



DIATREME RESOURCES LIMITED

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CYCLONE ZIRCON PROJECT – UPDATE ON HEADS OF AGREEMENT

Diatreme Resources Limited (ASX: DRX) ("**Diatreme**") wishes to advise the market that following a recent high level Company delegation visit to China in September, positive progress continues to be made in negotiations and the development of a Heads of Agreement with BaoTi Group Ltd ("**BaoTi**").

As previously disclosed over the past year, BaoTi are pursuing entry into Diatreme's West Australian Cyclone Heavy Mineral Sands (Zircon) Project ("**Project**") under an MOU entered into in August 2010. Participation in the Project will benefit BaoTi's extensive manufacturing operations in mainland China by consolidating an Australian supply chain for zircon and titanium products.

BaoTi remain on track to achieve agreement with Diatreme in respect of a joint venture over the Project as well as entry into the Company at a corporate level.

In the meantime, Diatreme's Board is assessing all options for funding and cooperation for the mining development of the Project.

Work continues unabated on the Cyclone pre-feasibilities studies, with further updates to be reported in the forthcoming September 2011 Quarterly Activities Report.

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.

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