DIATREME RESOURCES LIMITED

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NSX Code: DRL

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NSX ANNOUNCEMENT

1 February 2005

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

Dear Sir

RE : PROSPECTUS 2005

We advise that the Company's share offer under its Prospectus 2005 (lodged with the Australian Securities and Investments Commission on 10 January 2005) formally opened today. The offer, which aims to raise $5.0 million is scheduled to remain open until 28 February 2005.

The offer includes a priority allocation for existing shareholders, each of whom is being mailed a copy of the prospectus and a personalised application form (released to NSX on 10 January 2005) under the attached Chairman's letter to shareholders.

Yours faithfully

DAVID H HALL
Director

Encl

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31 January 2005

Dear Shareholder

PROSPECTUS 2005 OFFER AND "ROUNDING UP" ALLOCATION OFFER TO EXISTING SHAREHOLDERS

Your Company has now been trading on the Stock Exchange of Newcastle (NSX) for over 15 months and is in a sound position to take advantage of strengthening commodity prices and economies.

Diatreme has reached the point in its evolution, where it needs to access significant working capital to accelerate exploration on its diverse portfolio of mineral projects. This has lead to the recent issue of a Prospectus to the public to raise up to $5 million and the recent application by the Company to list on the Australian Stock Exchange Limited (ASX). If listing on the ASX is accepted, the Company willdelist from the NSX.

The new Prospectus (copy enclosed) outlines Diatreme's exploration strategies and provides details of budgets to progress exploration over "major" and "advanced" projects. Significant budgets have been included for the Company's two recent project additions; the Tick Hill Gold Project in north west Queensland and the exciting new Heavy Mineral Sands Project in the Eucla Basin within SA &WA (where significant new discoveries of heavy minerals have of late been reported in the media).

A "Priority Allocation Offer" is available to you, as an existing shareholder, to take up certain entitlements under the Prospectus. This offer closes at 5.00 p.m., 21 February 2005.

Accordingly, the directors encourage you to read the Prospectus, seek professional advice as appropriate, and then take up your priority allocation at the offer price of 20cents ($0.20) per share. If your shareholding is below 10 000 shares (a "marketable parcel") then you are invited to "round up" your existing holding and, if required, apply for further shares during the Priority Period using the enclosed blue Shareholder Priority Application Form. If your shareholding is above 10 000 shares you may apply for additional shares using the same Priority Application Form. *Detailed application instructions are contained within the Prospectus and on the priority application form.* This offer represents a window of opportunity for you to increase your equity in the company.

We thank you for your enduring support and look forward with great confidence to the future. If you have any inquiries please contact the Company at the above address.

Yours faithfully
DIATREME RESOURCES LIMITED

TONY FAWDON
Executive Chairman / CEO

Encl.