



DIATREME RESOURCES LIMITED

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COMPANY UPDATE

Equity Interests Lost Sands Pty Ltd

Diatreme Resources Limited (DRX) recently reported that Zircon Resources Limited (ZRL), a partially owned subsidiary of Minerals Corporation Limited (ASX code: "MSC"), had elected not to subscribe for Additional Shares in DRX's subsidiary, Lost Sands Pty Ltd (LSPL).

Under the terms of the May 2006 LSPL Shareholders Agreement, ZRL cannot acquire any further Additional Shares in LSPL (without the written consent of DRX) and their equity stands at 25%.

DRX retains 75% equity in LSPL, which company holds significant exploration ground positions along the northern margins of the Eucla Basin in both South and Western Australia.

Eucla Basin HM Project (Figure 1)

Drilling for heavy minerals (HM) is currently in progress in the SA sector of the Basin, between 100 and 250 km along strike from the Iluka Resources Ltd Jacinth/Ambrosia HM Development. At the same time, cultural clearance activities are being undertaken and drill access tracks developed in preparation for the next phase of drilling at the Cyclone Deposit (60 Mt @3.1% HM Inferred Resource) and the Hurricane Prospect in the Wanna Lakes district of WA.

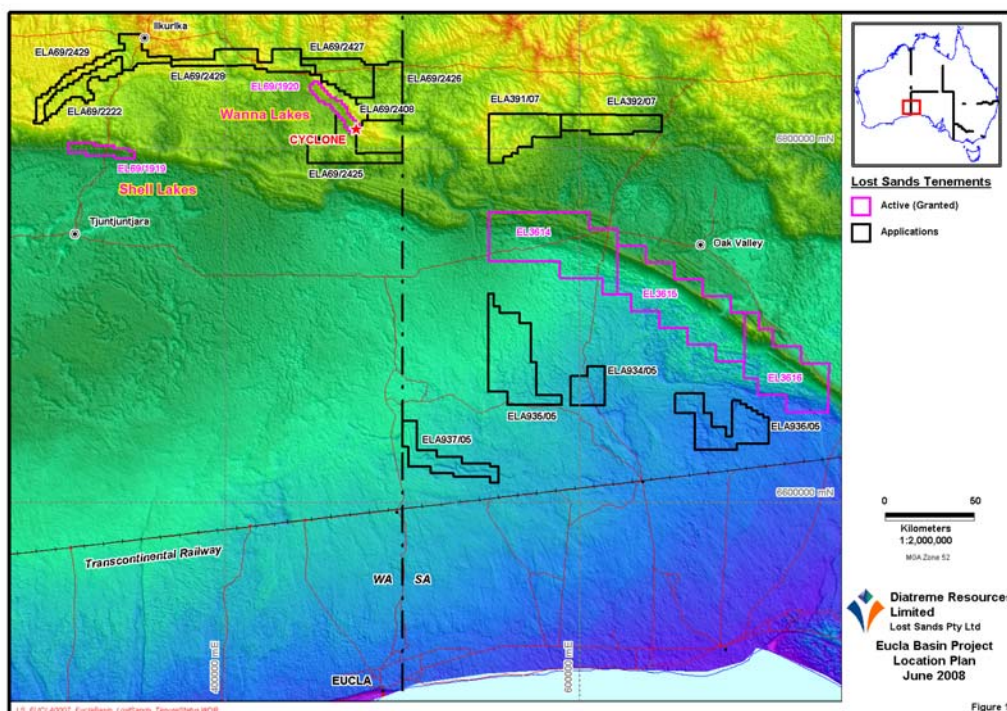


Figure 1: Eucla Basin Project Location Plan – June 2008



DRX has recently received notification from the WA government of its intention to grant E69/2408 (Wanna Lakes East) and E69/2222 (Jubilee Lakes North). The grant of the Wanna Lakes East licence has been eagerly awaited due to the Company's expectation that the Cyclone Deposit and Hurricane Prospect mineralisation extend into the tenement area. The Jubilee Lakes North licence, approximately 140 km west of the Cyclone Deposit, takes in a 70 km long paleocoastal embayment over which no exploration appears to have been reported.

Dooloo Creek Copper Gold Project Exploration

DRX is undertaking a deep, HQ diamond core drilling program at the Dooloo Creek Prospect in Southern Queensland. This drilling program aims to establish geological controls on the existing 4 by 2 km anomalous gold target established by North Ltd and to intersect potential feeder zones for this mineralisation.

The Company has completed one diamond hole to a depth of 384 m and a second diamond hole, currently at 404 m, is in progress. Drill samples are progressively being dispatched for analysis. Further information and results will be presented as they become available.

A J 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.

The information in this report, insofar as it relates to Exploration Results from the Company's copper and base metal projects, is based on information compiled by Diatreme Resources Ltd staff and reviewed by Mr Henning Coetzee, a fulltime employee of the Company, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Coetzee 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 Coetzee consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.