



DIATREME RESOURCES LIMITED

ABN 33 061 267 061

Level 2, 87 Wickham Terrace, Spring Hill, Qld, 4000
PO Box 10288
Brisbane Adelaide Street
Queensland 4000

Telephone : 61 7 3832 5666
Facsimile : 61 7 3832 5300
Email : manager@diatreme.com.au
Website : www.diatreme.com.au

ASX Code: DRX

MEDIA RELEASE

1 September 2006

Diatreme cranks up Eucla Basin zircon drilling

Diatreme Resources Limited said Thursday it was set to commence drilling in October following the granting of exploration licences covering 6,520 square kilometres of highly prospective, zircon rich, heavy mineral sand (HMS) tenements in the Eucla Basin of South Australia and Western Australia.

Field operations, including the construction of access tracks for magnetometer surveys and drill crews, have commenced, and the ASX-listed diversified minerals explorer will be initially targeting the "Wyola" area of zircon-rich HMS mineralisation.

Executive Chairman Tony Fawdon said, "Zircon is in huge demand right now, with world consumption of around 1.1 million tonnes a year being up to 130,000 tonnes short of demand.

"We plan to do in excess of 115,000 metres of drilling in the Eucla Basin over the next two and a half years. At the completion of this drilling program it is envisaged that a resource will have been identified and that initial feasibility studies to mine will have commenced.

"An exploration budget of over \$1.0 million through to the end of the calendar year will fund the exploration work, and annual exploration budgets of \$2.7 million are set for 2007 and 2008."

The exploration licences granted in South Australia on 29 August to subsidiary Lost Sands Pty Ltd cover the highly prospective HMS province of the Ooldea Range. The licences extend west from Maralinga for a distance of around 220 kilometres and are situated along strike from the Jacinth and Ambrosia HMS deposits held by Iluka Resources Limited, deposits which currently contain an estimated \$4 billion worth of zircon.

"The start of field operations in the western Wyola area of the project follows the completion of an initial cultural heritage survey undertaken by the traditional owners, the Maralinga Tjarutja People, and the granting of specific work approvals by the South Australian government.

"Ground magnetometer surveys will begin in mid-September, with a 15,000-metre drilling program scheduled for mid-October," Mr Fawdon said.

Lost Sands is undertaking a detailed trial of the ground magnetometer technique, a technique which has been utilised in other areas to directly detect heavy minerals. If the technique proves successful in this area, then over 3,000 line kilometres of survey may be completed over several months.

The drilling program set for October has the aim of following up HMS mineralization, with individual drill intercepts of up to 20 percent HMS previously recorded by BHP Billiton Ltd, identifying the local geological stratigraphy and targeting interpreted shorelines.

In Western Australia, the state government granted two exploration licences to Lost Sands on 19 July in the Eucla Basin. A cultural heritage survey has recently been undertaken by the traditional owners, the Spinifex People, over the two licence areas prior to Lost Sands commencing on-ground exploration.

Activities proposed after finalisation of the clearance survey include a series of closely spaced ground magnetometer surveys and the construction of access tracks.

"The Eucla Basin prospects are a potential company-maker, but we also have projects in gold and copper which are becoming quite advanced in Queensland. Within a decade we see ourselves emerging as a substantial mining house, based on the premise of successful exploration and development of our more advanced projects," Mr Fawdon said.

BACKGROUND

Diatreme Resources Limited (DRX) is a gold, base metals and mineral sands explorer in Australia, predominately in Queensland and NSW, and more recently in South and Western Australia with its Eucla Basin Mineral Sands Project.

Zircon

Zircon is a tough colourless or pink and yellowish material which has a brilliance second only to diamonds. It is used in television and computer screens, as well as in ceramics and foundry bricks. Its dual attributes of strength and lightness have led to its use in ceramic tiles in spacecraft. Most of the demand for zircon is from China, Japan and India.

Global consumption of zircon is currently about 1.1 million tonnes and rising, with an expected shortfall this year of up to 130,000 tonnes. The tight supply is due to increased consumption and declining output from some former major producers and a lack of new projects coming on line.

Zircon prices have risen rapidly in recent years, rising from an average US domestic price of US\$340/tonne in 2001 to an estimated US\$662/tonne in 2005.

<ENDS>

For further information:

Tony Fawdon
Executive Chairman
07 3832 5666
www.diatreme.com.au
ASX Codes: DRX, DRXO

For media enquiries:

Anthony Fensom
Starlink Media
07 3367 1488
www.investorTV.com.au