



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

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

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CYCLONE ZIRCON PROJECT FARM-IN AND JOINT VENTURE HEADS OF AGREEMENT SIGNED

Further to the Company's announcement on 26 July 2013 confirming an agreement in principle for investment in the Cyclone Zircon Project ("Project"), Diatreme Resources Limited ("Diatreme") is pleased to announce the signing of a Heads of Agreement ("HoA") between its wholly owned subsidiary, Lost Sands Pty Ltd as owner of the Project and Perpetual Mining Holding Limited ("PMHL").

PMHL is a Hong Kong based company with sound business connections within China including operational experience in the iron ore mining and steel products processing industries. PMHL is supported by some existing Diatreme shareholders who introduced PMHL to the Company. As a result, PMHL has become a joint venture partner over the Project and has also indicated potential to partner with Diatreme on other resource projects.

Under the HoA and subject to any approval required through the Foreign Investment Review Board, PMHL have confirmed their commitment to invest \$2.0M directly into the Project to earn 6% equity.

As previously advised, PMHL's investment is designed to fund and achieve the following three significant Project milestones:

- (a) The locating and securing of suitable water supplies for future mining operations.
- (b) The approvals required for development of a road transport corridor between Forrest and the Cyclone Deposit.
- (c) The approvals required for the grant of MLA 69/141 and associated miscellaneous licences as required.

To date, Diatreme has achieved success in satisfying milestone (a) with the discovery of significant water flows below 530m within the initial investigation production water bore drilled into Officer Basin sediments beneath the proposed Cyclone mine area (ASX release 11/11/13). Pump testing, expected to be undertaken and reported on in early 2014, will provide Diatreme with a clearer picture of planning requirements for any future production bore field to supply a future mining operation.

Work will continue on achieving milestones (b) and (c) with PMHL funding the activities through installment payments determined as per agreed budgets and work plans.

The Board of Diatreme welcomes PMHL's expressed co-operation over the Project along with their confidence in Cyclone become a major supplier to Chinese industry in the near term future.

Anthony J Fawdon
Executive Chairman/CEO

Tel: +61 7 3832 5666