



DIATREME RESOURCES LIMITED

ABN: 33 061 267 061

Postal Address: P.O Box 10288 Brisbane Adelaide Street QLD 4000
Registered Office: Level 2 87 Wickham Terrace Spring Hill QLD 4000
PH: +61 (0)7 3832 5666 FX: +61 (0)7 3832 5300
www.diatreme.com.au manager@diatreme.com.au



ASX : DRX

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CHAIRMAN'S ADDRESS

Presented to Annual General Meeting of Shareholders Thursday 24 May 2012

Ladies and Gentlemen

This last 12 months has been a bitter sweet time for your Company. Firstly, we saw the firming up of the Cyclone Project zircon reserves along with the successful completion of the Prefeasibility Study, and consequently the advancement of the project into the Definitive Feasibility Study stage. However, we have experienced, and still are, impacts of the latest global market woes which have affected Diatreme's market capitalisation and share price.

I cannot stress to you enough the strong position in which we find the Company. The zircon and HiTi titanium minerals, with which the Cyclone Deposit is blessed, remain in significant demand even in the current global economic slowdown.

The Cyclone Deposit is one of the world's highest grade zircon resources of significant size and stands as one of the significant global resources of zircon yet to be mined. Zircon discoveries resulting in large resources are few and far between with the zircon outlook still strongly priced and with constrained zircon supply/production into the next decade. Your Company is fully committed to finalizing the Cyclone Definitive Feasibility Study and to take the project into production.

The share market may wax and wane, but the directors and management of Diatreme are relentless in their effort to bring the value (assessed as being an NPV of between \$200 and \$300 million) of Cyclone to account and turning this value into a solid, profitable operation for shareholders as fast as possible.

During 2011, your Company has established further mineral sand prospectivity in two potentially large projects, in Queensland and Western Australia, which are planned to be drilled later in 2012. These prospective areas if successful will compliment the Cyclone Project, as discovery and development of mineral sand projects can generally take around 10 years to bring into production.

On the "metals" side, the Company has announced a Memorandum of Understanding with Antofagasta Minerals S.A. for a proposed farm-in over the Clermont Copper/Gold Project in central Queensland. Successful and satisfactory exploration results from the planned joint venture would involve the completion of a JORC inferred mineral resource and scoping study and would result in project interests being Antofagasta 60% and Diatreme 40%.



Discovered by Diatreme in 2008, the Clermont Rosevale Porphyry Corridor was identified as having potential for large buried porphyry copper-gold-molybdenum mineralised systems. Significant exploration conducted by the Company was successful in discovering mineralisation at a number of individual prospects within the project area.

The Company considers that the significant exploration funding and expertise that Antofagasta brings to the Clermont Project to be of immense value in advancing the identification, delineation and development of a large polymetallic porphyry-style mining operation in the area.

In summary, your Company is placed in a very strong position with the implementation of planning for its blue ribbon zircon and copper/gold projects.

Our focus remains on advancing the Cyclone Zircon Project into production, coupled with exploration on the high potential greenfield heavy mineral sand projects, as future follow on heavy mineral resources beyond Cyclone.

The Clermont Copper/Gold Project has some way to go in terms of exploration, in what is a very under explored, but highly mineralized belt, and situated in one of the very few surface rock exposure areas of the recently identified Thomson Orogen. More will be heard about this prospective Thomson Orogen, which is largely covered by sedimentary rocks, in the future.

Without doubt, your Company has a comprehensive path mapped out for development of Cyclone, planned to commence in late year 2013. It is well underway with the Definitive Feasibility Study.

Although Diatreme's market capitalisation has suffered in recent times, its valuation of the Cyclone Project, both internally and by Independents Analysts, is greater than 10 times the market capitalisation of the Company. Of one thing I am certain; the Cyclone Project will continue to increase in value for the benefit of all Company Shareholders.

Your Directors are looking forward to a year of positive growth, especially when taking into consideration the quality of our projects and future plans being implemented. Thank you for embarking with us upon this journey.

Tony Fawdon
Executive Chairman/CEO