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ASX : DRX

Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

5 October 2012

PRIVATE PLACEMENT OF SHARES

The directors of Diatreme Resources Limited are pleased to advise that they have arranged a private placement of ordinary fully paid shares in the Company to sophisticated investors on the following terms:

Maximum ordinary fully paid shares to be issued 57.6 million

Issue price 2.5 cent per share

Issue to raise \$1,440,000

Conditions

- Lodgment of \$150,000 placement deposit with DRX to be held pending allotment of the placement shares as described below.
- Balance of placement funds (\$1,290,000) due 25 October 2012. If the balance of placement funds are not received on time then the issue price will rise to 3.0 cents per share and the balance of the placement funds plus a further \$288,000 will be due on 1 November 2012 (resulting in the issue of 57.6 million shares raising a total of \$1,728,000).
- If applicants fail to pay the balance plus the additional funds by 1 November 2012, DRX may at its election either place 6.0 million shares to applicants at 2.5 cents per share or refund the \$150,000 deposit.

Scheduled allotment date Early November 2012.

The placement does not exceed 15% of the Company's capital and does not require shareholder approval to be obtained.

The monies raised by the placement will provide additional funding to progress the Cyclone Zircon Project Definitive Feasibility Study, conduct exploration on other highly prospective, but less advanced, mineral sand / metalliferous projects and for working capital.

We confirm that no director of the Company, or an associate of a director, will participate in the placement.

For and on behalf of the directors of
Diatreme Resources Limited

Tony Fawdon
Executive Chairman/CEO