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CYCLONE (HEAVY MINERAL) DEPOSIT RESOURCE UPGRADE

HIGHLIGHTS

- **New Heavy Mineral (HM) mineralisation identified over a 4 x 8km area east of the Cyclone Deposit (*see attached figure*).**
- **Mineralisation is open ended to the north & south of the Deposit.**
- **Assay grades are higher and thicker in Cyclone intercepts.**
- **Drilling to recommence in early December and continue through to February 2009.**

INFILL DRILLING

Recent infill aircore drilling around the initial 2007 scout drilling program has upgraded the zircon rich resources in the Cyclone Deposit at Wanna Lakes (E69/1920) in the central Eucla Basin. Drilling within the existing resource area has established that the deposit is considerably thicker than was first thought (originally 6 to 10 metres), being upwards to twice the thickness (from 16 to 25 metres) of the previous assayed intersections.

This increase in deposit thickness has had the added effect of increasing the deposit size from the previously reported 60 million tonnes at 3.1% heavy mineral sands.

Detailed assessment of the current round of assay results will be completed later this year.



A body of mineralisation 4.5km wide over a strike length of 8km has been discovered on the Wanna East tenement (E69/2408). This recently granted tenement lies directly to the east of the highly prospective Wanna Lakes tenement which contains the Cyclone Deposit and Hurricane Prospect. The majority of the assay results are still awaited from the new discovery on Wanna East but the mineralisation appears to be an eastern extension to the existing Cyclone Deposit. The system is made up of a number of strand lines that onlap an ancient basement high to the east. Further drilling is required over Wanna East to clearly outline the new discovery in order for resource estimates to be undertaken.

The total width of the Cyclone Deposit system is over 4km. The system remains open ended and untested by drilling in Diatreme ground to the north and is also known to progress southwards into the neighbouring tenement held by Image Resources NL (ASX:IMA).

Significant intercepts and grade for the recent infill drilling at the Cyclone Deposit are tabulated below, calculated at a 1% HM cut-off grade:

Hole ID	From (m)	To (m)	Thickness (m)	Heavy Mineral Intersection	MGA94 Easting Zone 52	MGA94 Northing Zone 52
WL527	13.5	36.0	22.5	22.5m@4.56%HM	473958	6811123
WL535	12.0	37.5	25.5	25.5m@3.98%HM	473917	6811105
WL536	13.5	27.0	13.5	13.5m@5.78%HM	473873	6811089
WL539	10.5	31.5	21.0	21.0m@4.27%HM	474275	6810541
WL550	9.0	24.0	15.0	15.0m@4.00%HM	473573	6811950
WL551	7.5	24.0	16.5	16.5m@4.60%HM	473608	6811980
WL552	7.5	24.0	16.5	16.5m@4.28%HM	473532	6811920
WL553	7.5	25.5	18.0	18.0m@4.12%HM	473482	6811879
WL560	12.0	31.5	19.5	19.5m@4.03%HM	473768	6811520
WL566	13.5	30.0	16.5	16.5m@4.21%HM	474085	6812499



Planned Drilling Program

A further infill drilling program is planned for the Cyclone Deposit and also on the untested extensions of the Wanna East zone, mainly in the intervening terrain towards the Hurricane Prospect area, a distance of 30km northwards.

Diatreme proposes to carry out the drilling from December 2008 through to February 2009, at the completion of which a revised resource for the whole of the Wanna Project can be estimated, once all assays are received.

Bulk sampling will be undertaken during the drill program for the purpose of commercial ore characterization and mineralogy assessment prior to the planned prefeasibility study to commence at the end of 2009.

Technical details

All drilling was undertaken by contracted drill rigs using the NQ aircore system and samples taken at 1.5m intervals. Samples with heavy mineral intercepts of greater than 0.3% heavy minerals were submitted to the company owned preparation laboratory in Ceduna for wet screening at 2mm and 53 micron (oversize and slimes analyses respectively). Sub samples are submitted to a contract laboratory, Diamantina Laboratories, for heavy media separation using TBE with a density of 2.9 grams per cubic centimetre. The majority of assay results from the Wanna East area are yet to be received along with 30% of the results from the Cyclone Deposit.

Anthony J Fawdon
Executive Chairman/CEO

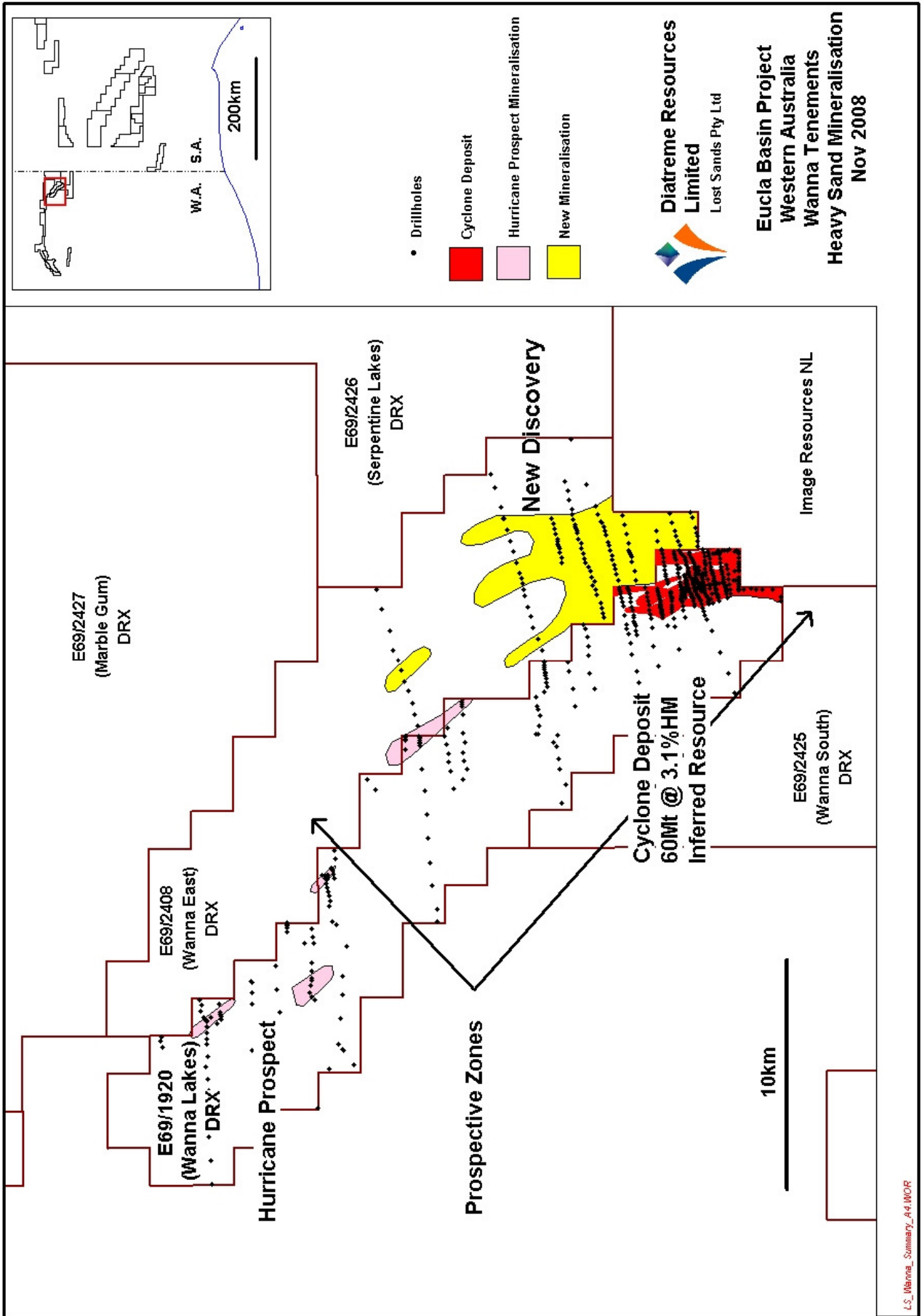
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The information in this report, insofar as it relates to Exploration Results and Mineral Resources is based on information compiled by Mr David Jelley, of David Jelley Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy. 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.



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