

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Diatreme Resources Limited

ABN

33 061 267 061

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12months) \$A'000
1.1	Receipts from product sales and related debtors	55	55
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1153)	(3,189)
1.3	Dividends received	(228)	(833)
1.4	Interest and other items of a similar nature received	33	64
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material) GST Deposits	49	(11)
Net Operating Cash Flows		(1244)	(3,914)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(19)	(99)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	383	431
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		264	274
1.13	Total operating and investing cash flows (carried forward)	(880)	(3,640)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(880)	(3,640)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	750	3,059
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	750	3,059
	Net increase (decrease) in cash held	(130)	(581)
1.20	Cash at beginning of quarter/year to date	1,850	2301
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1720	1,720

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	43
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

Exploration expenditure estimated for the quarter was exceeded due to the Company extending its drilling program in the Eucla Basin HMS Project area of South Australia late into the field season.

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	310
4.2 Development	NIL
Total	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,745	2,959
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details) Term Deposit	105	
Total: cash at end of quarter (item 1.22)	1,850	2,959

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EPM 12867) EPM 12956)	Direct – surrendered in favour of EPM 15250	100%	0%
6.2 Interests in mining tenements acquired or increased	EPM15250	Direct – granted 8/12/06	100%	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference⁺ securities <i>(description)</i>	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 ⁺Ordinary securities	83,037,148	83,037,148	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,000,000	3,000,000	25 cents	25 cents
7.5 ⁺Convertible debt securities <i>(description)</i>	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	6,712,791 35,508,941 3,000,000 7,100,000	- 35,508,941 - -	<i>Exercise price</i> 20 cent 25 cent 20 cents 50 cents	<i>Expiry date</i> 30 May 2007 31 October 2007 30 June 2007 30 June 2011
7.8 Issued during quarter	3,000,000	-	50 cent	1 November 2007.
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	N/A			

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)	N/A	
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~/does not~~ (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: **31 January 2007**
(Director/Company secretary)

Print name: Lawrence James LITZOW

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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