DIATREME RESOURCES LIMITED

ABN 33 061 267 061

Principal Office	Level 3, 243 Edward Street, Brisbane, Qld, 4000
Postal Address	PO Box 295 Brisbane Albert Street BC Qld, 4002
Telephone	61 7 3229 9927
Facsimile	61 7 3229 6627
Email	manager@diatreme.com.au
Website	www.diatreme.com.au
NSX Code	DRL

18 August 2004

Dear Shareholder

PROPOSED ACQUISITION OF LOST SANDS PTY LTD

On 2 June 2004, the Company made an announcement to the NSX that it had been conducting negotiations with Lost Sands Pty Ltd (Lost Sands), a mineral sands exploration company holding strategic mineral tenement applications in South Australia and Western Australia with a view to acquiring 100% of the equity of that company.

A meeting of Diatreme shareholders has now been called for Friday 17 September 2004 to consider the proposed acquisition. The appropriate Notice of Meeting, Explanatory Memorandum and Proxy Form are attached for your attention.

An Independent Valuation Report relating to Lost Sands was commissioned and has been used to determine the consideration payable for the acquisition. Information is detailed within the attached Explanatory Memorandum.

Diatreme believes that the Lost Sands acquisition will add value to the Company and that the Eucla Basin Mineral Sands Project, if successful, has the capability of being a "Company Maker".

It is important that you read the Explanatory Memorandum in full and, following your consideration of the matters contained, that your vote by proxy (if unable to attend the meeting) be forwarded to the Company by Wednesday 15 September 2004 at the latest.

Yours faithfully
DIATREME RESOURCES LIMITED

TONY FAWDON
Executive Chairman/CEO

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DIATREME RESOURCES LIMITED
ABN 33 061 267 061

NOTICE OF GENERAL MEETING

Notice is given that a general meeting of the shareholders of Diatreme Resources Limited ABN 33 061 267 061 ("the Company") will be held at the offices of the Company's share registry, ASX Perpetual Registrars Limited, Level 22, 300 Queen Street, Brisbane, Queensland, at 11.00 am on Friday 17 September 2004 to conduct the following business:

Special Business : **Acquisition of Lost Sands Pty Ltd**

Resolution 1: ***Issue of Shares as Consideration for Acquisition of Lost Sands Pty Ltd***

To consider and, if thought fit, to pass the following as a **special resolution**:

> "That members approve the issue of a total of 13 420 000 ordinary shares in the capital of the Company at a deemed issue price of ten cents ($0.10) per share to the "Vendors" in the Explanatory Memorandum which accompanies and forms part of the Notice of Meeting (or their nominees), including the Directors or their associates ("Common Directors") named as proposed recipients of shares, as consideration for the acquisition of all of the issued share capital of Lost Sands Pty Ltd [ABN 27 101 269 747], on and subject to the terms and conditions described in the Explanatory Memorandum."

Ordinary Business :

Resolution 2:

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

> "That the shareholders hereby confirm that the issue of shares to the shareholders of Lost Sands Pty Ltd to acquire 100% of the shareholding of that company has been approved and thus does not form part of the 15% of capital which can be raised without shareholder approval."

Resolution 3:

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

> "That approval is given to the directors to raise capital up to an additional 15% of the issued capital by way of placement or otherwise, for the purpose of raising capital to carry out necessary exploration programs, supplement the Company's working capital and /or to progress the Company towards an application for listing on the Australian Stock Exchange Limited."

EXPLANATORY MEMORANDUM

Attached to, and forming part of, this Notice of Meeting is an Explanatory Memorandum that provides shareholders with background information and further details on the resolutions to be considered at the meeting. The information provided is intended to assist shareholders in understanding the reasons for and the effect of the resolutions, if passed. Information is also presented in accordance with the requirements of the Stock Exchange of Newcastle Limited Listing Rules.

Terms defined in the Explanatory Memorandum and used in this Notice of Meeting bear the same meaning as in the Explanatory Memorandum.

Resolutions

Resolution 1 is proposed as a Special Resolution. To be passed, at least 75% of the votes cast on the Resolution by shareholders who are entitled to vote, either in person or by proxy, on the Resolution must be in favour of the Resolution.

Resolutions 2 and 3 are proposed as Ordinary Resolutions. To be passed, at least 50% of the votes cast on each Resolution by shareholders who are entitled to vote, either in person or by proxy, on the Resolution must be in favour of the Resolution.

VOTING EXCLUSION STATEMENTS - Resolution 1

The Company will disregard any votes cast on Resolution 1 by:

- Each Director of Diatreme Resources Limited who may receive Shares if the Resolution is passed;
- any other person who may obtain a benefit, except a benefit solely in the capacity of a shareholder, if the Resolution is passed;
- any associate of any of the above persons.

Exception

However, the Company need not disregard a vote on Resolution 1 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING ENTITLEMENTS

The time for the purposes of determining voting entitlements will be the end of the day (5.00 pm Brisbane time) which is 2 trading days prior to the meeting (ie 5.00 pm Wednesday 15 September 2004).

PROXIES

A member entitled to attend and vote at the meeting is entitled to appoint not more than 2 proxies. A proxy need not be a member of the Company. If 2 proxies are appointed, the appointment may specify the proportion or number of votes that the proxy may exercise, otherwise each may exercise half of the votes.

The proxy form must be signed by the member or the member's attorney, duly authorised in writing. Proxies by a company must be executed in the appropriate manner under the company's constitution or by an attorney of the company.

To be valid, the power of attorney or the instrument appointing the proxy and the power of attorney (if any) under which it is signed (or a certified copy of it) must be either:

- lodged with ASX Perpetual Registrars Limited at Level 22, 300 Queen Street, Brisbane, Qld, 4000;
- delivered by post to ASX Perpetual Registrars Limited at GPO Box 2537, Brisbane, Qld, 4001; or
- sent by facsimile to ASX Perpetual Registrars Limited on (07) 3221 3149,
- delivered or sent to the registered office of the Company, Level 3, 243 Edward Street Brisbane, 4000 [facsimile number (07) 3229 6627],

and received by 11.00 am on Wednesday 15 September 2004, being not less than 48 hours before the time for holding the meeting.

A proxy form accompanies this Notice of Meeting.

By Order of the Board

Lawrence J Litzow
Director / Corporate Secretary

18 August 2004

EXPLANATORY MEMORANDUM
DIATREME RESOURCES LIMITED
ABN 33 061 267 061

TO ACCOMPANY NOTICE OF MEETING DATED 18 AUGUST 2004

DEFINITIONS

In this explanatory memorandum, the following terms have these meanings:

"**ASX**" means Australian Stock Exchange Limited [ABN 98 008 624 691].

"Common Directors" means persons who are directors of both Diatreme and Lost Sands and their associates.

"**Company**" or "**Diatreme**" means Diatreme Resources Limited [ABN 33 061 267 061].

"**Directors**" means the directors of Diatreme (currently Lawrence Litzow, Anthony Fawdon and DavidHall).

"**EL**" means exploration licence.

"**EPM**" means exploration permit for minerals.

"**Lost Sands**" means Lost Sands Pty Ltd [ABN 27 101 269 747].

"**NSX**" means Stock Exchange of Newcastle Limited [ABN 11 000 902 063].

"**Resolution**" means a resolution proposed for consideration by members at the forthcoming General Meeting, set out in the Notice of General Meeting to which this Explanatory Memorandum is attached.

"**Shares**" means fully paid ordinary shares in the capital of Diatreme.

"**Valuation Report**" means the Independent Valuation Report prepared by Veronica Webster Pty Limited dated 23 June 2004.

"**Vendors**" means the current shareholders of Lost Sands.

"**VWPL**" means Veronica Webster Pty Limited, consultants to the Mining Industry.

1.0 RESOLUTION 1 : ACQUISITION OF LOST SANDS PTY LTD

1.1 INTRODUCTION

Diatreme Resources Limited (Diatreme) proposes to acquire 100% equity capital and, as a result, all the assets and liabilities of Lost Sands Pty Ltd (Lost Sands) by the satisfaction of issuing 13 420 000 ordinary fully paid Diatreme Shares to the shareholders of Lost Sands. The basis for the acquisition is the Independent Valuation Report on the Projects of Lost Sands plus its assets having a preferred value of $1 340 000 (refer Valuation Report summary below). A copy of the Valuation Report can be obtained online at www.diatreme.com.au or by contacting the Company on telephone (07) 3229 9927 or facsimile (07) 3229 6627.

1.2 BACKGROUND

Diatreme is a public mineral exploration company which listed on the NSX on 30 October 2003. It is managed by the Directors and company personnel who have extensive experience and have long been involved in the exploration industry throughout Australia. The Company's current project interests lie within Queensland and New South Wales:

1.2.1 Exploration Projects

Summary Table of Diatreme Resources Limited Projects

"Advanced" Projects	Target Type	Comments
Pyramid Gold	In the productive epithermal gold belt of northern Queensland.	High grade gold intersections to follow up, 8m @ 18 g/t gold.
Clermont Copper	Volcanic massive sulphide copper mineralisation in central Queensland.	A resource of 25 000 tonnes of oxide copper with good drilling potential to increase resource along strike.
Nymbool Gold	Large shallow dipping porphyry gold complex.	Ready to drill untested extension to a large gold mineralised system.
Burnett Gold	Suite of extensive gold rich veins in altered granitoids and epithermal prospects.	Open ended resources with high grade intersections up to 8 metres @ 39.8g/t gold.

Mount Cannindah Copper	Intrusive style porphyry mineralisation surrounded by skarn, breccia and stockwork mineralisation.	Untested bulls-eye magnetic anomaly over possible intrusive centre.
Georgetown Gold	Two targets within mineralised intrusives and a further quartz vein and breccia swarm target.	Drilling targets on untested high grade gold occurrences up to 22.5 g/t gold on surface.

"Major" Projects	**Target Type**	**Comments**
Gwydir Diamond	Deep seated diamond intrusives under shallow cover rocks; possible source for Bingara and Copeton alluvial diamond fields.	Multiple geophysical anomaly targets with potential to host diamond pipes; current exploration drilling has identified deep seated pipes.
Dirranbandi Diamond	Swarm of topographic low features with potential for intrusive diamond pipes.	Coincident magnetic anomalies and topographic low features are unusual and present good drill targets for diamonds.
Bellfield Base Metal	A Mount Isa style copper zinc target under shallow cover rocks.	Geological interpretation and geophysical anomalies have defined broad targets over a 30 kilometre prospective zone.

1.2.2 Shares Issued In Diatreme

The number of Diatreme Shares on issue totals 31 083 744, along with 6 687 791 twenty cent options excisable on or before 30 May 2007. The Company's market capitalisation as at 13 August 2004 was $2 486 700.

1.2.3 Future Plan

The Directors wish to expand Diatreme's portfolio through the acquisition of Lost Sands as described in this explanatory memorandum with a view to continuing the Company's progression towards an application for listing on the ASX.

1.3 INFORMATION ABOUT LOST SANDS PTY LTD

Lost Sands is a Brisbane based proprietary limited company incorporated in July 2002.

The Directors of Diatreme are also directors of Lost Sands, a company that:

- Has identified A new mineral belt, what was later described by Government agencies, as having potential to be a major world class heavy mineral sands province. Lost Sands has applied for tenure over approximately 300 kilometres of the most prospective portions of this province.
- Is actively pursuing the grant of the six exploration licence applications it holds in the Eucla Basin Project, three in South Australia and three in Western Australia. These areas constitute major mineral sand targets with similarities in the eastern Eucla to those mineral sands areas along the southern Queensland coast (North Stradbroke Island) and in the western Eucla similarities in deposition to the higher grade Western Australian occurrences.
- Has tenement applications for gold in central Queensland and the Northern Territory.
- Has independently, since incorporation, raised capital exceeding $130 000. Portion of this capital has been used for research, compilation of project comprehensive reports, assembling geological databases, exploration tenure applications, tenement security deposits and administration.

The Directors have obtained an independent Valuation Report of Lost Sands from Veronica Webster Pty Limited and have used this report in compiling the net asset position of Lost Sands, The VWPL report includes the following summary :

Valuation Report Summary

The Eucla Basin Project is the most important and valuable of Lost Sands' assets. It is interpreted to have potential as a "world-class heavy-mineral sand province".

VWPL considers that economic Heavy Mineral deposits will eventually be discovered in the region as the known producing areas become depleted and more effort is concentrated elsewhere.

The significantly large size of the Eucla Basin Project, extending across an area of over 6 700 sq km, make it a strategic holding for Lost Sands. It allows for the discovery of large deposits of mineralisation.

Lost Sands has two gold projects, one in Queensland and one in the Northern Territory. Each is at an early exploration phase and drill targets need to be generated.

All of the tenements of Lost Sands are applications only. The valuation in this Report are conditional on the applications being granted, access given for the desired exploration programs and the execution of the committed programs. The valuation is valid at the date of this Report (23 June 2004) and is in A$ rounded to between 0.05 and 0.005 million for the Projects.

Asset	**Description - target Program and Budget Commitment**	**Low value $million**	**High value $million**	**Preferred value $million**
Eucla Basin Project, SA and WA	Medium to large heavy mineral sand deposit(s) $420 000 in first year includes drilling	0.9	1.8	1.1
Bogie River Gold Project, QLD	Mainly high-grade epithermal gold and intrusive related gold. $85 000 in first year.	0.10	0.25	0.15
Mt Dobbie Gold Project, NT	Vein gold – intrusive related and Carlin style deposits. $50 000 in first year.	0.015	0.020	0.015
Other Current assets	cash	0.077	0.077	0.077
Total for Lost Sands		**$1.092**	**$2.147**	**$1.342**

The preferred value of $1 342 000 has been arrived at using mainly expected value methods; refer Section 6 and Appendix (of Valuation Report).

In our opinion, the fair market value of Lost Sands ranges from a low of A$1.09 million to a high of A$2.15 million and our preferred value is A$1.34 million.

1.3.1 Full Independent Valuation Report Disclosure Document

The Valuation Report by VWPL can be viewed in its entirety at the Diatreme website www.diatreme.com.au or viewed at the office of Diatreme at Level 3, 243 Edward Street, Brisbane in normal business hours. A free copy of the report will be sent to any shareholder who requests it.

1.3.2 Lost Sands Statement of Financial Position

STATEMENT OF FINANCIAL POSITION

ASSETS	
Current Assets	**$**
Cash & Term deposits	80,908
Exploration Interests (at independent valuation)	1,265,000
Total Assets	1,345,908
LIABILITIES	
Current Liabilities	870
Total Liabilities	870
NET ASSETS	1,345,038

Note : Actual cash on hand exceeds the "other current assets" in the Valuation Report.

1.3.3 Lost Sands Shareholding Position

	No of Lost Sands shares	Holding Percentage in Lost Sands
Common Directors (including associates) of Diatreme and Lost Sands	1 725 002	22.20%
Other shareholders	6 045 673	87.80%
All shareholders	7 770 675	100%

Diatreme Shares will be issued as consideration for the acquisition of Lost Sands shares to the "Common Directors" as follows:

List of "Common Directors"	Number of Lost Sands shares	Number of Diatreme Shares to be issued
David Hugh Hall[+]	500 001	863 505
Lawrence James Litzow[+]	500 001	863 505
Weir River Grazing Company Pty Ltd ATF The Weir River Grazing Company Superannuation Fund[+]	125 000	215 876
Anthony John Fawdon[+]	500 000	863 503
Anthony John Fawdon & Rosemarie Monica Fawdon ATF The Fawdon Superannuation Fund[+]	100 000	172 701
TOTAL	**1 725 002**	**2 979 090**

[+] Indicates a Vendor (shareholder of Lost Sands) who is a Director of Diatreme or an associate of a Director. Vendors who are "Common Directors" will receive their Diatreme shares on the same terms as Vendors who are not Directors or associates of a Director.

1.4 RISK FACTORS

Shareholders should be aware of the risks of holding investments in mineral exploration assets. These risks are those usually associated with exploration, including expenditures on exploration, based on the level of funds raised, an increase in exploration costs due to oil prices and other associated costs, metallurgical and other technical factors associated with mineralogy and possible drop in commodity prices, drilling and associated costs.

Shareholders should also be aware that many other factors, including industrial disputes, native title issues, land access, environmental issues, natural disasters and unforeseen circumstances may produce a negative result which could mean that a mineral exploration company may not produce the anticipated, or any, return to Shareholders in the form of dividends or otherwise.

If the resolution is passed, the Directors will seek to ensure that the proposed acquisition is appropriately documented in order that all assets described in this explanatory memorandum are transferred to Diatreme and that Diatreme's rights are adequately protected.

1.5 FUTURE OF COMBINED ENTITIES

It is intended to continue to progress Diatreme toward an application for listing on the ASX.

If the proposed Resolution 1 is passed and the acquisition proceeds the combined entity will exhibit the following proforma financial position:

PROFORMA STATEMENT OF FINANCIAL POSITION

ASSETS	
Current Assets	**$**
Cash & Term deposits	201,302
Other current assets	37,747
Total Current Assets	239,049

Exploration Interests	
Exploration tenements (at independent valuation)	1,265,000
Exploration expenditure at cost	2,880,304
Total Exploration Interests	4,145,304
Non-current Assets	
Fixed assets at cost	127,530
Provision for depreciation	(124,797)
Loan to associated company	3,212
Total Non-current Assets	5,945
Investments	
Shares in associated company	47,275
Total Assets	4,437,574
LIABILITIES	
Current Liabilities	
Total Current Liabilities	19,209
Total Liabilities	19,209
NET ASSETS	4,418,365

Note : The only costs of acquisition relate to the issue of Diatreme Shares.

The number of Shares on issue by Diatreme will be 44 503 744 which on the basis of the proforma financial position would give an asset backing of 10 cents per Share for the combined entity.

The corporate strategies to be adopted by the expanded Diatreme entity include:

- The development of both advanced and longer term "company maker" type projects through continuing exploration on its quality portfolio of prospects.
- Exploration will have a significant drilling component which is conducive to finding new mines.
- The continued management of the Company to create wealth for shareholders through judicious exploration.
- The continued progression of the Company towards an application for listing on the ASX.

1.6 DETAILS OF COMMON DIRECTORS OF DIATREME AND LOST SANDS

Lawrence James Litzow – F.C.A. – age 70

Lawrie Litzow is a professional company director who sits on the boards of a number of public companies and is also a professional corporate secretary.

His background includes tenures as managing partner of Douglas Heck & Burrell (Chartered Accountants), Member of the Small Business Council (advising the Federal Minister for Small Business), Chairman of the Small Business Taxation Group (Canberra) and State Chairman of the Taxation Institute of Australia.

Lawrie will continue as a non-executive director and the corporate secretary of Diatreme.

Anthony John Fawdon – F.A.I.C.D., F.Aus.I.M.M. – age 60

Tony Fawdon has over 33 years within the mining exploration industry and has been involved in numerous past mining listings on the ASX. He was the founder and managing director of Strike Mining NL (now Select Vaccines Limited) from 1994 to 2000. Tony is also a director of the Queensland Resources Council Ltd and chairman of that group's exploration committee.

Tony will continue as the executive chairman/CEO of Diatreme.

David Hugh Hall – B.App.Sc.(Geol), G.Dip.E.Sc. – age 50

David Hall is a geologist with over 23 years experience in the mining exploration industry. He has been involved in field exploration and tenement administration for numerous mining groups and was the exploration administrator for Strike Mining NL from 1994 to 2000.

David will continue as an executive director of Diatreme.

1.7 RESOLUTION – ISSUE OF SHARES AS CONSIDERATION FOR ACQUISITION OF LOST SANDS

Acquisition Of Lost Sands

It is proposed that the Company acquire all the shares in the capital of Lost Sands by issuing Shares to the shareholders of that company and/or their nominees.

Lost Sands has invested several years of considerable time, effort and funds, developing a significant geological database on its exploration properties and building a framework and adding value for a substantial exploration company. For this reason, the Directors are proposing that Lost Sands and all its assets is acquired by Diatreme by the issue of Shares in Diatreme for 100% interest of Lost Sands. The acquisition is proposed to be satisfied by the issue of 13 420 000 fully paid ordinary Shares in the capital of Diatreme (fully paid) at a deemed issue price of 10 cents per Share. This represents a 23% premium over the volume weighted average Diatreme share price (8.12 cents per Share) of market trades occurring on the NSX between 1 April 2004 and 31 July 2004.

The total amount of ordinary capital issued by Lost Sands is 7 770 675 fully paid ordinary shares. A total of 13 420 000 Shares will be issued by Diatreme for the acquisition of the Lost Sands shares. This represents a share exchange of 1.7270 Lost Sands shares per Diatreme Share. Following a Lost Sands acquisition by Diatreme, Lost Sands will become a 100% wholly owned subsidiary of Diatreme.

Vendors who are "Common Directors" will receive their Shares on the same terms as Vendors who are not Directors or associates of a Director.

The Shares to be issued as consideration for the acquisition of Lost Sands will be ordinary shares of the Company, deemed fully paid. The Shares will rank *pari passu* with and have the same terms as the ordinary shares of the Company already on issue. Application will be made to NSX for official quotation of the new Shares, some or all of which may be subject to restriction (escrow) for up to two years from the date of issue. The Shares will be issued within one month of the General Meeting, the day upon which the acquisition of Lost Sands is completed. No cash will be raised by the issue as the purpose of the issue is to satisfy the Company's obligations to pay the consideration for the acquisition of all the issued shares of Lost Sands, which obligations are conditional upon all necessary Diatreme shareholder approvals and regulatory approvals being received before completion.

As noted in section 1.3.3, certain Vendors are Directors of Diatreme or associates of a Director. As a result, the Listing Rules of NSX require the Resolution to be passed as a special resolution. In order for the Resolution to be passed as a special resolution, at least 75% of the votes cast by shareholders who are entitled to vote on the Resolution and who vote at the meeting either in person or by proxy, attorney or representative must be in favour of the Resolution.

2.0 RESOLUTIONS 2 and 3 :

The passing of Resolutions 2 and 3 will allow your Directors to undertake share placements up to a maximum level of 30% of the issued capital of the Company within a twelve month period without referring the placements to shareholders for approval by general meeting.

The Directors propose to use placement funds to progress Diatreme's mineral exploration programs, supplement the Company's working capital and / or to progress an application to list Diatreme on the ASX.

Resolutions 2 and 3 are proposed as ordinary resolutions. To be passed, at least 50% of the votes cast on each Resolution by shareholders who are entitled to vote at the meeting, either in person or by proxy, attorney or representative must be in favour of the Resolution.

18 August 2004

DIATREME RESOURCES LIMITED

ABN 33 061 267 061

FORM OF PROXY

I,..... of .....……
being a member of Diatreme Resources Limited appoint

.....……. of ..... ……..
or failing him/her, the Chairman of the meeting, as my proxy to vote for me and on my behalf at the Annual General Meeting of the company to be held on 17 September 2004 and at any adjournment thereof.

If you desire you may direct your proxy holder how to vote by placing an X in the appropriate box for each resolution, otherwise your proxy holder may vote as he/she thinks fit.

		FOR	AGAINST	ABSTAIN
Resolution 1	That members approve the issue of a total of 13 420 000 ordinary shares in the capital of the Company at a deemed issue price of ten cents ($0.10) per share to the persons named as the Vendors in the Explanatory Memorandum which accompanied and formed part of the Notice of Meeting (or their nominees), including the Directors or their associates ("Common Directors") named as proposed recipients of shares, as consideration for the acquisition of all of the issued share capital of Lost Sands Pty Ltd [ABN 27 101 269 747], on and subject to the terms and conditions described in the Explanatory Memorandum.	☐	☐	☐
Resolution 2	That the shareholders hereby confirm that the issue of shares to the shareholders of Lost Sands Pty Ltd to acquire 100% of the shareholding of that company has been approved and thus does not form part of the 15% of capital which can be raised without shareholder approval.	☐	☐	☐
Resolution 3	That approval is given to the directors to raise capital up to an additional 15% of the issued capital by way of placement or otherwise, for the purpose of raising capital to carry out necessary exploration programs, supplement the Company's working capital and /or to progress the Company towards an application for listing on the Australian Stock Exchange Limited.	☐	☐	☐

Signed this ..... day of 2004

Companies sign here *If not using Common Seal*	*Companies sign here* *If using Common Seal*	*Individuals/joint holders sign here*
…… Director/Sole or Governing Director	…… Director/Sole or Governing Director	…….. ……
Director/Secretary ……	Director /Secretary …… Seal	*Attorney/s sign here* *(P/A must be noted)* …… ……

This proxy, and if necessary the power of attorney or other authority under which it is signed (or a certified copy thereof), must be received by Diatreme Resources Limited no later than 11.00am (Brisbane time) on Wednesday 15 September 2004, being not less than 48 hours before the time for holding the General Meeting, or adjourned meeting as the case may be, at which the individual named in this form proposes to vote. Lodgement may be :

(a) **By posting, delivery or facsimile** to the Company's Registered Office at Level 3, 243 Edward Street, Brisbane, Qld, 4000 (PO Box 295 Brisbane Albert Street BC QLD 4002) - Facsimile (07) 3229 6627, or

(b) **By posting, delivery or facsimile** to ASX Perpetual Registrars Limited at Level 22, 300 Queen Street, Brisbane, Qld, 4000 (GPO Box 2537 Brisbane QLD 4001) - Facsimile (07) 3221 3149

PROXY AND VOTING INSTRUCTIONS

Proxy Instructions

A member who is entitled to vote at a meeting may appoint:

(a) one proxy if the member is only entitled to one vote, and
(b) one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged either:

By posting, delivery or facsimile to the Company's Registered Office at Level 3, 243 Edward Street, Brisbane, Qld, 4000 (PO Box 295 Brisbane Albert Street BC QLD 4002)
Facsimile (07) 3229 6627, or
By posting, delivery or facsimile to ASX Perpetual Registrars Limited at Level 22, 300 Queen Street, Brisbane, Qld, 4000 (GPO Box 2537 Brisbane QLD 4001)
Facsimile (07) 3221 3149

not less than 48 hours before the time for holding the General Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act 2001. Proxies given by foreign companies must be executed in accordance with the laws of their place of incorporation.

The proxy may, but need not, be a member of the Company.

Voting Entitlement

For the purposes of determining voting entitlements at the General Meeting, shares will be taken to be held by the persons who are registered as holding the shares as at 5.00pm, Wednesday 15 September 2004.

On a poll, members have one vote for every fully paid ordinary share held.