Diatreme Resources Limited (ASX:DRX) has successfully expanded its flagship Cyclone Zircon Project, announcing today the settlement of an agreement with Image Resources NL (ASX:IMA) to acquire its Eucla Basin tenement R69/1, including the Cyclone Extended Heavy Mineral Resource (refer ASX announcement dated 11 November 2014).

The addition of Cyclone Extended increases the size of Diatreme’s mineral sands project in Western Australia’s Eucla Basin from 137 million tonnes at 2.2% heavy minerals (containing 3.0Mt of HM) to 223Mt at 2.1% HM (containing 4.6Mt of HM), an effective 53% rise in contained heavy minerals.

The acquisition has the potential to extend mine life by five years or more, based on Diatreme’s existing mine design plans. It also allows for a wider range of options in mine planning and design, which could include ramping up production levels or targeting higher-grade ore at the commencement of mining.

Following the satisfaction of various conditions, full financial settlement of the acquisition has been effected between the parties on 23 March 2015.
As previously announced, an FOB production royalty of 1% will be retained by Image on all heavy mineral production within the area of the transferred tenements. Diatreme will have the option to acquire the royalty at an agreed value of $435,000, exercisable by 16 February 2017. Should Diatreme choose not to exercise the option, the royalty will remain in place.

Diatreme’s Chief Executive, Neil McIntyre paid tribute to Image for the conclusion of the acquisition, saying it was a “win-win” deal for both companies and marked a major milestone for the Cyclone Project.

“The settlement of the Cyclone Extended tenement’s acquisition is an important achievement for Diatreme, demonstrating the Company’s commitment to delivering value for shareholders from this world-class mineable zircon deposit,” Mr. McIntyre said.

“The recent grant of a Mining Lease and securing of a Project Agreement with the traditional owners, the Spinifex People, has demonstrated stakeholder support for this important new project for Western Australia. We have now de-risked the project fundamentals significantly, including the resource expansion, environmental studies and water supply, thereby allowing for final permitting and definitive feasibility studies to be progressed to a stage where project funders and partners can invest with confidence."

Diatreme is now progressing work on a combined Cyclone Project mineral resource to determine the benefits of the seamless extension of mining and processing across the two tenements. As outlined in the recent Quarterly Activities Report (ASX announcement dated 27 January 2015), the potential for further cost savings is also being examined, while the environmental review process should be concluded by mid-2015.

“Diatreme remains confident of the medium-term outlook for mineral sands, based on Asia’s ongoing urbanisation and increasing number of product end uses. We are working with our partners including existing joint venture partner, Perpetual Mining Holding, to maximise value from Cyclone and deliver benefits for all stakeholders, including new jobs, exports and shareholder wealth,” Mr. McIntyre said.

Neil McIntyre
CEO

**Competent Person Statement**

The information in this report, insofar as it relates to Exploration Results and Mineral Resources is based on information compiled by Mr Ian Reudavey, who is a full time employee of Diatreme Resources Limited and a Member of the Australian Institute of Geoscientists. Mr Reudavey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of ‘The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Reudavey consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.