

Pre-feasibility study to be launched on Cyclone heavy mineral sands deposit

Important Information: Intersuisse and an associate company, Phillip Capital Pty Ltd have conducted capital raising services for DRX in the past six months, and are currently engaged by DRX for capital markets services on commercial terms. For Disclosures, refer to back page under "Important Information".

Investment Rationale

- Pre-feasibility study to be launched on Eucla Basin Cyclone mineral sands deposit following a positive scoping study that outlined annual profits of \$50 million based on a 9 million tonnes per annum throughput operation.
- Recent structural re-interpretation within the Rosevale Porphyry Corridor at the Clermont project in Queensland has highlighted the potential for a gold rich core to copper and molybdenum mineralisation.
- Rock chip sampling at the Bellfield project in north Queensland returns anomalous polymetallic results.

MINERAL SANDS

DRX's mineral sands exploration focus centres on the highly prospective Eucla Basin, both in Western and South Australia, where a number of exciting heavy mineral sand (zircon) discoveries have been reported since late 2004. Significantly, DRX has extensive tenement holdings extending along a main fossil shoreline on the northern basin margin.

In September 2009 the company announced a 50% resource upgrade for the Cyclone mineral sands deposit. The resource now stands at 98.4 million tonnes averaging 2.88% heavy minerals.

Category	Million tonnes	% HM	% Slimes	% Oversize
Inferred	2.51	2.38	3.53	4.08
Indicated	84.36	2.82	4.40	5.91
Measured	11.52	3.44	4.51	4.72
TOTAL	98.40	2.88	4.39	5.72

Cyclone Deposit Resource Estimate

Mineralogical testing in the Cyclone deposit area has confirmed that the heavy mineral suite is rich in highly valued zircon, rutile and leucoxene.

Mineral %	% Mass	Mass Range
Zircon	33	18-42
Rutile	12	5-24
Leucoxene	27	14-43
Altered Ilmenite	17	4-30
Others	11	n/a

Mineralogy of the Cyclone Deposit

Recently the company released the results of a scoping study on the Cyclone deposit which showed positive results for a 9 million tonnes per annum operation producing 280,000 tonnes of concentrate. The study showed that there was the potential to generate \$50 million annual average profit for 10 years. Projected capital expenditure totals \$311 million. With the positive results DRX is launching pre-feasibility studies with the aim of developing Cyclone into a profitable mining operation by 2014.

DRX has conducted more than 42,500 metres of drilling at Cyclone, with the mineralisation covering an area up to 5 kilometres long and up to 2.5 kilometres wide. The deposit is believed to be amenable to typical mineral sands mining methods, and is low in slimes and induration, thereby reducing mining costs. Costs are expected to be further reduced with the recent discovery of mineralisation averaging up to 4% heavy minerals in the overburden.

Snapshot

Last Price	\$0.11
Market Capitalisation	\$22.2 million
52 Week High	\$0.18
52 Week Low	\$0.10
Sector	Metals & Mining
Shares on Issue	202 million
Unlisted options	20.55 million
Monthly Share Turnover	8.2 million shares
Cash	\$1.9 million
Major Shareholder – Andrew Tsang	18.55%

Price Chart



Directors

Anthony Fawdon	Exec. Chairman
David Hall	Exec. Operations
Lawrence Litzow	Non Executive
George White	Non Executive
Andrew Tsang	Non Executive

See www.diatreme.com.au

Business Description

DRX is an active and diversified mineral explorer with advanced projects in heavy mineral sands, copper, base metals and gold. The company's current principal focus is on the extension of its Cyclone heavy mineral deposit and resources in the Eucla Basin of Western Australia along with exploration over a large porphyry copper/gold mineralised system near Clermont, central Queensland.

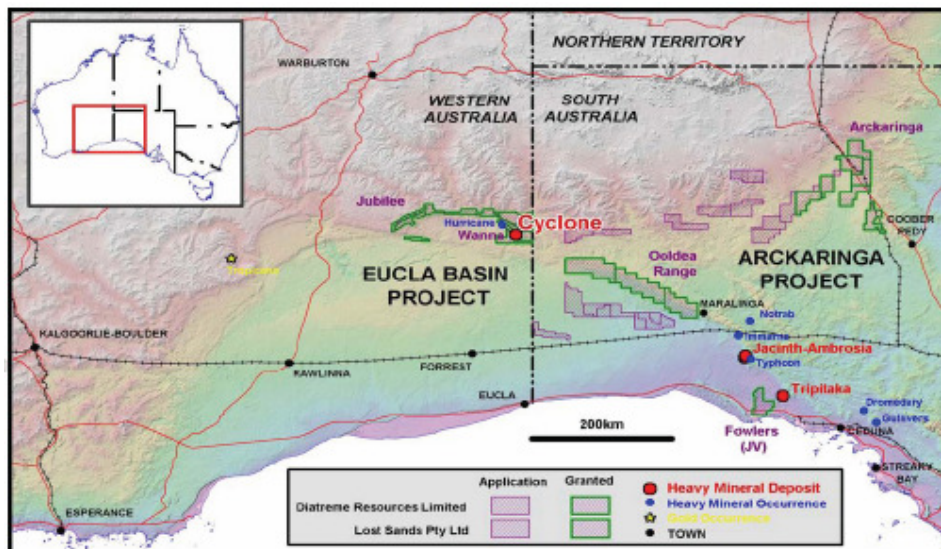
Analyst: Paul Goody

According to the scoping study, conducted by Peter Bannister of Intelligent Mining Solutions Pty Ltd, the conceptual mining plan would allow treatment of up to 90 million tonnes at an annual rate of 9 million tonnes. The mining operation would pump around 1,250 tonnes per hour of ore at a rate of 40% solids to a wet processing plant, with the concentrate pumped to a stockpile before transportation via truck and rail to a mineral separation plant located near a port (likely Adelaide, Esperance or Perth).

Electrical power to the mine site would likely be through gas powered generators, with water supply potentially from palaeo river systems within 25 kilometres of the project.

The company is working towards the completion of the pre-feasibility studies for Cyclone by late 2010.

The company also holds exploration ground for mineral sands in the Arckaringa Basin (SA), Casterton (Vic), Shark Bay (WA) and Cape Bedford (Qld).



Western and Southern Australian Mineral Sands Projects

CLERMONT COPPER/GOLD PROJECT - Queensland

The Clermont project is situated to the south, west and northwest of the town of Clermont in central Queensland. DRX is exploring for porphyry and stratabound bulk tonnage copper/gold targets over four exploration permits covering over 860 square kilometres. The project area covers numerous prospects including the old Peak Downs copper mine which is significant for its past copper production.

Previous metalliferous mining activity in the region included gold mining predominantly from placers in Permian conglomerates and from Tertiary and Cainozoic alluvial deposits. Gold was discovered in gullies to the south of Clermont township in 1861. Total gold production for the Clermont area to 1993 is estimated to be about 450,000 ounces.

Copper was mined at the Peak Downs copper mine following its discovery in 1863 and during the period to 1877, 17,000 tonnes of copper (100,000 tonnes averaging 17% copper ore) is reported to have been produced from the mining and smelting operations on site.

DRX is currently pursuing a number of programs within the Clermont tenements focusing on the:

- (1) Rosevale Porphyry Corridor (gold, copper-molybdenum)
- (2) Mesothermal gold reefs; and
- (3) Regional VTEM and banded iron formation (BIF) targets

At the Rosevale Porphyry Corridor progress has been made in the analysis of data from a recently completed deep diamond drilling program, with a structural synthesis study highlighting the possibility of two previously unrecognised east-west oriented faults dipping towards the south. These faults intersect the centre of an aeromagnetic low at depth and may hold the key in determining the possible location of a gold rich core to the system. One of these faults hosts the Red Dog copper-molybdenum mineralisation at its eastern extension where it intersects a north-west trending fault.

DRX's search for mesothermal gold deposits is currently focused on the Palmtrees reefs which were worked between 1862 and the early 20th century.

BELLFIELD PROJECT - Queensland

Field reconnaissance and mapping in the eastern section of the company's Bellfield and Gilbert River tenements in north Queensland has recently been concluded. Two prospects of primary interest have been identified – both areas host hematite rich breccias that share some geological affinities to IOCG deposits. The Gilbert River Breccia and Twelve Mile Breccia prospects, although having been mapped and sampled in detail historically, have never been drill tested or surveyed with high resolution ground geophysics.

The Gilbert River Breccia prospect consists of a strongly hematized hydrothermal breccia that is associated with highly anomalous copper. Similarly, the Twelve Mile Breccia is associated locally with quartz hosted gold-copper-silver-lead-zinc-bismuth-antimony mineralisation.

Location	Ag (g/t)	Cu (%)	Pb (ppm)	Sb (ppm)	Zn (ppm)	Au (g/t)
12 Mile Creek	363	20.3	266	218	816	0.165
12 Mile Creek	81.6	4.19	84	130	688	0.162
Gilbert River Camp	12.6	0.72	82	14	138	0.01
Gilbert River Breccia	1.3	0.06	16	5	53	<0.005
Teutonic area	<0.2	0.02	134	<2	1,680	<0.005
Gilbert River West	1.7	0.04	1,200	15	769	1.545

Bellfield Project Rock Chip Samples – October/November 2009

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