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Friday, 24 June 2005

CAPITAL STRUCTURE

ASX Code	DRX
Listing Share Price	A\$0.20
Market Cap. ¹	A\$15.52m
Shares on issue	71.04m
Restricted shares	22.67m
Unlisted options ²	7.69m
Restricted options ³	4.01m

¹Undiluted. Source: DRX

²A\$0.20 (Exp 30 May 2007)

³A\$0.20 (Various escrow dates)

DIRECTORS/ MANAGEMENT

Chairman / CEO	Anthony J. Fawdon
Executive Director	David Hugh Hall
Director (Non Exec)	Lawrence J. Litzow
Explor. Consultant	Kenneth J. Harvey

Source: DRX

TOP 5 SHAREHOLDERS*

Minerals Corporation Limited	21.11%
Terra Search Pty Ltd	4.48%
Anthony John Fawdon	4.33%
Lawrence James Litzow	2.62%
David Hugh Hall	2.60%
Top 20 shareholders	61.41%

Source: DRX

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Source: DRX

PROJECT SUMMARY



Source: DRX

Mineral sands, gold and diamonds explorer with a high profile portfolio of under-explored projects in Australia.

Diatreme Resources Limited (DRX)

KEY POINTS

□ **DRX is an Australian diversified mineral explorer with a series of mineral sands, gold, diamonds and base metals projects in Queensland, NSW, Western Australia and South Australia.**

Major Projects

DRX aims to apply its geological expertise and exploration techniques to discover world class bodies within its major projects.

□ **Eucla Basin Mineral Sands** – JV with Minerals Corporation covering nearly 7,000km² in the newly emerging zircon rich mineral sands province.

□ **Tick Hill Gold** - Exploration success in this historic high-grade area could lead to a rapid development operation.

□ **Gwydir Diamond** - Focus on finding the source of the diamonds in Bingara and Copeton.

□ **Bellfield Base Metals** - Prospective for Mount Isa style copper-lead-zinc sulphide mineralisation.

Advanced Projects

DRX to aggressively pursue the exploration of these projects to bring at least one of them to mining feasibility status within the next two years.

Combined resources of approximately 150,000oz Au and 25,000t copper oxide metal represent **A\$200m** of in-ground value at current commodity prices and forex.

□ **Drilling will commence immediately after listing with several targets defined.**

□ **Experienced management team with extensive technical and corporate experience.**

Strong mineral sands, base metals and gold markets underpin DRX's strategy of moving its advanced projects to a development stage whilst progressing the exploration of its major projects.

The Company has a large ground position in zircon rich Eucla Basin, where Iluka Resources Ltd has made major discoveries estimated at A\$4billion of potential in-ground value.

DRX's strong focus on exploration combined with a well diversified asset portfolio offers substantial exposure to buoyant metals and minerals and makes the company an interesting exploration play.

DIATREME RESOURCES LIMITED – IN PROFILE

DRX is a diversified mineral explorer in Queensland, New South Wales, South Australia and Western Australia.

Diatreme Resources Ltd (ASX code: DRX) was incorporated as Minstrike Mining Pty Ltd in August 1993 and in May 1994 changed its name to Strike Exploration Pty Ltd. In November 2000, the company changed its name to Minstrike Ltd, an unlisted public company, and finally to Diatreme Resources Ltd in March 2001.

In early 2001, the Company expanded its exploration portfolio through the acquisition of the assets of Regional Exploration Management Pty Ltd and its wholly owned subsidiary Chalcophile Resources Pty Ltd.

In October 2003, the company listed on the Stock Exchange of Newcastle (NSX code: DRL) through an A\$500,000 capital raising. Post listing DRX conducted exploration drilling programmes at the Nymbool Gold Prospect, Clermont Copper Gold Project and Gwydir Diamond Project.

In September 2004, DRX acquired the mineral sands assets of Lost Sands Pty Ltd located in the Eucla Basin. In May 2005, ASX-listed resources group Minerals Corporation Limited (MSC) acquired a 21.11% interest in the company. MSC may earn up to 40% of DRX's Eucla Basin Project by spending A\$3.4m in exploration over five years.

In June 2005, DRX listed on the ASX through a A\$3.7m raising. Exploration expenditure on the Company's projects totals approximately A\$2.6m. This includes drilling at Nymbool, Burnett, Clermont and Gwydir projects.

Top 10 shareholders (Pre-offer)

Holder name	Shares	%	Holder name	Shares	%
Minerals Corporation Ltd	15.0m	21.11	Donald Cameron McIntosh	1.6m	2.21
Terra Search Pty Ltd	3.2m	4.48	Australian Rural Group Ltd	1.5m	2.11
Anthony John Fawdon	3.1m	4.33	Citicorp Nominees Pty Ltd	1.5m	2.11
Lawrence James Litzow	1.9m	2.62	Cardinal Financial Securit. Ltd	1.5m	2.11
David Hugh Hall	1.8m	2.60	Explorers & Prospectors Ltd	1.5m	2.11

Table. 1

Source: DRX

Directors and Management

Executive Chairman / CEO: Anthony J Fawdon, founder and director of several listed explorers, including former MD/CEO of Strike Mining, with over 30 years experience in the Australian mining and exploration industry.

Executive Director: David Hugh Hall, geologist with more than 20 years industry experience and a specialist in project maintenance, tenement administration, government agency, landholder and native title liaison.

Non-Executive Director / Company Secretary: Lawrence James Litzow, chartered accountant and previously corporate secretary with a number of public and private companies.

Exploration Consultant: Kenneth James Harvey, consultant with more than 30 years experience in the mineral industry.

Financial history

Year end 30 th June		31 Dec 04 Actual*	31 Dec 04 Pro-forma
Cash	A\$m	0.05	4.14
Gross assets	A\$m	4.43	8.63
Net assets	A\$m	4.40	8.28
Shares on issue	millions	52.6	71.04

Table. 2

Source: DRX

* As at 31 October 2004

Over 12 years of experience in the exploration of Australian projects.

Acquisition of exploration assets.

NSX Listing.

DRX/MSC strategic alliance over the Eucla Basin Project.

Exploration to commence in the SQ05.

Top 20 shareholders hold 61.4% of DRX's listed shares.

Strong management team with extensive experience in exploration projects.

Strong cash position to fund DRX's exploration activities for the next 2 years.

INVESTMENT REVIEW

DRX has a number of under-explored projects highly prospective for mineral sands, gold and diamonds in Australia.

Exploration Strategy

Holding a series of projects at different stages of exploration, DRX's strategy after its ASX listing involves:

- Short-term: Immediate exploration of its **advanced** gold and copper projects in Queensland, where most drilling targets have already been delineated; and
- Long-term: Progress exploration of its **major** projects, which are believed to host major deposits and have potential for robust mining operations in the future.

DRX aims to use **A\$2.65m** or **70%** of the ASX IPO funds to explore its prospective group of brownfield and greenfield exploration projects.

Major Projects

DRX has selected 4 main projects where in-house geological assessments have indicated the potential to host large mineral deposits. Given the size and scope of these projects, a long-term exploration program is designed for most of these areas.

□ **Eucla Basin Heavy Mineral Sands Project, SA and WA (DRX diluting to 60%)**

The project extends across an area of 6,730km² in the Eucla Basin region. The largely untested "fossil" shoreline is considered to have potential for world class heavy mineral sands and precious metals ore bodies. DRX is the operator of the project, with Minerals Corporation Limited (MSC) to earn a 20% interest in the project by spending A\$400,00 over one year and a further 20% stake by funding a further A\$3m in exploration over four years.

DRX tenements are surrounded by Iluka Resources Ltd (ILU) holdings, where ILU has recently made significant zircon discoveries at Ambrosia and Jacinth. Ambrosia's inferred resources are estimated at 54Mt @ 3.0HM for 1.6Mt HM, consisting of 55% zircon, 7% rutile and 14% ilmenite.

In the early 1990s, BHP conducted a wide space scout drilling programme but due to low zircon prices at that time the results were not followed up. Best intercepts returned grades of up to 2.85%HM, comprising 47% zircon, 31% ilmenite, 5% leucoxene and 2% rutile.

Supported by positive exploration results, Iluka's discoveries and higher zircon prices, DRX expects to turn its strategic holding in the area into various large scale mining operations.

□ **Tick Hill Gold Project, north west Queensland (DRX 100%)**

Tick Hill comprises 3 mining leases and 130ha covering the old Tick Hill Gold Mine, which produced over 513,000oz @ 22.6g/t Au in the 1990s. DRX believes that potential exists for the discovery of similar high-grade ore bodies in the area. In the case of exploration success, DRX is well positioned to fast track the development and mining of any new ore body,

□ **Gwydir Diamond Project, New South Wales (DRX 100%)**

Exploration of Gwydir is focused on finding the hard rock source(s) of the diamonds in the Bingara and Copeton Alluvial diamond fields. DRX's interpretation of palaeodrainage (ancient river systems) suggests that the alluvial diamonds in Bingara deposits were originated from as far as west as the Moree region of NSW.

Strong focus on exploration.

Potential for major projects to become "company makers".

Prime ground holding in the Eucla Basin region.

ILU's discoveries confirm the potential of the region for heavy mineral sands.

Grades from BHP past workings in line with ILU's results.

DRX's major project.

Potential to fast track a gold mining operation.

Alluvial diamonds potential in NSW.

INVESTMENT REVIEW - CONTINUED

Following its ASX IPO, DRX proposes to immediately commence exploration of its advanced gold and copper projects, which have nearly 150,000oz Au and 25,000t copper oxide metal resources.

❑ **Bellfield Base Metal Project, Georgetown region - Qld (DRX diluting to 50%)**

It covers an area of around 1,100km² where DRX's drilling program will be targeting Mount Isa style copper-lead-zinc mineralisation under shallow cover rocks. Geological interpretation and geophysical anomalies have defined broad targets over a 30km zone. Two holes from 800m have been planned for the second half of 2005. MSC may earn 50% of the project by spending A\$65,000.

Targeting Mount Isa style copper-lead-zinc mineralisation.

Advanced Projects

DRX holds several exploration licences and tenements prospective for gold and copper in Queensland. Field surveys in these projects have been completed and drill targets have been established. DRX's exploration endeavours in these areas aim to build up a significant resource base and rapidly move the projects into development and production.

DRX to fast track exploration and development of its most advanced projects.

❑ **Pyramid Gold Project, Queensland (DRX 100%)**

Pyramid offers a number of opportunities to explore for high-grade epithermal mineralisation in northern Queensland. Initial exploration will prioritise the Gettysberg Prospect, where previous drilling intersected 8m @ 18g/t Au and 24m @ 5.0g/t Au

RC drilling planned to test the Gettysberg prospect in 2H2005.

❑ **Clermont Copper Project, central Queensland (DRX 100%)**

It covers a series of historic small gold workings and the Peak Downs Copper Mine with 25,000t copper oxide metal resource. DRX plans to conduct exploration along the mineral belt in order to increase the existing sulphide resource.

25,000t copper oxide resource.

❑ **Nymbool Gold Project, northern Queensland (DRX 100%)**

The project consists of two exploration licenses, a 54,000oz Au oxide resource and covers an area of approximately 112km². Future drilling at this large shallow porphyry gold complex (~200m thick, 0.4g/t Au) is planned to test the undrilled dip extensions of the mineralisation.

RC drilling scheduled for 2H2005 to test a shallow dipping gold bearing zone.

❑ **Burnett Gold Copper Project, south-eastern Queensland (DRX 100%)**

Burnett consists of four tenements covering an area of 114km² prospective for porphyry and intrusive gold mineralisation. Resources defined to date at Yarrol North, Central Ridge, Mt Steadman and Mt Cannindah prospects total 93,000oz Au. Drilling is planned to target untested zones adjacent to current resources.

Resources of 93,000oz Au.

❑ **Georgetown Inlier Gold Project, northern Queensland (DRX 100%)**

It encompasses an area of 427km² of the Georgetown region and three gold prospects namely Ironhurst, Langdon River and Warrigal Creek. DRX's drilling program consists of two targets within mineralised intrusives and a further quartz vein and breccia swarm target, where assays have returned grades up to 22.5g/t Au.

Targets for initial drilling already defined.

DRX offers an attractive mix of smaller projects that could rapidly be turned into mining operations with larger projects that might potentially host world class mineral ore bodies.

EUCLA BASIN HEAVY MINERAL SANDS PROJECT LOCATION

Figure 1. Eucla Basin showing tenements and ancient shorelines.

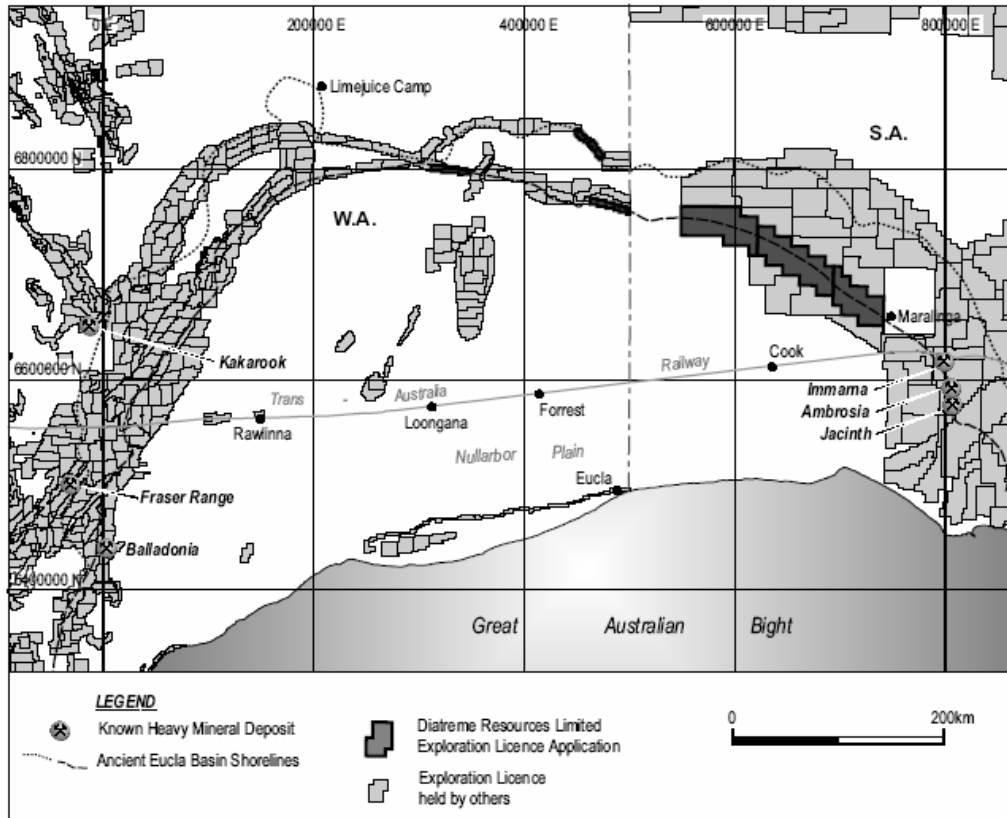


Figure 1

Source: DRX

Project extends across an area of 6,730km² in the Eucla Basin region.

DRX's ground holdings surrounded by Iluka's HM tenements.

DRX is now seeking the granting of all Eucla Basin Project tenements.

DRX has applied for what it believes to be the most prospective zones for HM's in the northern part of the basin.

Figure 2. Shuttle Radar Altimetry digital terrain model showing tenements and ancient shorelines:

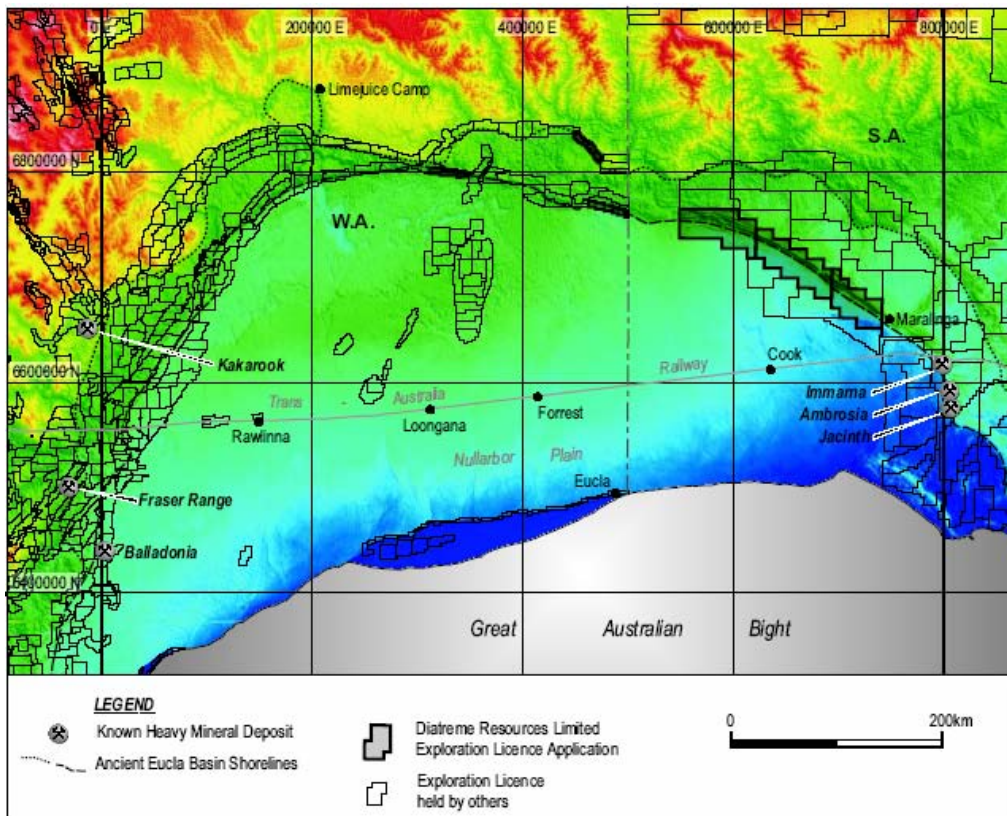


Figure 2

Source: DRX

Previous work by BHP identified a large HM mineralised footprint on the Western Ooldea Dune in SA.

Past drilling returned grades of up to 2.85% HM.

Infill drilling to commence in early 2006 at the large Western Ooldea Prospect.

Geological reconnaissance at the Shell and Wanna Lakes to be conducted in 2006.

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- Martin Place Securities Pty Ltd may earn brokerage and other fees as a result of transactions in those securities.
- The author of this document does not have a relevant interest in Diatreme Resources Limited. This position can change at any time.
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- Martin Place Securities Pty Ltd was the Underwriter to Diatreme Resources Limited for its IPO and earned underwriting fees in respect of this role.