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Initial Zircon Resource Confirmed in Eucla Basin Discovery

CYCLONE HEAVY MINERAL PROSPECT RESOURCE

In June 2007, Diatreme Resources Limited (DRX) conducted the first exploration and made the very first discovery of heavy minerals (HM) in the central Eucla Basin, at the Wanna Lakes Project.

The Company is pleased to announce that an **Inferred Resource** (see Table below) has been estimated for the Cyclone HM Deposit located in the Western Australian sector of the Eucla Basin.

Cyclone HM Deposit Resource			
Resource Class	Mineralised sands (Million tonnes)	Heavy Minerals (%)	Heavy Minerals (Million tonnes)
Inferred	60.0	3.1	1.8

The resource estimate is classified as an Inferred Resource based upon criteria set out in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Technical details concerning the deposit, delineation drilling program and the resource estimation are presented in the attached Appendix 1.

The deposit, as defined to date, comprises a number of heavy mineral strand systems covering an area of approximately 5.0 x 2.5 kilometres within EL69/1920 (Wanna Lakes). It lies within 25km of the WA/SA state border approximately 220km north of the transcontinental railway.

The Cyclone Deposit is attractive because limited analysis has indicated that the suite of minerals in the HM assemblage is dominated by high value zircon and leucoxene. Current average prices in Australian dollars for the heavy mineral commodity products are as follows:

- Zircon AUD833 per tonne
- Rutile AUD555 per tonne
- Leucoxene AUD422 per tonne
- Ilmenite AUD88 per tonne

From first indications, the deposit contains a HM fraction with minor Ilmenite, whereas the Hurricane Prospect mineralization, 30 kilometres north of Cyclone, contains a higher Ilmenite content.

Although this is the first discovery of a HM resource in the region, the 2007 drilling has shown that good potential exists to increase the size of the resource in (a) the immediate area, (b) on the northern extensions to the current inferred resource and (c) in a large beach / dune feature to the east.

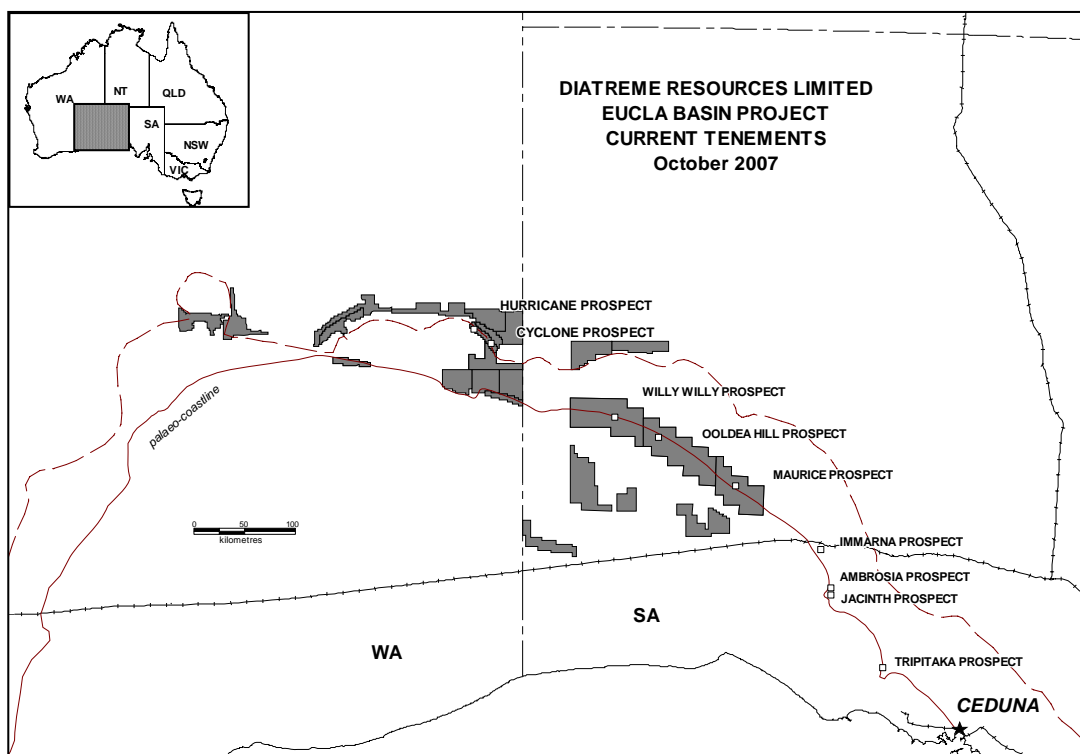
DRX has calculated the inferred resource to the known sampled points with confidence, and the volume and grade of the resource are considered to be a conservative estimation of the whole mineralised envelope. Further resource drilling is anticipated to be carried on this resource.

The mineral assemblage of HM concentrate from the Cyclone Prospect is economically attractive. Mineralogical determinations conducted by Diamantina Laboratory indicate that the deposit contains Zircon (41%), Rutile (3%), Leucoxene (42%), Ilmenite (10%) and valueless trash minerals (4%).

DRX plans to return to the Wanna Lakes Project area and conduct further aircore drilling on the Cyclone Deposit and in the surrounding strand systems, strands which the Directors believe present high potential to host further significant HM mineralization. This drilling will follow the planned April 2008 drilling program to be completed at the Willy Willy HM Prospect in South Australia. The Company expects to commence access and drill line dozing in March 2008.

TONY FAWDON
Executive Chairman/CEO

The information in this report, insofar as it relates to Exploration Results and Mineral Resources from the Company's mineral sands projects, 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.



APPENDIX 1 - Technical Details

Geology

The Cyclone Deposit is made up of five mineralised strand systems which are believed to represent ancient beach placer deposits with associated dunal deposits. The sands are free flowing with very little induration (rock) and low slimes contents which are favourable to traditional mining techniques.

Drilling Program

- All drilling has been completed using contract drillers, Wallis Drilling Pty Ltd, using the NQ Air Core system of drilling.
- Discovered in July 2007.
- The delineation program in 2007 completed between July and October 2007. 337 vertical NQ Aircore drill holes for 16,450 metres of drilling and 1,716 samples analysed.
- The majority of drilling traverses spaced between 200 and 500m intervals and holes spaced between 50m and 100m apart, with some holes at 200m centres.
- All drill holes are vertical and all samples collected at 1.5m intervals collecting rotary split samples.
- All collars surveyed by GPS.
- The grade of heavy minerals for each sample was initially estimated by panning and visual estimation. Mineralised samples were initially submitted to Diamantina Laboratories for TBE HM separation and later to Consolidated Rutile Limited for standard LST analysis of total heavy mineral content.
- 52 samples were submitted to Diamantina Laboratory in Perth for mineralogical analysis.
- Drill hole, data spacings and geological continuity are recognised in the resource classification.

Resource Estimation

- The resource model has been constructed using Micromine Software.
- Drillhole database integrity, sampling, interpretation and logging validated by Diatreme Resources Limited geologists.
- Resource reported above 1% HM cut-off within nominal 1% HM envelope.
- Specific gravity of 1.6 applied to mineralised zone.
- The Cyclone Resource is up to 5.0km long and 2.5km wide. This resource estimate relates to only that portion lying within the Lost Sands Pty Ltd tenement boundary (EL69/1920).
- Sectional interpretation shows good continuity both along and across the trend of the deposit.
- The resource is classified as an Inferred Resource based on the criteria set out in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC, 2004).

Note: The HM (Heavy Minerals) referred to in this report are all those minerals that have a density greater than 2.9 tonnes/cubic metre, as determined by heavy liquid separation. The amount of Valuable Heavy Mineral (VHM) such as Ilmenites, Rutile, Leucoxene and Zircon is determined by other methods. The HM% values do not imply that all of the HM is VHM.