised \$1,000,000 from share placements to sophisticated and professional investors, and secured a \$3 million convertible note facility. At 31 December 2015, \$1,100,000 of this facility had been drawn down and the balance of \$1,900,000 is expected to be drawn down during 2016.

In the event that adequate funds cannot be raised as required, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of business.

The Directors believe that they will continue to be successful in securing additional funds through the issue of securities as and when required. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2015. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity. The financial statements of

the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(b) Revenue

Revenue is recognised at the fair value of the consideration received or receivable, and recognised when the service is provided, or ownership of the product has passed to the customer. Interest revenue is recognised on a time proportion basis using the effective interest method.

(c) Income tax

The income tax expense or revenue for the year is the tax payable on the taxable income based upon the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income are also recognised directly in other comprehensive income.

Tax consolidation legislation

The Company and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation as of 1 January 2004.

Where applicable, each entity in the Group recognises its own current and deferred tax assets and liabilities. Amounts resulting from unused tax losses and tax credits are then immediately assumed by the parent entity. The current tax liability of each subsidiary entity is then also assumed by the parent entity.

The entities have also entered into a tax sharing and funding arrangement. Under the terms of this agreement, the wholly-owned entities reimburse the Company for any current income tax payable by the Company arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due.

In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by the Company.

(d) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown in interest-bearing liabilities in the statement of financial position.

(e) Trade and other receivables

Trade and other receivables are recognised at nominal amount less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 120 days overdue. On confirmation that the receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

(f) Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial asset, and are classified as non-current assets (unless management intends to dispose of the investments within 12 months of the end of the reporting period).

The available-for-sale financial assets are recorded at cost less allowance for impairment as there is no active market for the shares of the investee company.

The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Depreciation is calculated on a diminishing value basis. Estimates of remaining useful lives are made on a regular basis for all assets.

The depreciation rates used for each class of assets are as follows:

Furniture and fittings	20%
Motor vehicles	20%
Plant and equipment	20-40%

(h) Leases

(i) Finance leases

Assets acquired under finance leases which result in the Group receiving substantially all the risks and rewards of ownership of the asset are capitalised at the lease's inception at the lower of the fair value of the leased property or the estimated present value of the minimum lease payments. The corresponding finance lease obligation, net of finance charges, is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the liability for each accounting period. The leased asset is included in property, plant and equipment and is depreciated over the shorter of the estimated useful life of the asset or the lease term.

(ii) Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(i) Exploration and Evaluation Costs

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the profit or loss.

Exploration and evaluation assets are only recognised if the rights to the tenure of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

(j) Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

The carrying values of capitalised exploration and evaluation expenditure and property, plant and equipment are assessed for impairment when indicators of such impairment exist. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment.

(k) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period and which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Employee Benefits

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

(ii) Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Equity settled share based compensation

The Group issues equity-settled share-based payments to directors and employees. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using a valuation which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instrument that eventually vest.

(m) Issued Capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(q) Rehabilitation provision

A provision for rehabilitation is recognised when there is a present obligation to rehabilitate an area disturbed, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. An asset is created as part of the exploration and evaluation assets which is offset by a provision for rehabilitation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

(i) Carrying value of exploration and evaluation assets

The Group performed a detailed review of its exploration tenements and the associated exploration data at period end to determine whether the related expenditure should continue to be capitalised under AASB 6 Exploration for and Evaluation of Mineral Resources or written off. As a result of this review, management has determined that \$2,309,339 (2014: \$5,817,234) be written off in the year ended 31 December 2015.

The ultimate recoupment of cost carried forward for the exploration and evaluation assets is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation through the development of mines will depend on raising the necessary funding.

(ii) *Provision for rehabilitation*

The Group's exploration activities are subject to various laws and regulations governing the protection of the environment which require the rehabilitation of permit areas following the completion of exploration and/or production. The group estimates the future rehabilitation costs at the time of disturbance or when a disturbed area is acquired. Rehabilitation could involve re-vegetation of the land area affected and the removal of contaminants. In some cases the rehabilitation will occur many years into the future. The Group recognises managements' best estimate of the nature, extent and cost of the rehabilitation obligations in the period in which they arise. In addition, future changes to environmental laws and regulations, production estimates and discount rates could affect the calculation of the estimated cost of the rehabilitation estimates. As a result, actual costs incurred in future periods could differ materially from the estimates.

5. SEGMENT INFORMATION

The Group currently operates in one business segment and one geographical segment, namely explorer for heavy mineral sands, copper, gold and base metals in Australia. The revenues and results of this segment are those of the Group as a whole and are set out in the Consolidated Statement Profit or Loss and Other Comprehensive Income.

6. REVENUE, OTHER INCOME AND EXPENSES

	Consolidated	
	2015	2014
	\$	\$
a) Revenue		
Interest	12,701	31,070
Management fees	5,258	5,056
Other	135,415	231,673
	<u>153,374</u>	<u>267,799</u>
b) Other income		
Gain disposal of non-current assets	22,380	22,423
Gain on loan	22,644	-
	<u>45,024</u>	
c) Depreciation		
Furniture and fittings	1,579	4,479
Motor vehicles	11,735	21,886
Plant and equipment	49,283	71,218
	<u>62,597</u>	<u>97,583</u>
d) Other expenses		
Professional fees	86,095	134,003
Rental expenses on operating leases	390,925	383,482
Listing and share registry expenses	68,976	78,148
Administration costs	338,204	509,239
	<u>884,200</u>	<u>1,104,872</u>

7. INCOME TAX

	Consolidated	
	2015	2014
	\$	\$
(a) The prima facie tax on accounting loss differs from the income tax provided in the financial statements. The difference is reconciled as follows:		
Loss before income tax	(3,877,435)	(8,050,748)
Prima facie income tax benefit at 30% (2014: 30%)	(1,163,230)	(2,415,224)
Tax effect of amounts which are not deductible in calculating taxable income:		
Share-based payments	-	40,277
Other	7,576	
	(1,155,654)	(2,374,947)
Deferred tax assets not recognised	1,155,654	2,374,947
	-	-
Recognition of research & development tax claim	-	(798,039)
Total income tax benefit	-	(798,039)
(b) The components of income tax benefit:		
Current tax	-	-
Deferred tax	-	-
Research & development tax claim	-	(798,039)
Total income tax benefit	-	(798,039)
(c) Deferred tax		
Deferred tax assets		
Unused tax losses	3,312,099	3,771,000
Unused capital losses	4,507	4,507
Temporary differences:		
- Property, plant and equipment	130,957	16,024
- Accruals	94,640	8,941
- Employee benefits	15,029	14,767
- Capital raising costs	179,826	217,309
- Other	197,296	197,296
	3,934,354	4,229,844
Deferred tax liabilities		
- Exploration expenditure	(3,934,354)	(4,229,803)
- Other	-	(41)
	(3,934,354)	(4,229,844)
Net deferred tax asset/liability	-	-
(d) Unrecognised deferred tax assets		
Unused tax losses	45,686,957	41,667,020
Potential tax effect at 30%	13,706,087	12,500,106

The net deferred tax assets arising from these balances have not been recognised as an asset because recovery is not probable as at 31 December 2015. The recoupment of available tax losses as at 31 December 2015 is contingent upon the following:

- (i) The Group deriving future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (iii) The conditions for deductibility imposed by tax legislation continuing to be complied with; and
- (iv) There being no changes in tax legislation which adversely affect the Group from realising the benefit.
- (v) Given the Group is in a taxable loss position there is no franking credit to report.

8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2015	2014
	\$	\$
Cash at bank and in hand	20,320	354,422

9. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	Consolidated	
	2015	2014
	\$	\$
Trade receivables	40,457	120,248
Allowance for doubtful debt ⁽¹⁾	-	(44,005)
Other receivables ⁽²⁾	40,457	76,243
Prepayments ⁽³⁾	22,685	28,440
	-	29,415
	63,142	134,098

⁽¹⁾ An allowance for doubtful debt was provided for a trade receivable amount that is past due in 2014. This amount has since been written off in 2015.

⁽²⁾ Other receivables do not contain impaired assets and are not past due.

⁽³⁾ Prepayments in 2014 include \$20,000 non-refundable deposit relating to the acquisition of Cyclone Extended mineral resource from Image Resources NL on 10th November 2014. (Refer also to Note 28).

10. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2015	2014
	\$	\$
Shares in an unlisted company		
Opening cost	162,586	162,586
Less impairment	(159,334)	(159,334)
Balance at end of year	3,252	3,252

Unlisted shares comprise an investment in Opal Horizon Limited. (Refer also to Note 20 (f)).

11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Furniture and fittings	Motor vehicles	Leased Motor vehicles	Plant and Equipment	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2014					
Opening net book amount	12,232	65,807	31,850	305,773	415,662
Additions	-	-	-	-	-
Disposals	-	(7,676)	-	(4,902)	(12,578)
Depreciation charge	(4,479)	(21,886)	-	(71,218)	(97,583)
Transfer ⁽¹⁾	-	31,850	(31,850)	-	-
Closing net book amount	7,753	68,095	-	229,653	305,501
At 31 December 2014					
Cost	142,465	285,741	-	1,101,230	1,529,436
Accumulated depreciation	(134,712)	(217,646)	-	(871,577)	(1,223,935)
Net book amount	7,753	68,095	-	229,653	305,501
Year ended 31 December 2015					
Opening net book amount	7,753	68,095	-	229,653	305,501
Additions	-	-	-	3,388	3,388
Disposals	(70)	(12,512)	-	(2,448)	(15,030)
Depreciation charge	(1,579)	(11,735)	-	(49,283)	(62,597)
Closing net book amount	6,104	43,848	-	181,310	231,262
At 31 December 2015					
Cost	134,723	225,274	-	1,056,269	1,416,266
Accumulated depreciation	(128,619)	(181,426)	-	(874,959)	(1,185,004)
Net book amount	6,104	43,848	-	181,310	231,262

⁽¹⁾ Leased liabilities relating to the motor vehicles were fully repaid at 31 December 2013.

12. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2015 \$	2014 \$
Exploration and evaluation assets – at cost less impairment	13,114,514	14,120,130
Opening balance	14,120,130	19,598,602
Tenement acquisition	415,000	-
Costs capitalised during the year	883,723	338,762
Costs written off during the year (#)	(2,304,339)	(5,817,234)
Closing balance	13,114,514	14,120,130

(#) During the years ended 31 December 2015 and 31 December 2014, reviews of exploration data in conjunction with management assessment, resulted in these write-off of exploration assets.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. (Refer also to Note 4 (i)).

At balance date the carrying amount of exploration and evaluation assets was \$13,114,514 of which \$10,674,000 is attributable to the significant exploration of the Group's Cyclone Zircon Project.

For the year ended 31 December 2014, and under the agreed terms, the Company received \$2,000,000 (GST incl.) from Perpetual Mining Holding Limited ("PMHL") to fund exploration at the Cyclone Zircon Project. All amounts have been fully expended at 31 December 2014. (Refer also to Note 27 below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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On 20 March 2015, the Department of Natural Resources and Mines approved the transfer of the three mining leases comprising the Tick Hill Project (MLs 7094, 7096 and 7097) from Mount Isa Mines Limited (MIM) to the Company.

This event satisfied the final milestone under the Tick Hill Gold Project "Exploration Farm-in and Joint Venture Agreement", dated 17 June 2013 (JVA), between Diatreme Resources Limited and Superior Resources Limited (SPQ).

In addition, on 30 January 2015, SPQ and the Company confirmed that the remaining conditions of the JVA have been waived and as a result, SPQ rights and obligations in relation to the Tick Hill Gold Project have commenced from that date.

Under the JVA, SPQ has the right to earn a 50% interest in the project by:

- spending a minimum of \$750,000 on exploration, which will include substantial drilling over a two year earn-in period;
- making a payment to the Company of \$100,000; and
- lodging 50% of the Queensland Government security bond on the tenements.

At 31 December 2015, SPQ has not earned any interest in the joint venture.

13. NON-CURRENT ASSETS – OTHER

	Consolidated	
	2015	2014
	\$	\$
Rent guarantee deposit	105,669	105,669
Security deposits	7,267	214,288
	<u>112,936</u>	<u>319,957</u>

14. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	Consolidated	
	2015	2014
	\$	\$
Unsecured		
Trade payables	66,825	186,969
Other payables and accruals	250,328	220,200
Employee benefits	44,550	43,676
	<u>361,703</u>	<u>450,845</u>

Trade payables are non-interest bearing and are normally settled on 30 day terms.

15. PROVISIONS

	Consolidated	
	2015	2014
	\$	\$
Current liabilities		
Employee benefits	<u>5,546</u>	<u>5,546</u>
Non-current liabilities		
Rehabilitation	<u>272,000</u>	<u>-</u>

**16. NON-CURRENT LIABILITY –
BORROWINGS**

	Consolidated	
	2015	2014
	\$	\$
Unsecured:		
Convertible notes	463,409	-
Loan	463,409	-
Deferred gain on initial recognition of loan	56,591	-
	<u>983,409</u>	<u>-</u>

During the year ended 31 December 2015, as part of the capital raising exercise, the Company entered into a funding agreement with a private investor for provision of a \$3 million facility.

The facility terms are as follows:

- Six \$500,000 tranches drawn quarterly over a 15 month period, starting from receipt of the deposit (1st tranche) to comprise a fully drawn facility of \$3 million.
- Interest rate – 5.20% pa.
- Term – 36 months from last note drawdown date.
- Repayment:
 - 50% of notes (\$1.5 million) convertible to ordinary shares at maturity at fixed price of \$0.02 and repayable in cash in certain circumstances.
 - 50% of notes (\$1.5 million) in cash by the Company at maturity

As at 31 December 2015, the Company had drawn \$1,100,000. During 2016, further tranches totalling \$1,900,000 million will be progressively drawn down.

Accounting standards require for the convertible notes the separate recognition of the debt and equity components of the convertible note facility. At the date of recognition of the new convertible note, the debt and equity components of the facility were separated according to their fair values. The convertible notes are presented in the statement of financial position as follows:

	Consolidated	
	2015	2014
	\$	\$
Convertible note liability	463,409	-
Convertible note reserve	79,235	-
	<u>542,644</u>	<u>-</u>

The above is made up of:

Face value of notes drawdown	550,000	-
Cost of convertible note facility	(30,000)	-
Interest accrual	22,644	-
	<u>542,644</u>	<u>-</u>

Accounting standards require for the loan to be recognised at fair value and to defer the difference between the fair value at initial recognition and the transaction price. The loan is presented in the statement of financial position as follows:

	Consolidated	
	2015	2014
	\$	\$
Loan	463,409	-
Deferred gain on initial recognition of loan	56,591	-
	<u>520,000</u>	<u>-</u>

The above is made up of:

Face value of notes drawdown	550,000	-
Cost of convertible note facility	(30,000)	-
Interest accrual	22,644	-
Recognition of gain on loan	(22,644)	-
	<u>520,000</u>	<u>-</u>

The effective interest rate is 14%.

17. ISSUED CAPITAL

	Consolidated
	2015 2014
	\$ \$
809,749,043 (Dec 2014 726,415,709) ordinary shares	48,048,903 47,108,903

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price \$	\$
1 January 2014	Opening balance	609,582,431		45,733,401
Mar ⁽²⁾	Shares issued	11,572,276	0.020	231,446
May ⁽³⁾	Shares issued	3,694,335	0.020	73,887
Aug ^{(1) (4)}	Shares issued	50,000,000	0.012	600,000
Aug ⁽¹⁾	Shares issued	27,700,000	0.011	304,700
Oct ^{(1) (5)}	Shares issued	16,666,667	0.012	200,000
Dec ⁽¹⁾	Shares issued	7,200,000	0.012	86,400
	Shares issue costs	-		(120,931)
31 December 2014	Balance	726,415,709		47,108,903
Jan 2015 ⁽¹⁾	Shares issued	25,000,000	0.012	300,000
Mar ⁽¹⁾	Shares issued	16,666,667	0.012	200,000
Apr ⁽¹⁾	Shares issued	41,666,667	0.012	500,000
	Shares issue costs	-		(60,000)
31 December 2015	Balance	809,749,043		48,048,903

⁽¹⁾ During both the 2014 and 2015 years the Company completed several placements to sophisticated and professional investors.

⁽²⁾ In March 2014, the Company completed a renounceable rights issue to shareholders on a 1 for 4 basis. As a consequence, \$231,446 was raised through the issue of 11,572,276 fully paid ordinary shares at 2 cents each, each with a free attaching listed option exercisable at 2 cents expiring on 11 March 2016.

⁽³⁾ 3,694,235 shares (and 3,694,235 free attaching listed options) issued as full consideration for the Corporate Advisory and Management Fees incurred under the Lead Manager mandate for the 2014 renounceable rights issue. Each option is exercisable at 2 cents with 11 March 2016 expiry date.

⁽⁴⁾ 50,000,000 shares were issued with 25,000,000 free attaching unlisted options. Each option is exercisable at 2 cents with 30 June 2016 expiry date.

⁽⁵⁾ 16,666,667 shares were issued with 8,333,333 free attaching unlisted options. Each option is exercisable at 2 cents with 30 June 2016 expiry date.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Share Options

Expiry date	Exercise Price	Number at end of year	
		2015	2014
11 March 2016 (listed) ⁽¹⁾	\$0.02	15,266,611	15,266,611
30 June 2016 (unlisted) ⁽²⁾	\$0.02	33,333,333	33,333,333
30 April 2019 (unlisted) ⁽³⁾	\$0.10	8,000,000	9,400,000

⁽¹⁾ 15,266,611 listed options were issued during the 2014 year. (Refer Note 17(a) above).

⁽²⁾ 33,333,333 unlisted options were issued during the 2014 year. (Refer Note 17(a) above).

⁽³⁾ 1,400,000 unlisted options expired during the 2015. (Refer also to Note 31 below).

Share options issued by the Company carry no rights to dividends and no voting rights. All options are exercisable for cash on a 1:1 basis.

18. RESERVE

	Share based payment reserve	Convertible note reserve	Total
	\$	\$	\$
Balance 31 December 2013	131,567	-	131,567
Share based payments relating to unlisted options issued	60,371	-	60,371
Balance 31 December 2014	191,938	-	191,938
Equity component of convertible note drawdowns	-	79,235	79,235
Balance 31 December 2015	191,938	79,235	271,173

Nature and purpose of share-based payment – option reserve

The share-based payment reserve is used to recognise the fair value of options issued under the employee share option plan.

Nature and purpose of convertible note reserve

The convertible note reserve is used to recognise the fair value of the equity component of the convertible loan facility as described in Note 16 above.

19. ACCUMULATED LOSSES

	Consolidated	
	2015	2014
	\$	\$
Accumulated losses at the beginning of the year	(32,519,872)	(25,267,163)
Net Loss for the year	(3,877,435)	(7,252,709)
Accumulated losses at the end of the year	(36,397,307)	(32,519,872)

20. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash, short-term deposits, trade payables and borrowings. The main purpose of these financial instruments is to fund the Group's operations.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Categories of financial instruments

	Consolidated	
	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	20,320	354,422
Trade and other receivables	63,142	134,098
Security and other deposits	112,936	319,957
Available-for-sale financial assets	3,252	3,252
Total financial assets	199,650	811,729
Financial liabilities		
Trade and other payables	361,702	450,845
Borrowings	983,409	-
Total financial liabilities	1,345,111	450,845

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework which is summarised below:

(b) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. As an emerging explorer, the Group does not establish a return on capital. Capital management requires the maintenance of strong cash balance to support ongoing exploration. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

(c) Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earning volatility on floating rate instruments. The Group does not have a formal policy in place to mitigate interest rate risks as the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

At balance date, the Group had the following financial assets which are interest bearing:

	Consolidated	
	2015	2014
	\$	\$
Cash and cash equivalents (variable interest rates)	20,320	354,422
Security deposits (fixed interest rates)	7,267	214,288
	27,587	568,710

Interest rate sensitivity analysis

An increase of 80 basis points in interest rates at the reporting date, with all other variables held constant, would have decreased the Group's loss and increased equity by \$176 (2014: \$4,550). Where interest rates decreased, there would be an equal and opposite impact on the loss and equity.

Price risk

The Group is exposed to equity securities price risk. This arises from an investment held by the Group and classified on the consolidated statement of financial position as an available-for-sale financial asset.

The price risk for unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. A sensitivity analysis has therefore not been performed.

The Group is not exposed to commodity price risk or currency risk.

(d) Credit risk

Credit risk is the risk that a counter party will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

The Group manages any credit risk associated with its funds on deposit by ensuring that it only invests its funds with reputable financial institutions.

At 31 December 2015 trade and other receivables are mostly receivable within 30 days.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities:

Consolidated	Carrying amount \$	Contractual cash flow \$	< 6 months \$	6-12 months \$	1-3 years \$	> 3 years \$
31 Dec 2015						
Trade and other payables	361,702	(361,702)	(361,702)	-	-	-
Borrowings	983,409	(1,256,000)	(26,000)	(26,000)	(1,204,000)	-
	<u>1,345,111</u>	<u>(1,889,703)</u>	<u>(659,703)</u>	<u>(26,000)</u>	<u>(1,204,000)</u>	<u>-</u>

Consolidated	Carrying amount \$	Contractual cash flow \$	< 6 months \$	6-12 months \$	1-3 years \$	> 3 years \$
31 Dec 2014						
Trade and other payables	450,845	(450,845)	(450,845)	-	-	-
Borrowings	-	-	-	-	-	-
	<u>450,845</u>	<u>(450,845)</u>	<u>(450,845)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(f) Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their respective fair values, other than as noted below.

The fair value of the non-current asset comprising available-for-sale financial assets has been valued at cost less allowance for impairment. As disclosed in the above Note 10, the assets are shares in an unlisted company Opal Horizon Limited and as such their fair value cannot be determined reliably as there is no active market. The intention at this stage is to not dispose of the shares.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Key management personnel compensation

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	485,366	715,772
Post-employment benefits	26,885	52,940
Termination benefits	-	608,445
Share-based payments	-	29,698
	<u>512,251</u>	<u>1,406,855</u>

Transactions with related parties

Consolidated	
2015	2014
\$	\$

The following transactions occurred with related parties:

Payment for specialist market and consultancy services from Fortune Corporation Australia Pty Limited (director-related entity of William Wang)	<u>99,743</u>	<u>88,100</u>
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22. REMUNERATION OF AUDITORS

Consolidated	
2015	2014
\$	\$

Amounts received, or due and receivable, by the Group's auditor – BDO Audit Pty Ltd:

- Audit and review of the financial statements	<u>35,500</u>	<u>32,500</u>
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The auditor did not provide any other services.

23. CONTINGENT LIABILITY

The Group does not have any contingent liability at 31 December 2015.

24. COMMITMENTS

(a) Tenement expenditure commitments

So as to maintain current rights to tenure of exploration tenements, the Group will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These outlays (exploration expenditure and rent), which arise in relation to granted tenements, inclusive of tenement applications are as follows:

	Consolidated	
	2015	2014
	\$	\$
Payable within 1 year	372,945	436,974
Payable between one and five years	<u>1,847,154</u>	<u>1,176,740</u>
	<u>2,220,099</u>	<u>1,613,714</u>

The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished. In 2015 cash security bonds totalling \$7,267 were held by the relevant governing authorities to ensure compliance with granted tenement conditions (2014: \$212,688).

(b) Operating lease commitments

	Consolidated	
	2015	2014
	\$	\$
Payable within 1 year	186,097	310,319
Payable between one and five years	-	195,308
	<u>186,097</u>	<u>505,627</u>

The Company has leasing arrangements for the rental of office space expiring on 31 July 2016.

25. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity in the Group is Diatreme Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 26.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 21 and remuneration report in the directors' report.

26. INTERESTS IN SUBSIDIARIES

Set out below details of the subsidiaries held directly by the Group:

Name of subsidiary	Country of Incorporation	Principal activity	Ownership Interest	
			2015	2014
Subsidiaries				
Regional Exploration Management Pty Ltd	Australia	Logistical support	100%	100%
Chalcophile Resources Pty Ltd *	Australia	Metals exploration	100%	100%
Lost Sands Pty Ltd	Australia	Mineral sands exploration	100%	100%

* This entity is 100% owned by Regional Exploration Management Pty Ltd.

27. RECEIPT FROM PMHL

The Group's 100% owned subsidiary, Lost Sands Pty Ltd ("Lost Sands") executed a Heads of Agreement ("HoA") on 9 January 2014 with Perpetual Mining Holding Limited ("PMHL") for \$2 million (GST incl.) investment in the Cyclone Zircon Project. Under the HoA, PMHL agreed to invest \$2 million (GST incl.) into the Project to earn 6% interest in the Project by way of a series of cash calls.

For the year ended 31 December 2014 Lost Sands received all of the \$2 million (GST incl.) from PMHL. All amounts have been fully expended at 31 December 2014.

28. PAYMENT FOR TENEMENT ACQUISITION

The Group's 100% owned subsidiary, Lost Sands Pty Ltd ("Lost Sands") executed a purchase agreement with Image Resources NL on 10th November 2014 to acquire its Eucla Basin tenement R69/1, including the Cyclone Extended Heavy Mineral Resource.

A non-refundable deposit of \$20,000 was paid at agreement execution date of 10th November 2014. During the year ended 31 December 2015, the balance of the purchase price of \$415,000 was paid thereby effecting full settlement of the acquisition.

29. RECONCILIATION OF NET PROFIT/(LOSS) TO NET CASH FLOW USED IN OPERATING ACTIVITIES	Consolidated	
	2015 \$	2014 \$
Loss for the year	(3,877,435)	(7,252,709)
Non-cash items		
Depreciation	62,597	97,583
Capitalised exploration expenditure written-off	2,304,339	5,817,234
Gain on loan	79,235	-
Share-based payment expense	-	134,258
(Profit)/loss on sale of fixed assets	(22,380)	(22,423)
Movements in operating assets and liabilities		
(Increase)/decrease in receivables	71,701	286,977
(Increase)/decrease in other assets	6,600	-
Increase / (decrease) in payables	87,888	(120,685)
Increase / (decrease) in provisions	-	(130,858)
Net cash used In operating activities	<u>(1,445,925)</u>	<u>(1,190,623)</u>

30. EARNINGS PER SHARE	Consolidated	
	2015 Cents	2014 Cents
Basic earnings per share (loss)	<u>(0.5)</u>	<u>(1.2)</u>
Diluted earnings per share (loss)	<u>(0.5)</u>	<u>(1.2)</u>

Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>755,654,872</u>	<u>620,416,548</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>755,654,872</u>	<u>620,416,548</u>

Information concerning earnings per share

Earnings for the purpose of the calculation of basic earnings per share and also diluted earnings per share, is the loss attributable to owners of Diatreme Resources Limited of \$3,900,079 (2014: loss \$7,252,709).

Options granted are usually considered to be potential ordinary shares and taken into account in the determination of diluted earnings per share and are not included in the determination of basic earnings per share. In the circumstances of the Group, the options are not dilutive and are therefore not used in the calculation of diluted earnings per share. Details of the options are set out in Note 17.

31. SHARE-BASED PAYMENTS

The Company established an employee share option plan (ESOP 2012) which was approved by shareholders at the AGM on 24 May 2012. The purpose of the scheme was to give an additional incentive to Directors, employees and consultants, to provide dedicated and on-going commitment and effort to the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Consequently, 9,400,000 share options were issued to the Company's employees and consultants (including Other Key Management Personnel) on 15 March 2013. Information relating to these options is as follows:

2015							
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted	Exercised	Expired/ other	Balance at end of the year
15/03/2013	30/04/2019	\$0.10	6,400,000	-	-	(1,400,000)	5,000,000

2014							
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted	Exercised	Expired/ other	Balance at end of the year
15/03/2013	30/04/2019	\$0.10	9,400,000	-	-	(3,000,000)	6,400,000

The remaining contractual life of the above share options outstanding at the end of the period was 3.3 years

On 31 May 2013, following shareholders' approval, 6,000,000 share options were issued to the Directors (Key Management Personnel). Information relating to these options is as follows:

2015							
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted	Exercised	Expired/ other	Balance at end of the year
31/05/2013	30/04/2019	\$0.10	3,000,000	-	-	-	3,000,000

2014							
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted	Exercised	Expired/ other	Balance at end of the year
31/05/2013	30/04/2019	\$0.10	6,000,000	-	-	(3,000,000)	3,000,000

The remaining contractual life of the above share options outstanding at the end of the period was 3.3 years

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2015 Number	2014 Number
15/03/2013	30/04/2019	5,000,000	6,400,000
31/05/2013	30/04/2019	3,000,000	3,000,000

32. PARENT ENTITY INFORMATION

	Consolidated	
	2015	2014
	\$	\$
Financial position		
Current assets	73,292	354,806
Non-current assets	15,277,267	23,628,903
Total assets	15,350,559	23,982,903
Current liabilities	140,100	135,594
Non-current liabilities	1,255,408	-
Total liabilities	1,395,508	135,594
Net assets	13,955,051	23,847,309
Shareholders' equity		
Contributed equity	48,048,903	47,108,903
Reserve	271,173	191,938
Accumulated losses	(34,365,025)	(23,453,532)
Total equity	13,955,051	23,847,309
Loss for the year	(10,911,493)	(8,666,443)
Total comprehensive loss for the year	(10,911,493)	(8,666,443)

Non-Current Assets

Non-current assets include \$11,092,810 (2014: \$20,302,833) of Intercompany Receivables balances with recoverability of the debt based on successful exploitation of various tenement sites.

Contingent Liabilities

The parent entity does not have any contingent liability.

Contractual commitments

The parent entity does not have any contractual commitments for property, plant and equipment at 31 December 2015.

Guarantees

The parent entity does not have any guarantees at 31 December 2015.

33. EVENTS SUBSEQUENT TO REPORTING DATE

Scheduled drawdown of \$500,000 on convertible note facility due for 31 December 2015 (refer ASX announcement 19th May 2015) only partially received (\$100,000), with balance of \$400,000 delayed into January due to remittance delays over public holiday period. Balance of \$400,000 was received in full as at 21st January 2016.

No other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in financial years subsequent to 31 December 2015.

34. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

At the date of authorisation of the financial report, certain Standards and Interpretations were on issue but not yet effective. These Standards and Interpretations, including AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, have not been adopted in the preparation of the financial report for the year ended 31 December 2015. None of these Standards and Interpretations is expected to have significant effect on the consolidated financial statements of the Group,

The Group expects to first apply these Standards and Interpretations in the financial report of the Group relating to the annual reporting period beginning after the effective date of each pronouncement.

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



William Wang
Non-executive Chairman

29 March 2016
Brisbane

Independent Auditor's Report

To the members of Diatreme Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Diatreme Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Diatreme Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Diatreme Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(e) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 2(e), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 9 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Diatreme Resources Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO



A J Whyte

Director

Brisbane, 29 March 2016

Shareholder Information

The information set out below was applicable at 15 April 2016.

A DISTRIBUTION OF ASX QUOTED EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Ordinary Shares

Range	Holders	%	Shares	%
1 to 1,000	696	28.92	155,762	0.02
1,001 to 5,000	277	11.51	778,043	0.10
5001 to 10,000	229	9.51	1,937,049	0.24
10,001 to 50,000	536	22.27	14,452,305	1.78
50,001 to 100,000	230	9.55	18,378,879	2.27
100,001 and Over	439	18.24	774,265,521	95.59
Total	2,407	100.00	809,967,559	100.00

The number of security investors holding less than a marketable parcel on 15 April 2016 was 1,606 and they held 11,404,562 securities.

B VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

C ASX QUOTED EQUITY SECURITY HOLDERS

The names of the twenty largest holders of ordinary shares (ASX:DRX) are listed below:

Rank	Name	Number of Ordinary shares held	Percent (%)
1	ZHENBIN JIAN	82,000,000	10.12
2	YUFENG ZHUANG	59,660,000	7.37
3	LAI YOU	53,177,747	6.57
4	CHENXIA ZHOU	50,000,000	6.17
5	LONGQIANG ZHUANG	41,666,667	5.14
6	CHENFEI ZHUANG	39,142,072	4.83
7	ANDREW TSANG	38,895,600	4.80
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	30,999,411	3.83
9	DORAL LTD	23,500,000	2.90
10	QI LIN	22,000,000	2.72
11	ZHANGXI ZENG	20,164,214	2.49
12	CAIFENG ZENG	16,666,667	2.06
13	XIANG RONG (AUSTRALIA) CONSTRUCTION GROUP PTY LTD	14,862,763	1.84
14	VW PTY LTD	13,125,001	1.62
15	CHUNYI WANG	12,500,000	1.54
15	YUAN WANG	12,500,000	1.54
16	SLADE TECHNOLOGIES PTY LTD	8,948,064	1.10
17	STEPHEN JOHN RYAN	6,973,703	0.86
18	HUNTLEY CUSTODIANS LIMITED	6,842,860	0.85
19	CHAOHUI ZHANG	6,316,309	0.78
20	GUOZHONG YU	5,133,333	0.63
TOTAL		565,074,411	69.76
Balance of Share Register		244,893,148	30.24
Total ordinary shares on issue (15-04-2016)		809,967,559	100.00

D SUBSTANTIAL HOLDERS

Substantial holders of ordinary shares in the Company are set out below:

Name	Number held	Percentage of issued shares
Andrew Tsang (and related parties)	111,536,110	13.77
Zhenbin Jian	82,000,000	10.12
Yufeng Zhuang	59,660,000	7.37
Chenxia Zhou	50,000,000	6.17
Longqiang Zhuang	41,666,667	5.14

Tenement Schedule

Current interests in tenements held by Diatreme Resources Limited and its subsidiary companies as at 15 April 2016 are tabled below.

State	Project	Tenement Name	Tenement ID	Area	Holder	Interest
WA	Eucla Basin	Wanna Lakes East	E69/2408	21 km ²	100%	LSPL
WA	Eucla Basin	Wanna South	E69/2425	3 km ²	100%	LSPL
WA	Cyclone	Cyclone	M69/141	1,558 ha	100%	LSPL
WA	Cyclone	Cyclone Extended	R69/1	2,620 ha	100%	DRX
QLD	Clermont	Clermont	EPM17968	315 km ²	100%	CHAL
QLD	Clermont	Parapet	EPM19189	41 km ²	100%	CHAL
QLD	Clermont	Expedition Creek	EPM19544	25 km ²	100%	CHAL
QLD	Yeppoon	Grays Hill	EPM25117	123 km ²	100%	DRX
QLD	Tick Hill	Tick Hill	ML7094	130 ha	100%	DRX
QLD	Tick Hill	Tick Hill	ML7096	130 ha	100%	DRX
QLD	Tick Hill	Tick Hill	ML7097	130 ha	100%	DRX
QLD	Cape Bedford	Cape Bedford	EPM(A)17795	552 km ²	100%	DRX

Abbreviations:

E	Western Australia	Exploration Licence	DRX - Diatreme Resources Limited
M	Western Australia	Mining Lease	CHAL – Chalcophile Resources Pty Ltd
R	Western Australia	Retention Licence	LSPL – Lost Sands Pty Ltd
EPM(A)	Queensland	Exploration Permit for Minerals (Application)	
EPM	Queensland	Exploration Permit for Minerals	
ML	Queensland	Mining Lease	

Ore Reserves and Mineral Resources Statement

Ore Reserves and Mineral Resources are estimated using all available geological and relevant drill hole and assay data, including mineralogical sampling and analysis and test work on mineral recoveries and final product qualities. Reserve estimates are determined by the consideration of all of the “modifying factors” in accordance with the JORC Code, and for example, may include but are not limited to, product prices, mining costs, metallurgical recoveries, environmental consideration, access and approvals. Resource estimates are determined by consideration of geology, HM cut-off grades, mineralisation thickness vs. overburden ratios and consideration of the potential mining and extraction methodology.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC Code). Each of the Competent Persons has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they were undertaking to qualify as a Competent Person as defined by the JORC Code. Mr McMurtrie is a director of Tisana Pty Ltd and a consultant to Diatreme Resources and Mr Reudavey is a full-time employee of Diatreme Resources Limited. Mr McMurtrie and Mr Reudavey consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures reported represent estimates at 31 December 2015. All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information is inclusive of Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

The information in relation to the Cyclone Ore Reserve was prepared and disclosed under the JORC Code 2012, and reported in an announcement to the Australian Securities Exchange (ASX) on 14 December 2015 “Boost for Cyclone Project as new study increases Ore Reserve, Mine Life”. The Cyclone Ore Reserve estimate is based on a Mineral Resource estimate for the Cyclone Project that was separately reported in an announcement to the Australian Securities Exchange (ASX) on 9 April 2015 “Cyclone Zircon Project Resource Upgrade – World Class Zircon Deposit” which complies with the guidelines of the 2012 JORC Code.

Diatreme HM Ore Reserves at 31 December 2015

Project	Ore Reserve Category	Ore Tonnes Millions	In-situ HM Tonnes Millions	HM Grade (%)	HM Assemblage					
					Zircon Grade (%)	Rutile Grade (%)	Leuco Grade (%)	HiTi Grade (%)	Alt Ilm Grade (%)	Si-TiOx Grade (%)
Cyclone	Probable	140	3.54	2.5	28	3	7	23	13	22

Notes:

1. Cyclone Project is located in the Eucla Basin, Western Australia
2. Competent Person - Ore Reserves, P McMurtrie (MAusIMM)
3. Ore Reserves are a sub-set of Mineral Resources.
4. Mineral assemblage is reported as a percentage of in situ heavy mineral (HM) content.
5. Rutile comprises Ti-Oxides >95% TiO₂.
6. Leuco (Leucoxene) comprises Ti-oxides 85 - 95% TiO₂.
7. HiTi comprises Ti-oxides 70 - 85% TiO₂.
8. Alt Ilm (Altered Ilmenite) comprises Ti-oxides <70% TiO₂.
9. Si-TiOx (Siliceous Ti-oxide) comprises Ti-oxides with >10% silica rich Ti minerals.

Diatreme HM Ore Reserves comparison 2014 to 2015

Project	Ore Reserve Category	2014 Ore Tonnes Millions	2014 HM Grade (%)	2014 In-situ HM Tonnes Millions	2015 Ore Tonnes Millions	2015 HM Grade (%)	2015 In-situ HM Tonnes Millions	In-situ HM Tonnes Millions Change
Cyclone	Probable	97	2.5	2.4	140	2.5	3.5	1.1

The annual review of Ore Reserves concluded that the update to the Cyclone Ore Reserve reported in mid-December 2015 has resulted in a positive adjustment to the Cyclone Ore Reserve as a result of the inclusion of mineralisation from the Cyclone Extended deposit which was acquired by Diatreme Resources during 2015.

Diatreme HM Mineral Resources at 31 December 2015

Project	Mineral Resource Category	Material Tonnes Millions	In-situ HM Tonnes Millions	HM Grade (%)	HM Assemblage					
					Zircon Grade (%)	Rutile Grade (%)	Leuco Grade (%)	HiTi Grade (%)	Alt Ilm Grade (%)	Si TiOx Grade (%)
Cyclone	Measured	156	3.79	2.4	28	3	6	24	12	22
	Indicated	55	0.99	1.8	21	2	4	34	15	18
Cyclone	Total	211	4.78	2.3	27	3	6	26	13	21
Zephyr	Inferred	92	1.18	1.3	9	-	58	-	32	-
Eucla Basin	Grand Total	303	5.96	2.0						

1. Cyclone and Zephyr Projects are located in the Eucla Basin, Western Australia
2. Competent Person - Mineral Resources, I Reudavey (MAIG)
3. Mineral Resources are inclusive of Ore Reserves.
4. Rounding may generate differences in last decimal place.
5. Mineral assemblage is reported as a percentage of in situ heavy mineral content.
6. Rutile comprises Ti-oxides >95% TiO₂ at Cyclone
7. Leuco (Leucosene) comprises Ti-oxides 85 - 90% TiO₂ at Cyclone and leucosene (by graincount) at Zephyr
8. HiTi comprises Ti-oxides 70 - 85% TiO₂.
9. Alt Ilm (Altered Ilmenite) comprises Ti-oxides <70% TiO₂ at Cyclone and "pseudorutile" (by graincount) at Zephyr
10. Si TiOx (Siliceous Ti-oxide) comprises Ti-oxides with >10% silica rich Ti minerals.

The information in relation to the Zephyr Mineral Resource was first prepared and disclosed under the JORC Code 2004. It has not been reported since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported.

Diatreme HM Mineral Resource comparison 2014 to 2015

Project	Mineral Resource Category	2014 Material Tonnes Millions	2014 HM Grade (%)	2014 In-situ HM Tonnes Millions	2015 Material Tonnes Millions	2015 HM Grade (%)	2015 In-situ HM Tonnes Millions	In-situ HM Tonnes Millions Change
Cyclone	Measured	118	2.3	2.69	156	2.4	3.79	1.10
	Indicated	19	1.5	0.29	55	1.8	0.99	0.70
Cyclone	Total	137	2.2	2.97	211	2.3	4.78	1.81
Zephyr	Inferred	97	1.3	1.22	92	1.3	1.18	(0.04)
Eucla Basin	Grand Total	234	1.8	4.19	303	2.0	5.96	1.77

The annual review of Mineral Resources concluded that the update to the Cyclone Mineral Resource reported in April 2015 remains valid at 31 December and has resulted in a positive adjustment to the Cyclone Mineral Resource as a result of the inclusion of mineralisation from the Cyclone Extended deposit which was acquired by Diatreme Resources early in 2015. A review of the Zephyr mineral resource utilising modelling techniques consistent with Cyclone and an updated mineralisation boundary to reflect tenement reduction resulted in a slight decrease in material tonnes, with a subsequent reduction in contained HM from 1.22 Mt to 1.18 Mt for the Zephyr resource. The change is not considered material given the low grade and Inferred status of the Zephyr mineralisation, together with the lack of any strategic planning for the Cyclone Project utilising the Zephyr Mineral Resource.

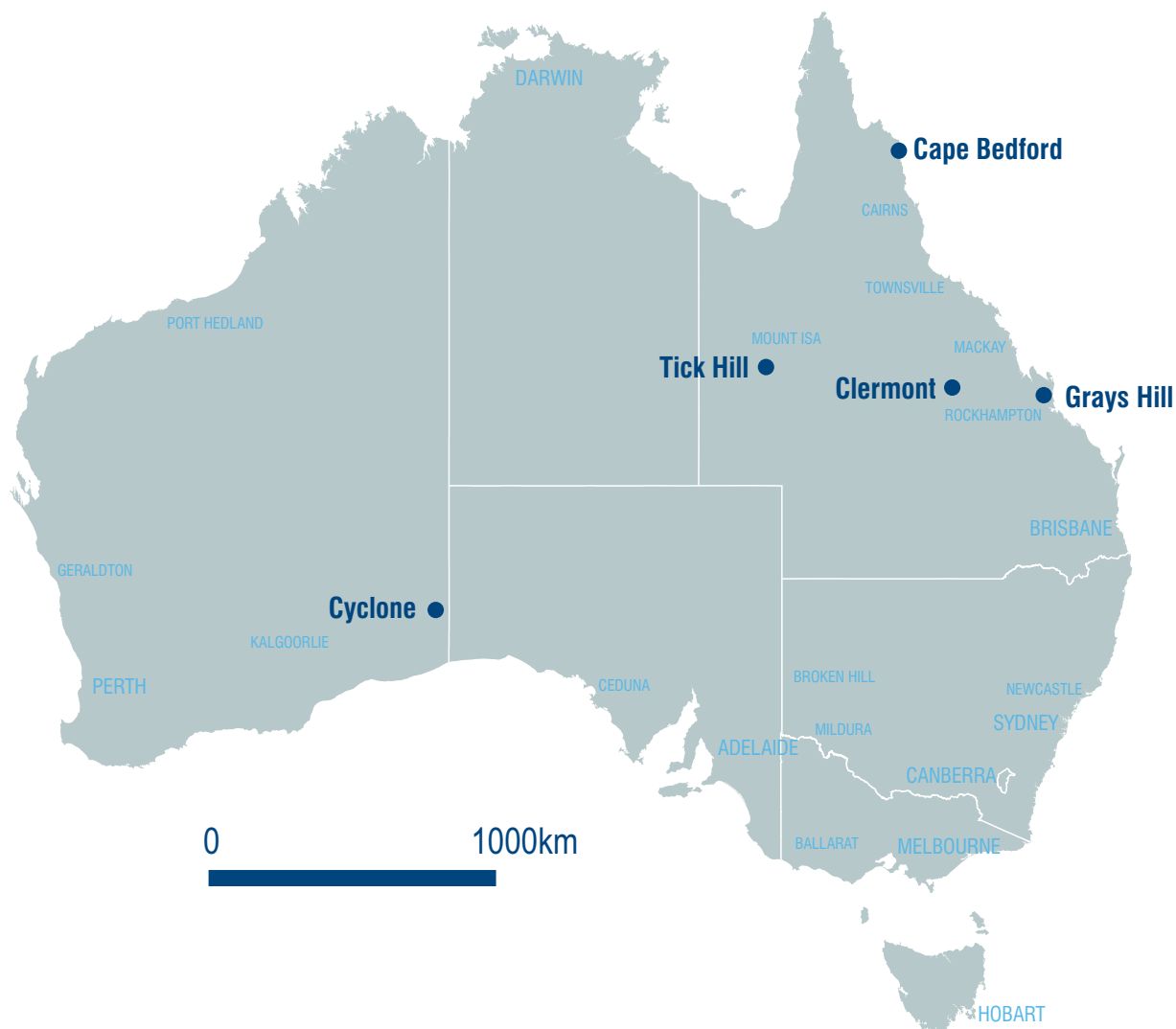
Mineral Resource and Ore Reserve Governance

Mineral Resource and Ore Reserves are estimated by suitably qualified Diatreme personnel in accordance with the requirements of the JORC Code, using industry standard techniques and internal guidelines for the estimation and reporting of Ore Reserves and Mineral Resources.

All Mineral Resource and Ore Reserve estimates and supporting documentation are reviewed by a Competent Person employed by Diatreme Resources.

All Ore Reserve estimates are prepared in conjunction with pre-feasibility studies which consider all material factors.

The Ore Reserves and Mineral Resources Statement included in the Annual Report is reviewed by suitably qualified internal Competent Person prior to its inclusion.





Level 2, 87 Wickham Terrace
Spring Hill, Queensland, 4000

Telephone: 07 3832 5660
Email: manager@diatreme.com.au

www.diatreme.com.au



Diatreme Resources Limited
ABN: 33 061 267 061