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NSX ANNOUNCEMENT

8 April 2005

The General Manager
Stock Exchange Of Newcastle Limited
Ground Floor
384 Hunter Street
Newcastle NSW 2300

Dear Sir

RE: HEADS OF AGREEMENT

Diatreme Resources Limited (NSX Code: "DRL") is pleased to announce that it has today signed two Heads of Agreements with Minerals Corporation Limited (ASX Code: "MSC") over its Eucla Basin Heavy Mineral Sands Project and Bellfield Base Metal Project.

These two Agreements form the basis for a co-operative alliance between DRL and MSC which will accelerate mineral exploration on the Eucla Basin Project and result in shared exploration expenditure on the Bellfield Base Metal Project.

1 Buy-In and Development Agreement - Mineral Sands

DRL, through its wholly owned subsidiary Lost Sands Pty Ltd ('LS'), holds exploration licence applications (total area approximately 6,730 km^2) comprising its Eucla Basin Heavy Mineral Sands Project in South Australia and Western Australia. The project covers a discontinuous 300 km length along an ancient "fossil" shoreline of the Eucla Basin. These areas have been assessed as containing favourable depositional environments for heavy mineral sands deposits. Past wide spaced drilling on a section of DRL's South Australian areas has identified a substantial zone of heavy mineral sands mineralisation with best grades of 2.85% HM containing high levels of zircon being 47% of the heavy mineral assemblage.

The parties to the Heads of Agreement are DRL, LS and MSC. Under the terms of the Agreement, which is subject to DRL successfully completing its proposed listing on ASX within 90 days from the date of the Agreement:

a) LS will issue new ordinary voting shares to MSC (representing 20% of the total ordinary voting shares of LS) to MSC in consideration for MSC undertaking a committed $400,000 work programme.
b) LS provides MSC with the right to earn an additional 20% equity interest in LS by MSC funding exploration and development expenditure of $3Million during a four year period from the Agreement date, or pro rata equity if lesser monies are spent. Normal expenditure dilution provisions will apply.
c) Pre-emptive rights conditions are to apply if either DRL or MSC wish to dispose of their shares in LS.

d) LS be converted to a public company at an appropriate future time to make provision for a possible spin out listing of LS if appropriate.
e) The parties will appoint an MSC director to the LS board as Chairman.
f) LS will transfer EPMs 14402 and 14675 (gold target tenements) to DRL at a consideration to be agreed between LS and DRL.
g) Transactions contemplated by the Agreement are subject to entry into formal documentation and each party obtaining such shareholder and other regulatory approvals as may be necessary.

2 Buy-In and Development Agreement - Base Metals

DRL, through its wholly owned subsidiary Chalcophile Resources Pty Ltd, holds two exploration permit for minerals applications (total area approximately 1,094 km^2) comprising its Bellfield Base Metal Project in northern Queensland. The aim of the project is to discover a major Mount Isa style copper-lead-zinc-silver deposit within Proterozoic age rocks. The east-west Clara River Fault runs through the project area (under cover) and is similar in character to the Mt Isa Fault.

Under the terms of the Heads of Agreement, which is subject to DRL successfully completing its proposed listing on ASX within 90 days from the date of the Agreement:

a) Upon the listing of DRL on the ASX the parties agree to form a new company owned 50% by DRL and 50% by MSC.
b) The parties will each appoint two directors to the new company board.
c) Transactions contemplated by the Agreement are subject to entry into formal documentation and each party obtaining such shareholder and other regulatory approvals as may be necessary.

The alliance between DRL and MSC would bring together the good attributes of both companies and meld the exploration skillbase and knowledge with mining, processing, commodity marketing practice and valuable Asian end user contacts.

By investigating closer commercial ties, the strong synergies and common interests are expected to complement both companies.

DRL and MSC are also pursuing further discussions as to how to best implement the close commercial ties and take advantage of the synergies expected to result from the relationship. Further announcements would be made depending on the outcome of those discussions.

DRL will shortly lodge a Supplementary Prospectus in respect of the proposed alliance with MSC and the effect on its proposed activities as detailed in its current Prospectus. A copy of the Supplementary Prospectus will be included in a further announcement at the time of lodgement.

Anthony J Fawdon
Executive Chairman/CEO