



DIATREME RESOURCES LIMITED

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ASX : DRX

ASX ANNOUNCEMENT

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BAOTI GROUP LTD - UPDATE CYCLONE (ZIRCON RICH) HEAVY MINERAL SANDS PROJECT

In August 2010, Diatreme Resources Limited (ASX: DRX) announced the signing of an MOU with BaoTi Group Ltd ("BaoTi"), based in Shaanxi Province, central China. This was seen as a highly positive approach by BaoTi toward the ultimate feasibility and development of the Cyclone Deposit in Western Australia.

Over the past three months, both companies have been progressing toward the signing of a Heads of Agreement ("HOA"), with BaoTi conducting project due diligence, including the assessment of a 20kg bulk sample in their mainland testing facilities, and DRX conducting a review and release of an upgraded Cyclone Deposit mineral resource, bulk sample test work and the identification of further heavy mineral resources near to Cyclone.

DRX and BaoTi are continuing to negotiate the key terms of the planned HOA and will inform the market upon any further news.

Tony Fawdon
Executive Chairman/CEO

About BaoTi

- The leading zircon and titanium fabrication company in China and presently dominates Chinese exports in zircon and titanium end user products, having an 80% market share.
- China's biggest production, research and development base for titanium and its alloys, with its output of titanium mill products ranked second in the world.
- As a leader in technology and production and holding a significant domestic market share, it produces a wide variety of products made from titanium, zircon, tungsten, molybdenum and rare earth metals.
- Employs a workforce in excess of 7,000 personnel within its whole titanium industry chain which includes mining, smelting, rolling, downstream production and titanium equipment manufacturing.

About Diatreme Resources

Diatreme 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. The Board and senior personnel have wide experience in the exploration and development phases of resource management.

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.