



Market Announcements Office
Australian Securities Exchange
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Heads of Agreement for Iron Exploration within the Anabama Copper Project

Diatreme Resources Limited (ASX:"DRX") has copper, gold and cobalt mineralisation within the northern portions of its two South Australian exploration licences comprising the Anabama Copper Project. Through wholly owned subsidiary, Chalcophile Resources Pty Ltd ("Chalcophile"), DRX continues to explore 100% for copper, gold and cobalt, but has now established a Heads of Agreement ("HOA") with Braemar Iron Pty Ltd ("Braemar") for Braemar to explore the southern licence areas for iron deposits.

The sedimentary Braemar Iron Formation, located between Broken Hill (NSW) and Peterborough (SA), is thought to exist over 30km of strike length within the Company's licences. The formation is believed to be the next upcoming major iron ore province within Australia to see development, with a number of companies having made significant discoveries of magnetite iron deposits (see Figure 1). Numerous geophysical anomalies, which may be attributed to the Braemar Iron Formation, exist within the southern licence areas. Under the operations of Braemar, it is initially expected that detailed aerial magnetic surveys will be employed to assist targeting areas for follow-up ground reconnaissance and drilling.

Chalcophile has agreed to grant Braemar the right to acquire up to 70% of the right, title and interest in the Anabama Iron Project ("Iron Project"), within the Anabama Copper Project tenements, by contributing funding and conducting exploration work in furtherance of the Iron Project on the following terms:

- Braemar is appointed as the initial operator of the Iron Project.
- Phase 1 commitment: Chalcophile grants Braemar the right to earn 51% of the right, title and interest in the Iron Project in consideration for Braemar contributing funding of \$500,000 and conducting exploration work in furtherance of the Iron Project within 24 months from the date of the HOA.



- Phase 2 commitment: Subject to the completion of Phase 1, Chalcophile grants Braemar the right to earn a further 19% of the right, title and interest in the Iron Project in consideration for Braemar contributing funding of a further \$500,000 and conducting exploration work in furtherance of the Iron Project during the 12 month period after the end of Phase 1. Any expenditure in excess of \$500,000 during Phase 1 shall be credited against the \$500,000 exploration work commitment for Phase 2.
- At all times throughout Phase 1 and Phase 2, Chalcophile will retain all of the right, title and interest in the Licences (other than the rights to earn interests in the Iron Project granted to Braemar in the HOA), and will continue to undertake exploration activities on the land comprising the Licences under the Anabama Copper Project.
- Minimum Commitment: Braemar will commit a minimum of \$250,000 to the Iron Project, with substantially that amount being expended within the first 12 months of Phase 1. At any time after Braemar has made the minimum commitment to the Iron Project, Braemar may, by written notice to Chalcophile, elect to withdraw from the Iron Project. In the event that Braemar makes the election to withdraw from the Iron Project they will be relieved from their remaining Phase 1 commitment and the Phase 2 commitment and the HOA will be terminated.
- Completion of Phase 1 and Phase 2: Upon completion of Phase 1 and Phase 2, both Chalcophile and Braemar may either elect to contribute further funds to the Iron Project on a pro-rata basis or to sell all or a percentage of their right, title and interest in the Iron Project to the other at a price to be agreed between the parties.
- If Braemar has earned a 51% interest in the Iron Project by completing the Phase 1 commitment and does not proceed to earn an additional 19% interest by undertaking and completing the Phase 2 commitment, or if Braemar has earned a 70% interest by completing the Phase 2 commitment, unless either party has sold its interest, the parties will contribute further funds to the Iron Project pro-rata to their respective interests.
- In the event that either party's right, title and interest in the Iron Project reduces to 10% or less, that party will be entitled to a 3% net profit royalty on any return of the Iron Project but will not be entitled to any other right or interest in the Iron Project.
- The Iron Project Area may be amended from time to time, as agreed between the parties to reflect discoveries by either party of iron or non iron mineralisation within the area of the Licences. The parties may each explore over the Project Area but undertake to not unduly interfere with the exploration activities of the other party.
- With Chalcophile undertaking exploration under the Anabama Copper Project and Braemar undertaking exploration under the Iron Project, the parties acknowledge that where the respective target mineralisation is comingled, then the non "Iron" has priority.

With the entry of Braemar into the project, Diatreme believes that shareholders will now be exposed to substantial prospectivity for iron prospects/deposits to be discovered within the Company's licences.

Anthony J Fawdon
Executive Chairman/CEO

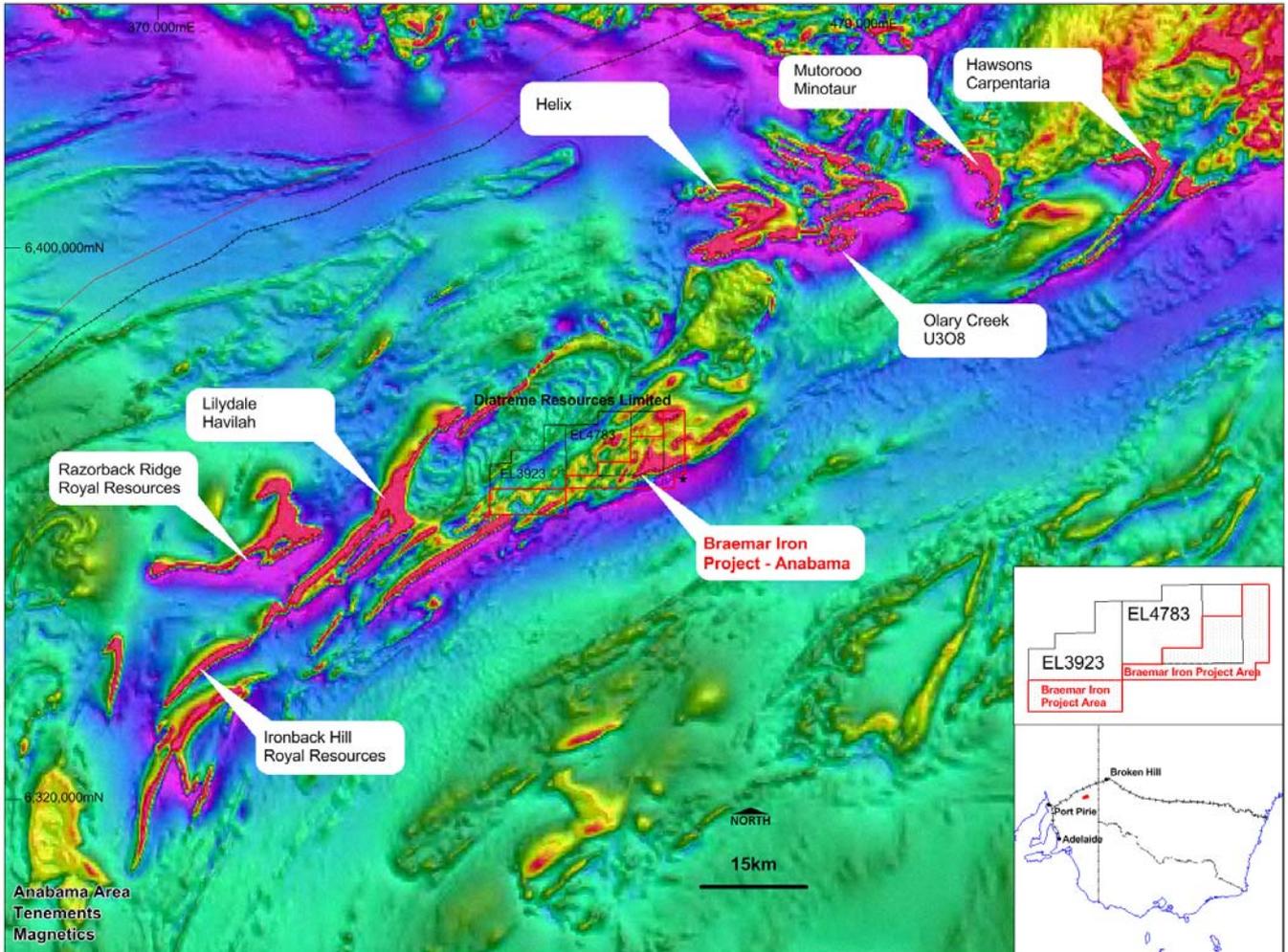


FIGURE 1: Location of the Braemar Iron Project within the Anabama Copper Project tenements in South Australia showing known iron prospects/deposits over an aerial magnetics background.