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EXPLORATION UPDATE

In Summary:

- **Heavy mineral sands discovery - Eucla Basin**
- **Significant uranium intersections - Ironhurst Project, North Queensland**
- **Review of Mount Garnet tin and tungsten prospects - North Queensland**

HEAVY MINERAL SANDS

Discovery in the Eucla Basin
(Lost Sands Pty Ltd)

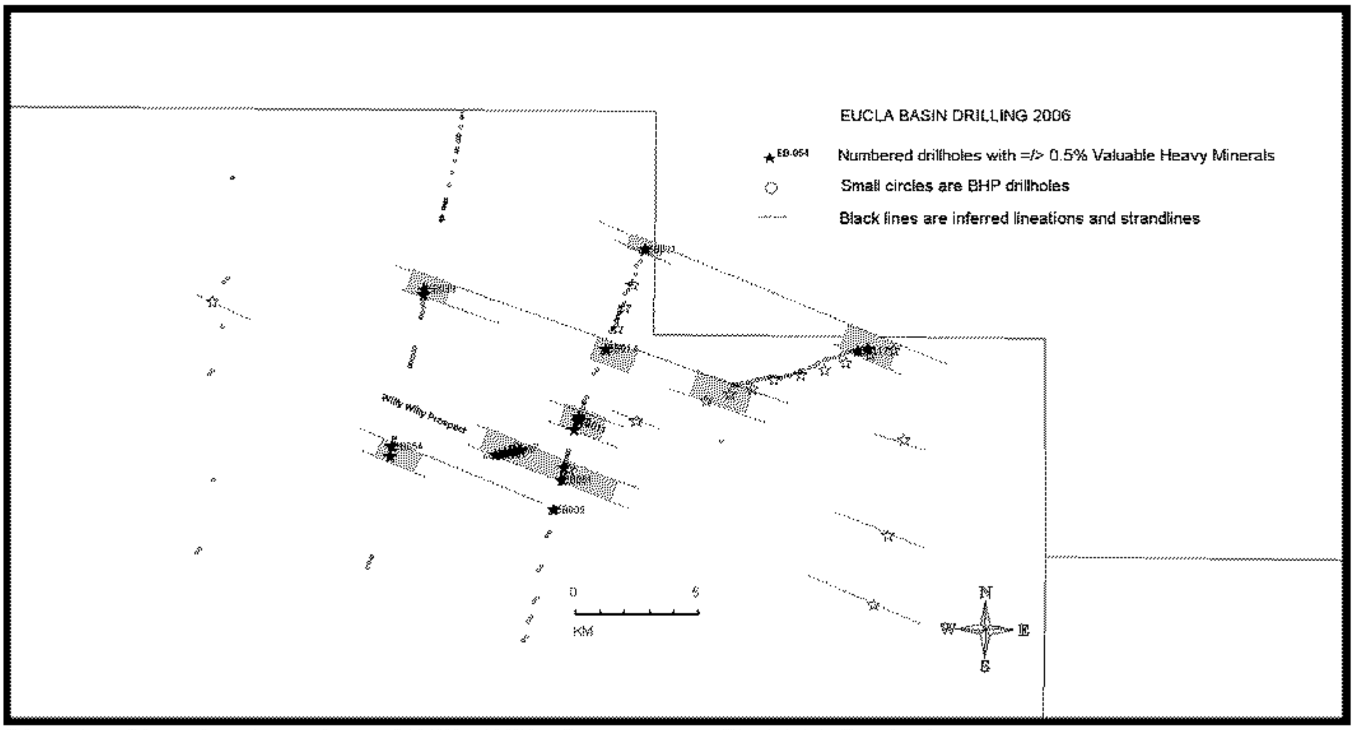
Lost Sands Pty Ltd, an 80% owned subsidiary of DRX (20% held by Minerals Corporation Ltd), has identified, through assay results from the initial drilling program in 2006, a significant heavy minerals occurrence of a mineralised "near shore" system in the Wyola Area (EL3614) – the Willy Willy Prospect (refer Plan 1). A further four mineralised zones were encountered, ranging up to 10km distant to the north of, and parallel to, the newly identified Willy Willy Prospect.

Present dimensions of the heavy mineral deposition from wide spaced drilling is 900 metres in strike length (open ended at either end), up to 300 metres lateral width, up to 6 metres thick and within 12 to 30 metres depth of the surface.

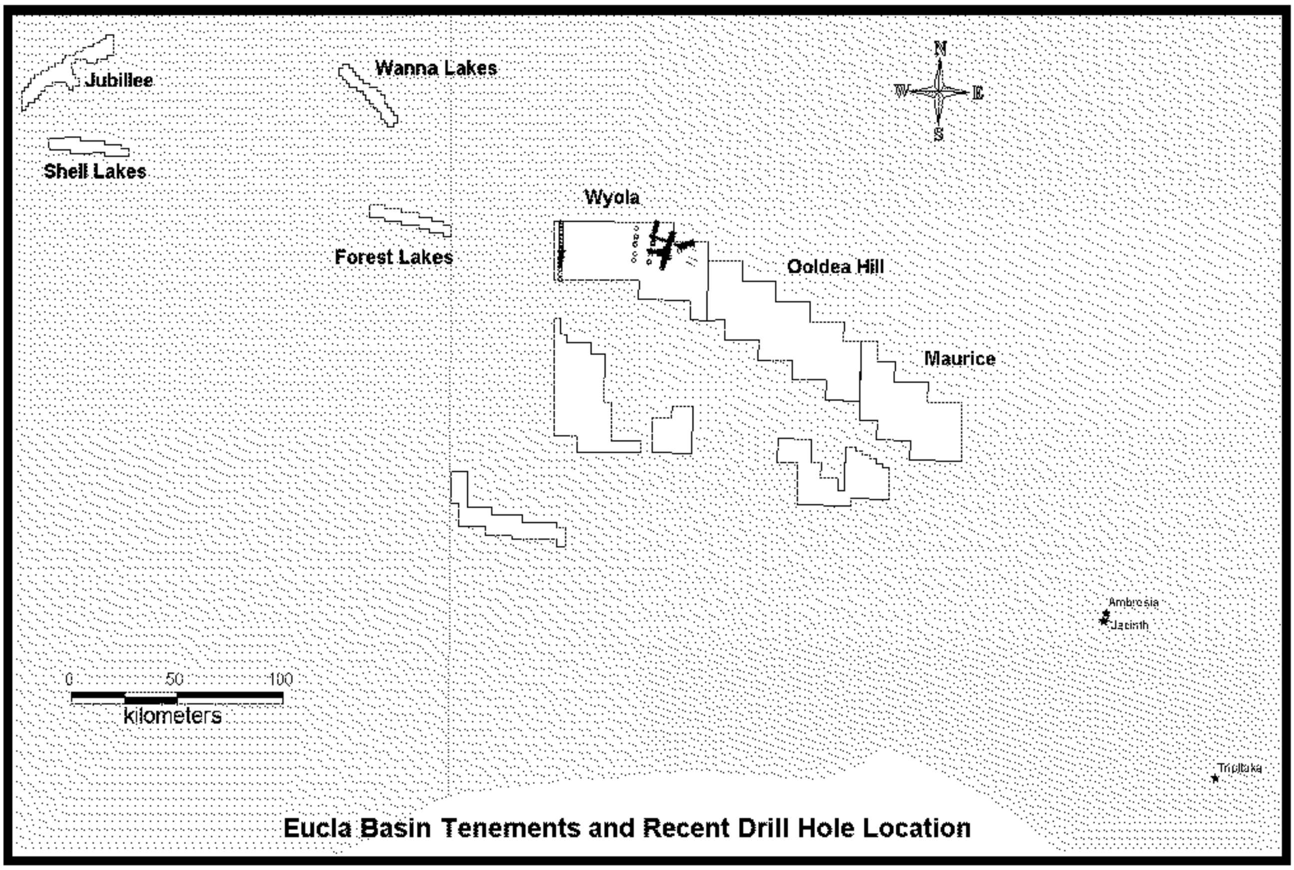
Mineralisation of drillholes was continuous and widespread, with 23 drillholes recovering greater than 0.5% of valuable heavy minerals (VHM), and 12 drillholes recovering greater than 1% VHM, with a high of 4.93% VHM. The VHM suite of minerals content is made up of zircon, rutile, leucoxene and ilmenite, with zircon dominant at between 25 to 40% of the VHM fraction.

The grainsize of the VHM is between 75 microns and 150 microns and considered viable for heavy media separation and concentration. The slimes content is low, and with easy washability bodes well from a metallurgical perspective.

Diatreme plans to commence a 25,000 metre drilling program in May/June 2007, commencing in Western Australia at Wanna Lakes, followed by drilling at Shell Lakes, and then into the South Australian sector at Maurice and Ooldea Hill in the south east (refer Plan 2). Follow up drilling will also be conducted at the new Willy Willy Prospect during the 2007 season.



Plan 1 – Showing location of Willy Willy Prospect – EL 3614 Eucla 2



Plan 2 – Eucla Basin tenements and recent drill hole location

The Directors of Diatreme are very pleased with the new discovery, which appears at this early stage of exploration and geological understanding, to represent a strong and persistent target unit for future follow-up drilling.

Heavy mineral deposits found generally in the beach to offshore transitional zone usually have a high slime content and fine VHM grain size (minus 50 micron). The Willy Willy discovery is not a typical off-shore deposit style and is significant because of the low slime content and the coarser VHM grain size (75-150 microns). Also, the fact that 12 drill intersections were above 1% VHM and up to 6 metres in thickness suggests that the Company has a potential stand alone HM deposit, and that exploration potential to the north of the discovery is excellent for a mineralised beach style deposit.

URANIUM

Ironhurst Project – Georgetown North Queensland
(Xtreme Resources Limited)

Company drilling at the Ironhurst Prospect (EPM 12976) in 2006 intersected a zinc and copper mineralized breccia. With recent interest arising in uranium occurrences in Queensland, the assay results from drillhole IHP23A have been reviewed. The drillhole was noted to have significant uranium intersections within a zone of disseminated sulphides in a massive green silicified and brecciated rhyolite.

Location of drillhole

Hole	Easting (MGA)	Northing (MGA)	Depth (m)	Azimuth (Magnetic)	Dip
IHP23A	758664	7997082	301	132°	-60°

Drillhole uranium assays

Hole	From (m)	To (m)	Length (m)	Grade (g/t uranium)
IHP23A	197	209	12	>50
Incl	***201***	***205***	***4***	***180***
IHP23A	219	221	3	60
IHP23A	279	283	4	50

TIN

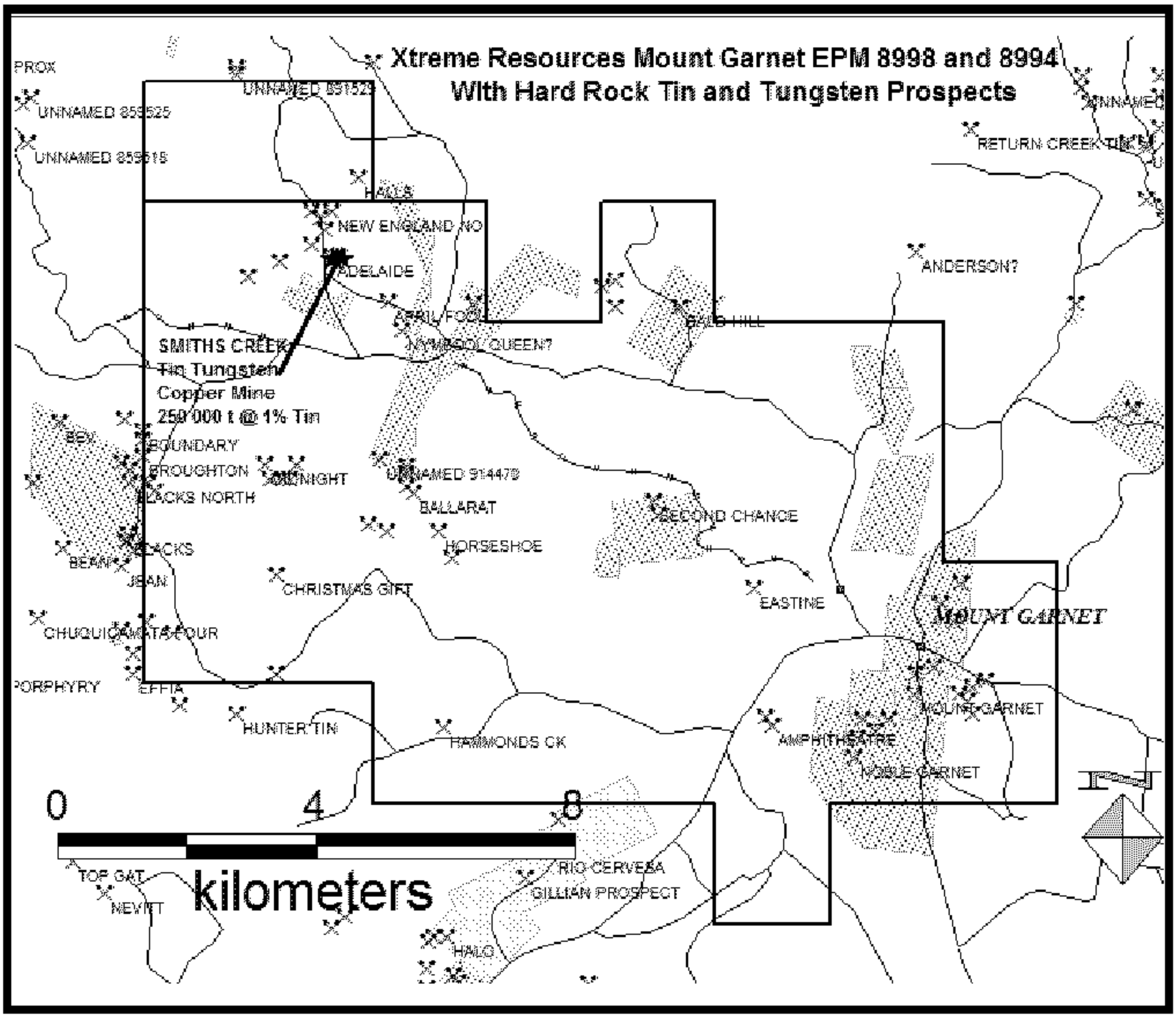
Nymbool Project – North Queensland
(Xtreme Resources Limited)

In response to the recent historical high prices of both tin and tungsten a review of the highly prospective Nymbool Project tenements, EPM's 8994 and 8998, have highlighted numerous historical tin and tungsten deposits (refer Plan 3).

Prospective areas in chloritic tourmaline shear zones contain the Nymbool Queen, Halls New England No 1, Coronation, White Australia, Horeshoe, Christmas Gift, Bon Accord and another eight unnamed historical tin deposits.

The area also hosts the Nightingale and Amptheatre tungsten, April Fool, Midnight and another three unnamed tin and tungsten historic workings and the Adelaide Block and Smiths Creek tin, tungsten and copper deposits.

The Smiths Creek and Adelaide Block were part of a scoping study undertaken by Strike Mining NL in 1996. The Smiths Creek tin mine has previously been reported as 250 000 tonnes at 1% tin and the Adelaide Block as 10 000 tonnes at 1% tin. The Smiths Creek mine ended production in 1909 as the tin ore was being replaced by copper.



Plan 3

Recent exploration which included ground magnetic surveys and a review of "aster" satellite data has defined a target zone that extends 275m between the Smiths Creek mine and the Adelaide Block to the north east.

A recent assay of dump material outside the Smiths Creek No 1 shaft has returned 3.1% tin, 10 g/t silver, 0.1% bismuth, 0.9% copper, 0.2% tungsten and 9 g/t indium.

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Diatreme Resources Limited, as an Australian ASX listed company based in Brisbane, Queensland, operates as a diversified mineral explorer with advanced commodity holdings in zircon, copper and gold. The Company is currently exploring the southern Australia "Eucla Basin HMS Project", the Queensland "Clermont Copper Project" and numerous Queensland gold projects. By conducting substantial exploration over its quality projects, the Company aims to bring successful projects to production status at the same time as increasing shareholder wealth.