



DIATREME RESOURCES LIMITED

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3 February 2011

UPDATE CYCLONE HEAVY MINERAL SANDS PROJECT

**Cyclone Deposit: Bulk sample drilling and testwork about to commence
Exploration for satellite deposits nearby
Mining Lease application under preparation
Updated project development timetable**

Bulk Sample Drilling and Testwork

Preliminary bulk sample metallurgical testwork for the Cyclone Deposit has been completed and drilling is scheduled to recommence in mid February to collect three larger bulk samples for more detailed metallurgical testwork. Drill hole samples collected during February will be composited by geological domain at the Company's sample preparation facility in Ceduna and then sent to CPG Mineral Technologies on the Gold Coast for detailed mineral characterisation of the three geological domains within the resource and for process flowsheet design as part of the Prefeasibility Study ("PFS"). The drill holes to be used in compiling the bulk samples will be spread throughout the entire Cyclone Deposit, providing typical run of mine ("ROM") samples from the three geological domains (dune, beach and nearshore) within the mineral resource. Following mineral characterisation, the three bulk samples will be combined to produce a single bulk sample of approximately six tonnes for Wet Concentrator Plant ("WCP") and Mineral Separation Plant ("MSP") flowsheet design. The two flowsheet designs will then be used as the basis for preliminary engineering drawings, and for preparation of capital and operating cost estimates for the PFS.

Exploration for satellite deposits near Cyclone

Exploration drilling for possible satellite mineral resources close to the Cyclone Deposit will also be conducted once the bulk sample drilling on Cyclone has been completed. This drilling will focus on locating additional resources within close proximity to the proposed Cyclone mining operations, as it is believed that a number of smaller deposits will be defined that could be developed using shared infrastructure and hence extend the overall mining life of the Cyclone Project. This drilling is expected to be completed in early March, when the drill crew will relocate to the Arckaringa Project, northeast of the Eucla Basin, where previous drilling by DRX identified marine sediments with possible strandline associations.



Mining Lease Application

The Company is preparing a mining lease application for the mining of heavy mineral sands from the Cyclone Deposit and is also addressing the need for licenses to cover infrastructure requirements, including an air strip and mining camp. Relevant applications to government authorities will be submitted in due course.

Proposed Development Timetable

The Company's current development timetable for the Cyclone Deposit, which is dependent upon many variables, is outlined below:

Pre feasibility Study	- Complete Late 2011
Definitive Feasibility Study	- Complete Late 2012
Financing	- Complete Mid 2013
Construction	- Complete End 2014
Mining	- Commence Early 2015

The Company holds an extensive tenement package throughout the Eucla Basin and will continue to maintain an aggressive approach toward its exploration for heavy minerals throughout the year.

Anthony J Fawdon
Executive Chairman/CEO

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Competent Person Statement

The information in this report, insofar as it relates to Exploration Results and Mineral Resources is based on information compiled by company personnel under the supervision 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.

