**DIATREME RESOURCES LIMITED**
**ABN: 33 061 267 061**
Postal Address: P.O Box 10288 Brisbane Adelaide Street QLD 4000
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ASX : DRX

Company Announcement Office
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

**18 August 2009**

## RE-ACQUISITION OF LOST SANDS PTY LTD
## EUCLA BASIN HEAVY MINERAL SANDS PROJECT

Further to the Company's announcement of 10 August 2009, Diatreme Resources Limited (DRX) has issued Zircon Resources Limited (ZRL) 4,500,000 ordinary shares in DRX as consideration for all of the shares it held in Lost Sands Pty Ltd (LSPL), thus returning LSPL to DRX as a wholly owned subsidiary.

An Appendix 3B and a notice under section 708A of the Corporations Act in respect to the issue are attached.

ZRL has agreed to the following voluntary escrow provisions:

- *50% of the shares escrowed for 6 months from date of issue (17 August 2009)*
- *50% of the shares escrowed for 12 months from date of issue (17 August 2009)*

**DAVID HALL**
**Executive Director - Operations**

*Encl: Appendix 3b – New Issue Announcement & s708A Corporations Act notice*

*Rule 2.7, 3.10.3, 3.10.4, 3.10.5*

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

**Diatreme Resources Limited**

ABN

**33 061 267 061**

We (the entity) give ASX the following information.

## Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

| | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Ordinary Fully Paid Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 4,500,000 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Pari Passu with existing Ordinary Shares, subject to voluntary restriction as follows:<br>• 50% (2,250,000) escrowed for 6 months from date of issue<br>• 50% (2,250,000) escrowed for 12 months from date of issue |

+ See chapter 19 for defined terms.

| | | |
|---|---|---|
| 4 | Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?<br><br>If the additional securities do not rank equally, please state:<br>• the date from which they do<br>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment<br>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | Yes |
| 5 | Issue price or consideration | $0.16 per share |
| 6 | Purpose of the issue<br>(If issued as consideration for the acquisition of assets, clearly identify those assets) | Shares issued as full consideration for the transfer of a 25% equity interest in DRX subsidiary, Lost Sands Pty Ltd, raising DRX's interest to 100%. |
| 7 | Dates of entering +securities into uncertificated holdings or despatch of certificates | 17 August 2009 |

| | | Number | +Class |
|---|---|---|---|
| 8 | Number and +class of all +securities quoted on ASX (*including* the securities in clause 2 if applicable) | 177,093,250 | Ordinary Fully Paid Shares ("DRX") |

+ See chapter 19 for defined terms.

| | | Number | +Class |
|---|---|---|---|
| 9 | Number and +class of all +securities not quoted on ASX (*including* the securities in clause 2 if applicable) | 17,550,000<br>3,000,000 | 30 June 2011 - 47C Options<br>31 July 2011 - 47C Options |
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | Same as for existing quoted Ordinary Fully Paid Shares | |

## Part 2 - Bonus issue or pro rata issue (*Not applicable)*

| | | |
|---|---|---|
| 11 | Is security holder approval required? | |
| 12 | Is the issue renounceable or non-renounceable? | |
| 13 | Ratio in which the +securities will be offered | |
| 14 | +Class of +securities to which the offer relates | |
| 15 | +Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has +security holders who will not be sent new issue documents<br>Note: Security holders must be told how their entitlements are to be dealt with.<br>Cross reference: rule 7.7. | |
| 19 | Closing date for receipt of acceptances or renunciations | |

+ See chapter 19 for defined terms.

| | | |
|---|---|---|
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do +security holders sell their entitlements *in full* through a broker? | |
| 31 | How do +security holders sell *part* of their entitlements through a broker and accept for the balance? | |

+ See chapter 19 for defined terms.

32 How do +security holders dispose of their entitlements (except by sale through a broker)?

33 +Despatch date

# Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities
(*tick one*)

(a) ☑ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

## Entities that have ticked box 34(a)

### Additional securities forming a new class of securities (*Not applicable)*

*Tick to indicate you are providing the information or documents*

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

## Entities that have ticked box 34(b)

| | | |
|---|---|---|
| 38 | Number of securities for which +quotation is sought | |
| 39 | Class of +securities for which quotation is sought | |
| 40 | Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?<br><br>If the additional securities do not rank equally, please state:<br>• the date from which they do<br>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment<br>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | |
| 41 | Reason for request for quotation now<br>Example: In the case of restricted securities, end of restriction period<br><br>(if issued upon conversion of another security, clearly identify that other security) | |

| | | Number | +Class |
|---|---|---|---|
| 42 | Number and +class of all +securities quoted on ASX (*including* the securities in clause 38) | | |

## Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

  Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here Date: **18 August 2009**

Print name: **David Hugh Hall**
Director

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ASX : DRX

18 August 2009

## ASX ANNOUNCEMENT

### NOTICE UNDER SECTION 708A(5) OF THE CORPORATIONS ACT

### ASX Code: DRX

This notice is given under paragraph (5)(e) of section 708A of the Corporations Act.

The following securities of Diatreme Resources Limited ("the Company") were issued without disclosure to investors under Part 6D.2 of the Corporations Act:

| | |
|---|---|
| **Type:** | Shares |
| **Class/Description:** | Ordinary (fully paid) |
| **ASX Code:** | DRX |
| **Date of Issue:** | 17 August 2009 |
| **Number Issued:** | 4,500,000 |
| **Issue Price per Security** | $0.16 |

- 50% (2,250,000) of the above shares will be subject to voluntary restriction (escrow) for 6 months from the date of issue.
- 50% (2,250,000) of the above shares will be subject to voluntary restriction (escrow) for 12 months from the date of issue.

The Company has applied to ASX Limited for quotation of the above securities.

As at the date of this notice, the Company has complied with:

(a) the provisions of Chapter 2M of the Corporations Act as they apply to the Company; and
(b) section 674 of the Corporations Act.

Other information which is excluded information required to be disclosed under paragraph (6)(e) of section 708A of the Corporations Act:

None.

For and on behalf of
**DIATREME RESOURCES LIMITED**

**DAVID H HALL**
Executive Director - Operations