



Company Announcement Office
Australian Securities Exchange
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UPDATE ON CYCLONE ZIRCON PROJECT

Diatreme Resources Limited (ASX code: DRX) ("**Diatreme**") is pleased to update the market on progress toward finalisation of the Cyclone Zircon Project ("**Project**") Prefeasibility Study ("**PFS**") together with further events relating to funding of the Definitive Feasibility Study ("**DFS**") and mine development planning.

Diatreme is in the closing stages of the PFS which is expected to be completed in February 2012. The determination of expected zircon and titanium product lines along with product market studies are yet to be concluded. An independent Mineral Sands Industry Consulting Group is assisting with the market studies, review of specialist consultant reports and the financial modelling for the PFS.

On successful completion of the PFS, the Company will immediately proceed to a DFS, with planned completion by the end of 2012.

Several funding opportunities, outlined below, are available for advancing the DFS:

1. Negotiations are continuing with BaoTi Group Limited ("**BaoTi**"). These negotiations have advanced to the point where BaoTi, who have visited the project, reviewed available data and conducted independent laboratory bulk sample tests, have requested time to await the release of the PFS before they proceed to negotiate the final stages of the Heads of Agreement to cooperate in funding the project.
2. Diatreme is also in preliminary joint venture discussions with another Industry party regarding project development.
3. The concept of sole funding the DFS and development of the project is being reviewed by the Company, wherein Diatreme would retain 100% of the upside along with the total net project revenue.



With current zircon prices at strong and record levels of around US\$2,500 per tonne, and with product demand high, the Company has received interest from several domestic and international institutions regarding funding.

Diatreme, who holds one of the largest and highest grade zircon deposits in the world, will be considering its Cyclone development options very carefully and will make decisions in the best interests of its shareholders. The Company is well placed with a firm timeframe now determined for the future development of the Cyclone Zircon Project.

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About Diatreme: Diatreme Resources Limited is an Australian based diversified mineral explorer with significant projects in heavy mineral sands, copper, base metals and gold. The Company owns the zircon rich Cyclone Heavy Mineral Sands Deposit (WA), situated within the emerging world class Eucla Basin heavy mineral sands province, along with a number of metalliferous projects at Clermont (Qld), Gilbert River (Qld), Tick Hill (Qld) and Anabama (SA). Diatreme is highly focused on the mining feasibility assessment of the Cyclone Heavy Mineral Sands Project in WA.