



28 January 2010

ASX/MEDIA RELEASE**Cyclone Deposit's potential as a new zircon mine
aided by overburden mineralisation****Highlights**

- New mineralisation identified within overburden of the zircon-rich Cyclone Deposit (Eucla Basin, WA), with grades ranging from 0.3-3.9% heavy minerals.
- Mineralisation expected to extend to surface throughout entire deposit, increasing total size of resource and improving economics for mining.
- Feasibility study anticipated in 2010, with mining set to commence during a period of reduced supply for global \$3 billion p.a. zircon/titanium market.

Diatreme Resources Limited's (ASX:DRX) zircon-rich Cyclone Deposit continues to expand, with the Company announcing today the discovery of significant mineralisation within its overburden with grades ranging from 0.3 to 3.9% heavy minerals.

Executive Chairman Tony Fawdon said the additional mineralisation likely extended to the surface throughout the whole deposit, dramatically increases the size of the deposit and potentially reducing the cost of mining.

"Cyclone is one of the largest single deposits of heavy minerals in the Eucla Basin, with an attractive mineral assemblage of valuable zircon (33%), rutile (12%) and leucoxene (27%), along with 17% altered ilmenite and only minor slimes such as clay," Mr Fawdon said.

"The identification of heavy minerals within the overburden above the main ore body improves the project's mining economics considerably, since the ore mining is expected to be conducted from the surface of the deposit."

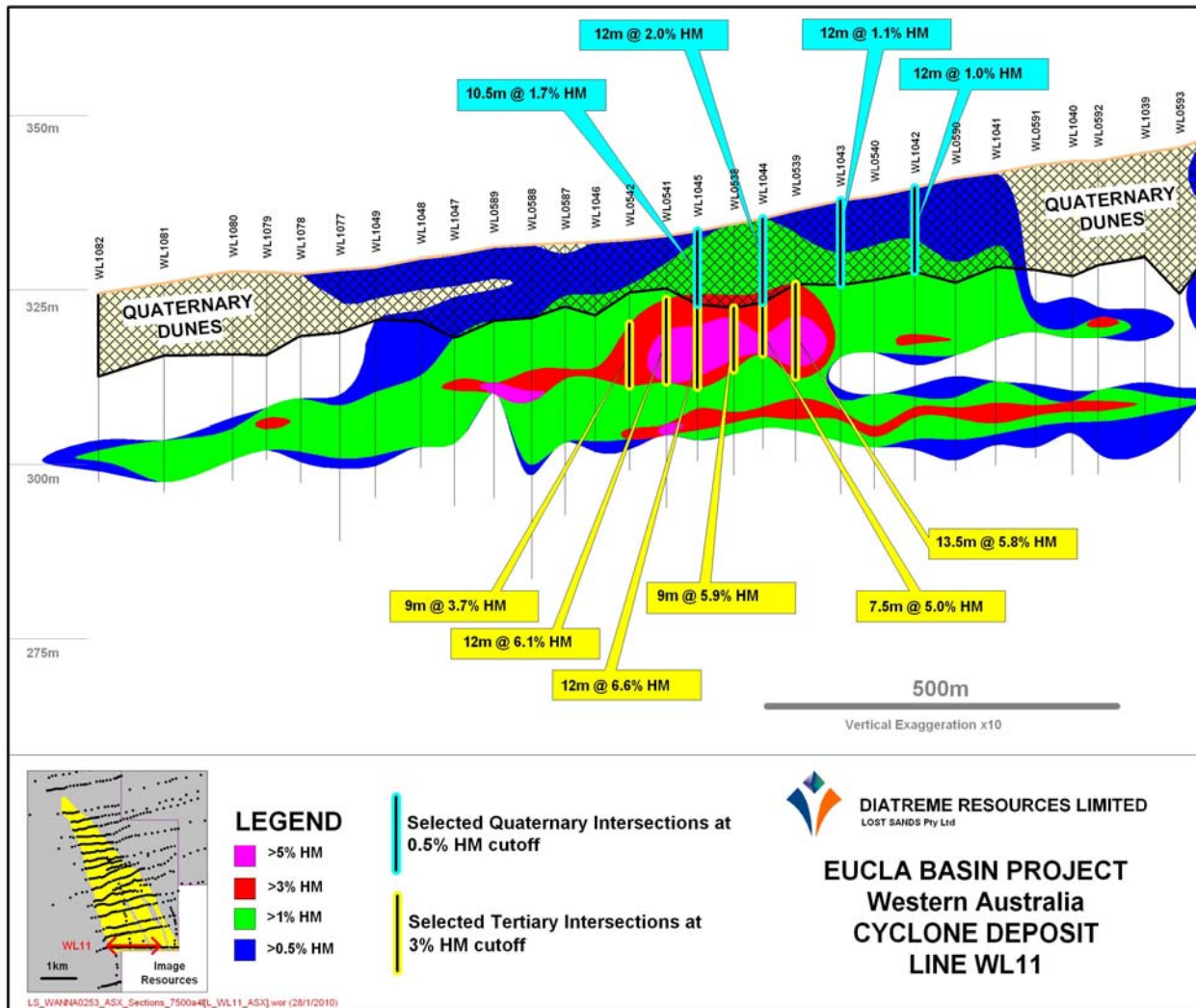
Situated in Western Australia and in the northern area of the Eucla Basin, the Cyclone Deposit's resource estimate (excluding the new overburden mineralisation) currently totals 98.4 million tonnes as shown in the following table:

Resource Category	Mt	% 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



The overburden mineralisation is located within the Quaternary sands of the deposit, and is considered of similar size and quality to the underlying mineralisation contained within Tertiary sands. Only one complete drilling traverse (Line WL11 – see figure below) has been analysed from the overburden to date, with scattered drill holes throughout the remainder of the resource indicating similar results.



“Diatreme will now assay the entire overburden, which averages 14m in thickness, and upon completion remodel the existing resource estimate. We anticipate a significant increase in the size of the resource as a result of the additional assays, with potential for further incremental additions in the immediate area,” Mr Fawdon said.

“Cyclone also has very low slimes (clay) and oversize contents, aiding its ability to be mined economically. While these contents are slightly higher within the Quaternary sands, they are relatively low compared to many existing sand mining operations.”

Analyst forecasts of a global zircon shortage by 2013/14 have increased confidence in the potential for Cyclone, with zircon prices currently forecast at US\$950 per tonne, rutile at US\$575/t, ilmenite at US\$100/t and leucoxene around US\$150-300/t, depending on titanium content and impurity levels.



Mr Fawdon said Diatreme had seen growing investor interest from China, the world's largest consumer of zircon. Demand growth was currently averaging around 17% a year in the world's fastest growing major economy, in line with its increasing intensity of zircon use in tiles and ceramics.

Diatreme's wholly owned subsidiary Lost Sands Pty Ltd has conducted over 42,500 metres of drilling at Cyclone, with the mineralisation covering an area up to five kilometres long and 2.5 kilometres wide. In addition to Diatreme's latest findings, the deposit's southern extension, Cyclone Extended, is being explored by Image Resources NL, and the strike length of the two deposits currently extends for some 10 kilometres.

"Cyclone is of significant size on a global scale and could be compared with the recently launched Jacinth-Ambrosia Mine in the eastern Eucla Basin," Mr Fawdon said.

"Diatreme has initiated scoping studies on Cyclone in preparation for a pre-feasibility study, which we anticipate completing this calendar year. We are focused on bringing this world-class resource into production during a period of rising global demand and reduced supply of zircon, maximising the benefit for all stakeholders."

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About Diatreme Resources

Diatreme Resources Limited (ASX code: DRX) is a diversified Australian mineral explorer with significant projects in heavy mineral sands, copper, base metals and gold. Based in Brisbane, Queensland, the company listed on the Australian Securities Exchange in June 2005.

About zircon

Zircon is a mineral sand used in the production of ceramics, including sanitary ware, tiles and tableware. It is also used in refractories, TV glass and foundry applications. Zircon is the source material for zirconia and a range of chemicals used in high-tech applications, including fuel cells and abrasives. Zirconium metal is used in nuclear fuel rods, while zirconia is used in jewellery.

Global zircon consumption in 2008 was estimated at 1.3 million tonnes, with China the largest single consumer followed by Western Europe, North America, Japan and other countries.

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The information in this report, insofar as it relates to Exploration Results and Mineral Resources, is based on information compiled by Mr David Jelley, of David Jelley Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Jelley 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jelley consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.