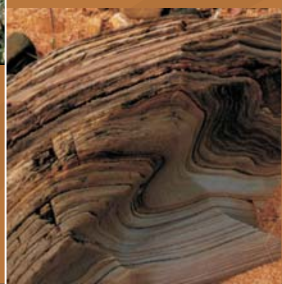
Diatreme Resources Limited

ABN 33 061 267 061



Prospectus

2003

OFFER

An Offer of 25 000 000 fully paid ordinary Shares at $0.10 (10 cents) per Share to raise $2 500 000 (the Offer).

The Company currently conducts business as a gold, diamond and base metal explorer in Queensland and New South Wales.

Underwriter to the Issue and Nominated Adviser:
W.H.I. Securities Pty Limited

Sponsoring Broker:
Pritchard & Partners Pty Limited

Important Information:

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional adviser.

Investment in securities of Diatreme Resources Limited should be regarded as speculative.

Highlights of
Diatreme Resources Limited

- An inventory of resources and projects for drilling.

Project	Prospect	Total Resources
Nymbool	Nymbool	2.4 million tonnes @ 0.7 g/t gold (including 1 million tonnes @ 1 g/t gold)
Yarrol	Yarrol North	0.87 million tonnes @ 1.6 g/t gold
Yarrol	Central Ridge	0.27 million tonnes @ 1.5 g/t gold
Yarrol	Mt Steadman	1.2 million tonnes @ 0.9 g/t gold

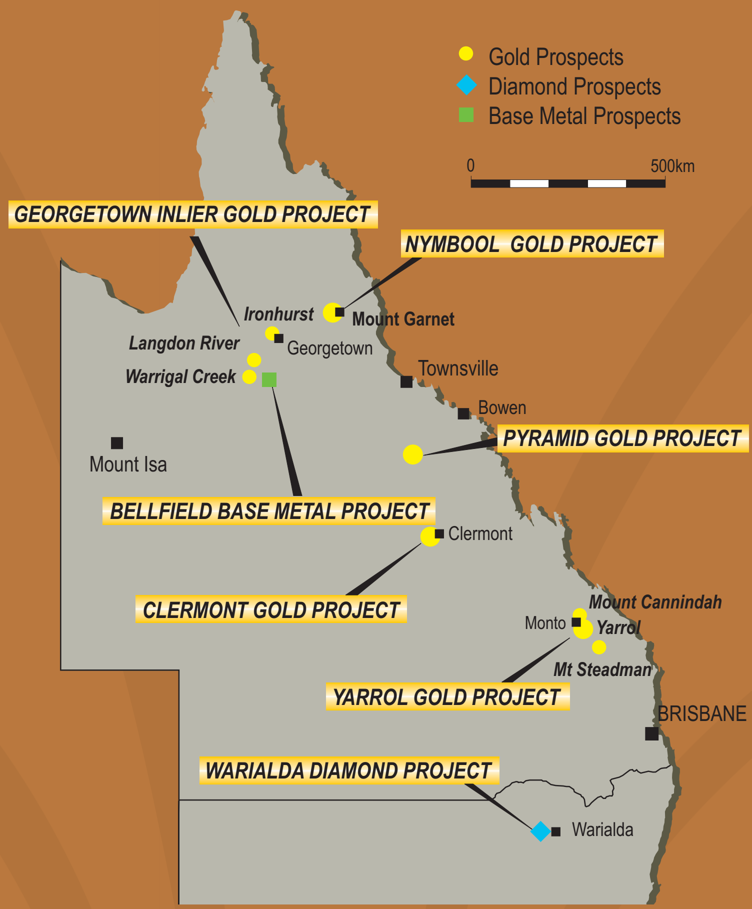
- Highly experienced gold explorer operating in eastern Australia.

- Exploring in the east Queensland gold belt which has produced the significant mines of Kidston, Mount Leyshon, Vera Nancy and Ravenswood.

- Drilling programs which will commence post-listing and continue for 24 months on drill-ready and developing targets.

- Portfolio includes exposure to prospective diamond and base metal projects.

- Directors and Management have public company and exploration experience.



Key Offer Highlights

- 25 million Shares at 10 cents per Share to raise $2.5 million

- Priority for Existing Shareholders to "round up" their Shareholdings

Chairman's Letter

Dear Investor,

On behalf of the Board of Directors of Diatreme Resources Limited (DRL) it is my pleasure to invite you to participate in this Initial Public Offering of shares in the Company. DRL is a significantly advanced exploration company with an excellent balance of highly prospective projects. Unlike many other new exploration floats the majority of the Company's projects have not previously been available to the investment sector. DRL also differentiates itself as its tenement portfolio contains four projects on granted tenements ready to drill and accordingly the drilling component contained in the exploration budgets in this prospectus is significantly higher than is usually achievable for new exploration companies. DRL's geological management team possesses a wealth of experience and a strong established track record of success in the mining industry. Our philosophy is to emulate our past exploration successes through a determined, systematic and seasoned approach using state of the art new technology to find new mines.

Over the first 24 months from listing, DRL has already planned first-pass drilling programs on seven prospects with commencement of drilling immediately upon the Company listing on the Stock Exchange of Newcastle Limited.

- The **Nymbool Gold Project** in north Queensland, which we consider to be one of the best new gold prospects in eastern Australia, is situated in the highly productive north Queensland gold belt and holds many geological similarities with the large gold deposits of the region, such as the Kidston and Mount Leyshon deposits.
- At the **Clermont Gold Project** in central Queensland a stratabound gold-bearing horizon is interpreted to be the source of the gold in the extensive alluvial workings. This horizon will be vigorously pursued with systematic drilling.
- The **Yarrol Gold Project** in south Queensland has existing resources with high grade drill intercepts which require immediate further investigation.

These three gold projects offer very good possibilities for hosting economic mineralisation on granted tenure and established targets are ready for drilling. A total of approximately $3 000 000 has been expended to date on these and other projects by DRL and its previous partners.

I am very proud to be part of a management team with such a distinguished track record. I have participated in several exploration industry successes in 32 years as an explorer. The most notable of these were the Kempfield base metal deposit in New South Wales and the Granny Smith and the King of Creation gold deposits in Western Australia. I have been involved as director, CEO and manager of junior explorer companies since 1983.

Ken Harvey has 33 years experience as a geologist and manager in the industry. He discovered the Balcooma base metal deposit in north Queensland. As the exploration team leader he then went on to discover and prove up the Nolans, Sarsfield and Mount Wright gold deposits at Ravenswood, Queensland, with an impressive total gold endowment of 3.5 million ounces of gold.

The administration of the Company is ably handled by Dave Hall, a geologist with 22 years experience in administration of tenements, native title and accounts. Lawrie Litzow, as corporate secretary, has over 30 years background in listed companies and his experience is invaluable to the Company.

Although an investment in DRL should be considered speculative, we believe that the Company holds a portfolio of the most prospective new exploration opportunities currently existing in eastern Australia. The probability of a significant find is greatly enhanced with advanced targets ready to drill and the substantial hands-on experience and personal successful track record of the management team. This augers well in what the Board regards as an extremely exciting venture.

On behalf of the Directors, I look forward to welcoming you as a Shareholder.

Yours faithfully

Anthony J Fawdon
Executive Chairman / CEO

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Important Notice

This Prospectus is dated 1 August 2003. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission (ASIC) on 1 August 2003. The ASIC, the Stock Exchange of Newcastle Limited (NSX) and their officers take no responsibility for the contents of this Prospectus. The expiry date of this Prospectus is the date which is 13 months after the date of this Prospectus. No Shares will be allotted or transferred on the basis of this Prospectus later than the expiry date.

This Prospectus does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside the Commonwealth of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This Prospectus provides information for investors to decide if they wish to invest in Diatreme Resource Limited (DRL) and should be read in its entirety. In particular, the budgeted exploration costs and the risk factors that could affect the financial performance of DRL should be examined. If, after reading this Prospectus, you have any questions about the desirability of, or procedure for, investing in DRL please contact your stockbroker, accountant or independent financial adviser.

No person is authorised to give any information or to make any representation regarding the Offer other than as set out in this Prospectus. Any information or representation in relation to the Offer which is not contained in this Prospectus may not be relied upon as having been authorised by the Company or its Directors.

Defined terms and abbreviations used in this Prospectus are set out in the Definitions section. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

This Prospectus is available in electronic form via www.diatreme.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons (not including USA persons) receiving this Prospectus in electronic form within Australia. There is no facility for on-line Applications. Persons having received a copy of this Prospectus in its electronic form may, during the offer period, obtain a paper copy of this Prospectus (free of charge) by telephoning 07 3228 4219. Applications for Shares under the Offer may only be made on the Application Form attached to this Prospectus or in its paper copy form as downloaded in its entirety from www.diatreme.com.au. The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Corporations Act prohibits DRL from processing Application Forms in the 7 day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further 7 days. This period is an exposure period to enable this Prospectus to be examined by market participants prior to the raising of funds. Application Forms received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on Application Forms received in the exposure period. An electronic copy of this Prospectus may be downloaded during the exposure period at www.diatreme.com.au.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

1. Investment Overview

1.1 Offer

Shares offered to the public under this Prospectus*	25 000 000
Existing Shares on issue**	25 033 394
Existing Options on issue***	6 687 791
Total number of Shares on issue following this Offer	50 033 394
Total number of Options on issue following this Offer***	6 687 791
Amount to be raised under this Offer before costs	$2 500 000
Market capitalisation at the Offer Price of 10 cents	$5 003 339

* *Shares are on offer at 10 cents per Share.*
** *The Company is required to issue a further 331 260 additional Shares - see Section 9.12.*
*** *All Options are options to acquire one Share, exercisable at 20 cents and expiring on 30 May 2007.*

The above is based on the Offer being fully subscribed. The minimum level of subscription pursuant to the Offer is $500 000 (5 000 000 Shares).

1.2 Important Dates

Offer schedule	Dates
Prospectus lodged with ASIC	1 August 2003
Opening Date of Offer*	9.00 a.m. (Brisbane time) 26 August 2003
Closing Date of Offer*	5.00 p.m. (Brisbane time) 26 September 2003
NSX Listing**	2 October 2003

* *These dates and times are indicative only and may change. The Company reserves the right to change the above dates and in particular close the Offer early or extend the Closing Date or decide to withdraw or otherwise not to proceed with the Offer described in this Prospectus. Applications may be accepted prior to the Opening Date and Applicants are encouraged to apply as soon as possible. The Offer may close earlier than the date specified above.*

** *In the normal course, it is expected that the date of quotation of the Shares on the NSX is ten (10) working days after the Closing Date of the Offer.*

1.3 Purpose of the Offer and Utilisation of Funds

The net proceeds of the Offer will be used as follows:

Total Funds Raised	**$ 2 500 000**
Two year exploration program	$ 1 953 000
Two year administration & corporate	$ 336 000
Fund balance of expenses of Initial Public Offer Prospectus*	$ 211 000
Estimated total expenditure	$ 2 500 000

* *Total Offer expenses are $280 000, of which $69 000 have been paid from existing cash funds.*

Following completion of the Offer, the Company will have adequate working capital to carry out its objectives (as described in this Prospectus generally and in Sections 3 and 6 in particular). Depending on the success of the Company's exploration and any new opportunities arising, DRL may require further fund raisings in the future to facilitate growth.

1.4 Shareholding and Capital Structure

Upon successful completion of the Offer the shareholding structure of DRL will be as follows:

Shareholding	Number of Shares	Percentage
Existing Shareholding*	25 033 394	50.03
Shareholding from IPO Offer	25 000 000	49.97
Total Shares	**50 033 394**	**100.00**

* *The Company is required to issue a further 331 260 additional Shares - see Section 9.12.*

Optionholding	Number of Options	Percentage
Existing Shareholding	6 687 791	100.00
Shareholding from IPO Offer	0	0.00
Total Options	**6 687 791**	**100.00**

1.5 Risk Factors

An investment in Diatreme Resources Limited should be considered speculative. In addition to the general risks associated with any investment in the equity market, there are certain risks inherent in investing in the exploration and mining industry. Investors should be aware that an investment under this Prospectus is likely to involve exposure to risks specific to the Company's operations. A more detailed description of risk factors is contained in Section 5 of this Prospectus. Investors should consider all risks and seek professional financial advice before investing.

1.6 Summary Only

The investment overview in this section is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make a fully informed investment decision.

2. Details of the Offer

2.1 Description of the Offer

The Offer

DRL is seeking to raise $2 500 000 through the Offer of 25 000 000 Shares at 10 cents per Share. Upon completion of the Subscription, the new Shareholders' holdings shall represent 49.97% of the issued Shares and none of the issued Options of Diatreme Resources Limited.

Other than in the case of Existing Shareholders, applications must be for a minimum of 20 000 Shares ($2 000) and thereafter in multiples of 5 000 Shares ($500).

The Offer opens at 9:00am (Brisbane time) on 26 August 2003 and closes at 5:00pm (Brisbane time) on 26 September 2003. DRL reserves the right to vary the Opening and Closing Dates without notice.

Priority Allocation for Existing Shareholders

Existing Shareholders of the Company will have the opportunity to apply for Shares under the Offer in priority to the public until 12 September 2003. Existing Shareholders may apply during the Priority Period using the blue Priority Application Form which will be sent to Shareholders with a copy of this Prospectus. The application price for Existing Shareholders under the Priority Allocation is the same as the Offer Price (ie 10 cents per Share).

Existing Shareholders who held fewer than 10 000 Shares may subscribe for additional Shares in order to "round up" their holdings to a minimum of 10 000 Shares by using the blue Priority Application Form. Existing Shareholders who "round up" their holdings to 10 000 Shares, or who already hold at least 10 000 Shares may use the blue Priority Application Form to subscribe for additional Shares to increase their shareholding in multiples of 5 000 Shares.

Applications made by Existing Shareholders using the blue Priority Application Form received, together with credit card payment details or a cheque for the subscription amount at 10 cents per Share, on or before 12 September 2003 will be given priority in the allocation of Shares under the Offer. Applications to "round up" holdings to 10 000 Shares will be treated as firm allocations, subject to satisfaction of the Minimum Subscription and NSX Listing conditions applying to the Offer under the Corporations Act.

To receive priority, Existing Shareholders must use the blue Priority Application Form. Applications made using the Application Form attached to this Prospectus or a paper copy of the Application Form which accompanies an electronic copy of this Prospectus will not be accorded any priority. The Company may accept Priority Application Forms after 12 September 2003 at its discretion. The Company at its sole discretion retains the right to accept or reject any Application (in whole or in part) and to alter the terms of the Priority Allocation.

2.2 How to Apply for Shares in the Offer

Applications for Shares can only be made by completing and lodging a paper copy of an Application Form which was attached to or accompanied a copy of this Prospectus.

Application Forms for the Offer are attached to this Prospectus and to this Prospectus in electronic form at *www.diatreme.com.au.*

Existing Shareholders will be sent a personalised Application Form together with a copy of this Prospectus. The personalised Application Form sets out the Shareholder's details as recorded in the Company's Shareholder register and makes provision for the named Existing Shareholder:

a) to apply for Shares at the IPO subscription price of 10 cents each to "round up" their Existing Holding (if less than 10 000 Shares, see above); and

b) to apply for additional Shares as part of the Offer at the Subscription price of 10 cents each (in addition to or distinct from "rounding up" their Existing Holding).

Application Forms should be completed in accordance with the instructions on the relevant Application Form. Completed Application Forms and credit card payment details or cheques should be returned to reach the Company's share registrar, Douglas Heck & Burrell Registries, at the address shown on the back of the Application Form by the Offer Closing Date. Priority Application Forms should be returned with payment to reach the Company's share registrar on or before 12 September 2003, but may be accepted (without priority) after that date.

If any details in a personalised Application Form sent to an Existing Shareholder are incorrect, the Shareholder should amend the form and initial the change. The Company reserves the right to reject an Application Form (in part or entirely) which has been amended to increase the number of "round up" Shares applied for in excess of the number required to increase the Shareholder's holding to 10 000 Shares. Amendment of the form cannot be used to change the name of the holder of Shares or to transfer an entitlement to "round up" Shares. If the name or address details are incorrect, the Shareholder should contact the Company's share registry to arrange for the information to be corrected and a replacement form sent. Priority to apply for additional Shares to “round up” holdings of fewer than 10 000 Shares are as specified on the relevant Priority Application Form. The Company reserves the right to reject any Priority Application Form (in part or entirely) which has been amended to increase the number of “round up” Shares. The Shareholder should contact the Company’s share registry if the “rounding up” number is believed to have been miscalculated, so that the information can be corrected and a replacement form sent.

An Application Form must be accompanied by payment by cheque or credit card for the subscription price of the Shares applied for in Australian dollars. A cheque must be drawn on an Australian branch of a bank or financial institution, made payable to 'Diatreme Resources Limited Share Offer' and crossed 'Not Negotiable'.

An Application Form may only be distributed attached to or accompanied by a complete and unaltered copy of this Prospectus in printed or electronic form. Application Forms included with this Prospectus and personalised Application Forms sent to Existing Shareholders contain a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Applications should be:

Posted to:
Diatreme Resources Limited Share Offer
c/- Douglas Heck & Burrell Registries
GPO Box 35
Brisbane QUEENSLAND 4001

or

Delivered to:
Diatreme Resources Limited Share Offer
c/- Douglas Heck & Burrell Registries
Level 22, 300 Queen Street
Brisbane QUEENSLAND 4000

DRL will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper or electronic copy of this Prospectus or if it has reason to believe that the Application Form or electronic copy of this Prospectus has been altered or tampered with in any way.

Additional copies of this Prospectus are available from DRL's website at *www.diatreme.com.au.*

Lodgement of an Application Form constitutes an irrevocable offer made in accordance with this Prospectus and the relevant Application Form. The Company reserves the right to accept applications (in whole or in part) received after the Closing Date.

Existing Shareholders who do not receive a Priority Application Form should contact the Company’s share registry to arrange for a Priority Application Form and a copy of the Prospectus to be sent.

Enquiries about how to accept the Offer should be directed to Douglas Heck & Burrell Registries call centre on 07 3228 4219 during business hours.

2.3 Rights Attaching to Shares

The Shares will rank equally in all respects with the Company's existing Shares. The rights and liabilities attaching to all Shares are described in Section 9.1.

2.4 Dividend Policy

As DRL is an exploration company, the Directors do not anticipate declaring a dividend for the year ending 31 December 2003 or in the foreseeable future.

The payment of any future dividends will be dependent upon the Company undertaking activities to generate revenue such as the mining of a resource or profitable sale of a mining asset. Any future determination as to the payment of dividends by DRL will be at the discretion of the Directors. The payment of dividends will depend upon the availability of distributable earnings, the operating results and financial condition of DRL, future capital requirements, general business and financial conditions and other factors considered relevant by the Directors. No assurances in relation to the payment of future dividends, or the franking credits attached to such dividends, can be given to Shareholders.

2.5 Allotment

Subject to the minimum Subscription amount of $500,000 being received, allotment of Shares will be made as soon as possible after the IPO Closing Date but no earlier than 7 days after this Prospectus was lodged with ASIC. Statements of Share holdings will be dispatched after allotment and issue. It is the responsibility of Applicants to determine their allocation prior to trading in Securities. Applicants trading Securities before they receive their Shareholder statements will do so at their own risk.

DRL reserves the right to allocate the Shares offered under this Prospectus in full on any Application, or in the case of IPO Offers to allocate any lesser number, or to decline any Application under the IPO Offer. Where no allotment is made or if fewer Shares than applied for are allotted and issued, the applicable amount will be returned without interest in accordance with the Corporations Act. Applications to "round up" Existing Holder's shareholdings will be given priority over other applications.

All Application Monies received with Applications will be held in trust for the Applicants by the Company until the allocations are determined.

2.6 Underwriting

The Offer of 25 000 000 fully paid ordinary shares has been underwritten by W.H.I. Securities Pty Limited (WHIS) to the level of 2 000 000 Shares ($200 000). The underwriting is subject to certain conditions including circumstances under which the Underwriter may terminate its obligations as summarised in Section 9.9.1 of this Prospectus. DRL will pay an underwriting fee of 6%, inclusive of a subunderwriting fee of 5%, in respect of applications received and accepted by DRL.

2.7 NSX Listing

DRL will apply to the Stock Exchange of Newcastle Limited (NSX) within 7 days from the date of this Prospectus to be admitted to the Official List and for quotation of Existing Shares and the Shares offered under this Prospectus on the NSX. If granted, Official Quotation will commence as soon as practicable after the allotment of the Shares to investors. The NSX and its officers take no responsibility for the contents of this Prospectus. The fact that the NSX may admit DRL to its Official List is not to be taken in any way as indication of the merits of DRL or the Securities offered pursuant to this Prospectus.

If DRL is not admitted to the Official List of the NSX and the Shares offered under this Prospectus are not granted official quotation within 3 months after the date of this Prospectus, none of the Securities offered under this Prospectus will be allotted and all Application Monies will be refunded without interest to Applicants within the time prescribed by the Corporations Act.

2.8 CHESS

DRL will participate in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement and Transfer Corporation Pty Limited (ASTC) operates CHESS in accordance with the Listing Rules and the SCH Business Rules.

Under CHESS, a Shareholder will not receive a certificate but will receive a statement of their holding in DRL.

If a Shareholder is broker sponsored, ASTC will send the Shareholder a CHESS statement. The CHESS statement will set out the number of Shares allotted to each Shareholder under this Prospectus, give details of the Shareholder's Holder Identification Number and give the Participant Identification Number of the sponsor.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by Douglas Heck & Burrell Registries, and will contain the number of Shares allotted under this Prospectus and the Shareholder's security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. A Shareholder may request a statement at any other time. However, a charge may be made for additional statements.

Yarrol Project - DRL Drilling at the Central Ridge Prospect

2.9 Restricted Securities

Existing Shares of the Company may be subject to various escrow conditions imposed by NSX. The Company anticipates that 1 600 000 existing Shares will be subject to escrow for one year from the Company listing, and 4 853 824 existing Shares will be subject to escrow for two years. The holders of the Shares will be required to enter Restriction Agreements to satisfy NSX requirements before the Company is admitted to the Official List of NSX.

None of the Securities to be issued under the Offer pursuant to this Prospectus will be restricted securities.

2.10 Foreign Investors

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

2.11 Minimum Subscription

The minimum amount to be raised under the IPO Offer is $500 000. Section 3.4 sets out details of the Company's exploration budget at the Minimum Subscription level. If DRL does not receive this amount by the Closing Date (which may be extended without notice) or such later date as permitted under the Corporations Act and as the Board may determine, all Application Monies (as applicable) will be refunded in full without interest in accordance with the Corporations Act and no Securities offered under this Prospectus will be allotted or issued.

2.12 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offer, in which case DRL will return all Application Monies (if applicable) without interest within 21 days of giving notice of its withdrawal.

2.13 Adviser & Broker Commissions

Financial advisers and other intermediaries are compensated in different ways for the provision of services to their clients. For those organisations that levy a handling or similar fee, DRL, through the Underwriter, will pay such a fee to participating organisations of NSX and eligible licensed or exempt financial services providers (together referred to as 'advisers') who introduce investors to DRL.

The fee will not exceed 5% (inclusive of GST if applicable) of the issue price of the Shares payable on monies received pursuant to Offer Applications by clients of advisers and lodged bearing the adviser's stamp. The Underwriter will receive a further 1% on all Application Monies.

Advisers are obliged to disclose the amount of the fee to their clients. No brokerage or commission is payable by Applicants in respect of their Applications for Shares under this Prospectus.

Bellfield Project - Gilbert River breccia
Drill Target B4

3. Directors' Report

3.1 Company Profile

Diatreme Resources Limited was incorporated as Minstrike Mining Pty Ltd on 10 August 1993 and changed its name to Strike Exploration Pty Limited on 25 May 1994.

Strike Exploration Pty Limited was a wholly owned subsidiary of Strike Mining N.L., a Queensland based company, which was listed on the Australian Stock Exchange in May 1994 with a capital raising of $7.5 million. In June 2000 Strike Mining N.L. acquired Select-Tel Limited and its subsidiary, Strike Exploration Pty Limited, was subsequently divested to the Select-Tel and Strike Mining N.L. shareholders in an in specie share distribution.

On 30 November 2000, the Company converted to an unlisted public company and changed its name to Minstrike Limited. The name was changed to Diatreme Resources Limited on 26 March 2001.

In March 2001, the Company acquired the assets, including cash, of Regional Exploration Management Pty Ltd, and its wholly owned subsidiary Chalcophile Resources Pty Ltd. This resulted in an expanded Company portfolio of mineral projects and provided further funds for exploration programs.

Organisational Chart of Diatreme Resources Limited and it's wholly owned subsidiaries.

DIATREME RESOURCES LIMITED (DRL)
ABN 33 061 267 061
Holds Tenements and Tenement Applications in Queensland

↓

100% wholly owned subsidiary of DRL
REGIONAL EXPLORATION MANAGEMENT PTY LTD (REM)
ABN 55 093 739 336
Holds Tenements in New South Wales

↓

100% wholly owned subsidiary of REM
CHALCOPHILE RESOURCES PTY LTD
ABN 41 090 712 217
Holds Tenements and Tenement Applications in Queensland

Exploration expenditure to date by Diatreme Resources Limited and its previous entities and joint venture partners on the granted project areas of Diatreme Resources Limited totals approximately $3 million. This includes drilling in the Yarrol and Nymbool Project areas where resources have been identified.

The Company currently conducts business as a gold, diamond, and base metal explorer in Queensland and New South Wales.

3.2 Exploration Rationale and Strategy

The Directors believe that as well as a good portfolio of properties, a successful exploration company requires a reasoned and valid exploration strategy.

Mineral exploration in Australia during the last 30 years has been a highly successful business as indicated by the number of new mines and the increase in the value of mineral commodity exports. Some companies have achieved substantial growth through exploration. More recently, many major companies have adopted a strategy of growing their resource base through acquisition rather than exploration. However, moving resources between companies does not generate new resources and ultimately resource companies will have to return to exploration to replace the depleting mineral resource base. DRL is well placed to be part of this expected resurgence in exploration.

The exploration business during this resurgence will be substantially different from that in the past. Some of the probable perceived changes to the industry which are important are seen as:

- Exploration shifting to search for deeper (probably covered) mineralisation. This will require a significant change in approach but offers opportunities for those who are equipped to undertake deeper exploration.
- Major companies will possibly rely to a much greater extent on junior explorers to find new resources. This will provide increased opportunities for junior explorers.
- Australian governments will play a more significant role in the provision of regional datasets for exploration than in the past. This will allow explorers to focus on more target-based exploration.
- Legislation affecting such issues as access to land and the environment will continue to have a significant impact on exploration activity. Successful companies will require strategies to

work with current and future legislation affecting access to land, native title, cultural heritage, duty of care and environmental issues.

The move to a deeper mineral search can open up opportunities for explorers that are equipped for such a search. There is no valid geological reason why the slice of the crust between 100 m and 200 m depth should be any less productive than that between the surface and 100 m depth. Successful deeper exploration, however, requires a fundamental change in approach. Prospecting will give way to technology. It requires that the modern explorer be substantially smarter than in the past. It requires that exploration be based on good science, on more comprehensive, accurate and higher quality data so that the subtle indications of more deeply buried mineralisation are apparent. It also requires that exploration uses the new technologies that provide a superior view of the data and greatly assist the interpretation of results, that it employs modern exploration methods and equipment that are designed to detect mineralisation at greater depth and that all exploration programs contain a substantial drilling component.

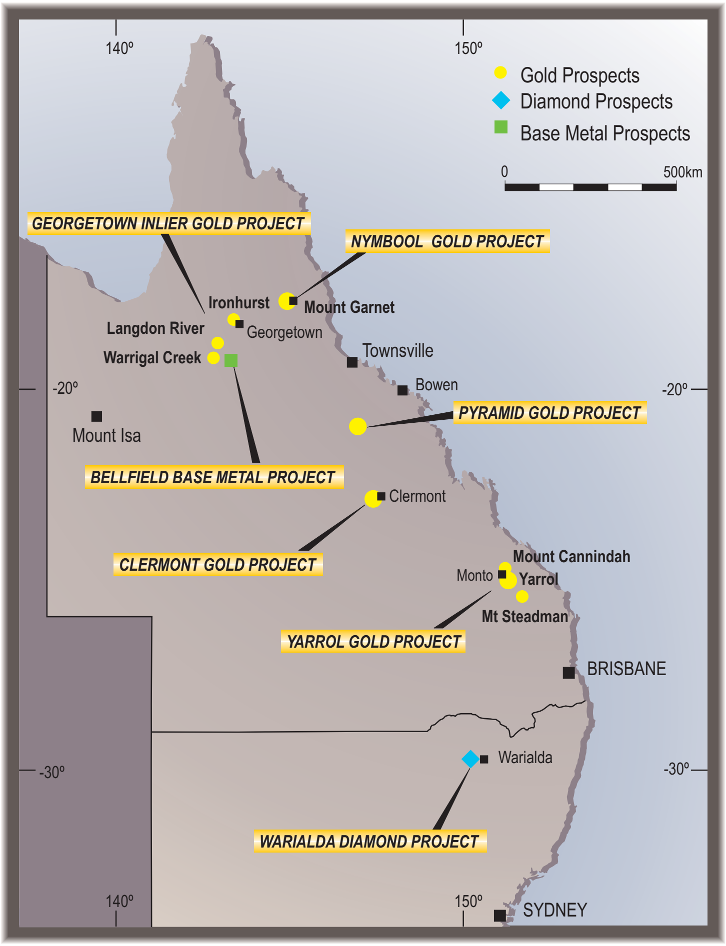
DRL's approach will also manage the risks involved in the exploration process by a very strong focus on:

- **Commodities and deposit styles that can provide a substantial and profitable mining business. For example, DRL is searching for large Kidston or Mount Isa style deposits.**
- **Areas which have been productive for the commodities sought, such as at Nymbool in the productive North Queensland Gold Belt, and at Bellfield in Proterozoic rocks, similar to those at Mount Isa.**
- **Testing of significant prospects or targets rather than undertaking pure "greenfields" exploration on larger areas.**
- **Regular review of properties and how to extract maximum value from them.**

This strategy is reflected in DRL's portfolio of properties and in its work programs. For example, DRL, following completion of a successful capital raising, will commence ongoing drilling programs on the numerous targets so far identified. In the view of the Directors such a course of action will maximise the chances for positive results which will improve the prospects for the Company and Shareholders.

3.3 Exploration Projects

DRL has three principal gold projects, Nymbool, Clermont and Yarrol, as well as a number of other quality gold, diamond and base metal exploration projects. Together the projects form a high quality exploration package. A summary of the important elements of these projects follows including the major deposit type models being used during exploration. These models are an essential part of the exploration process as they direct the Company to focus on the characteristics of the deposit targets and the exploration techniques that are relevant to a search for the deposits.

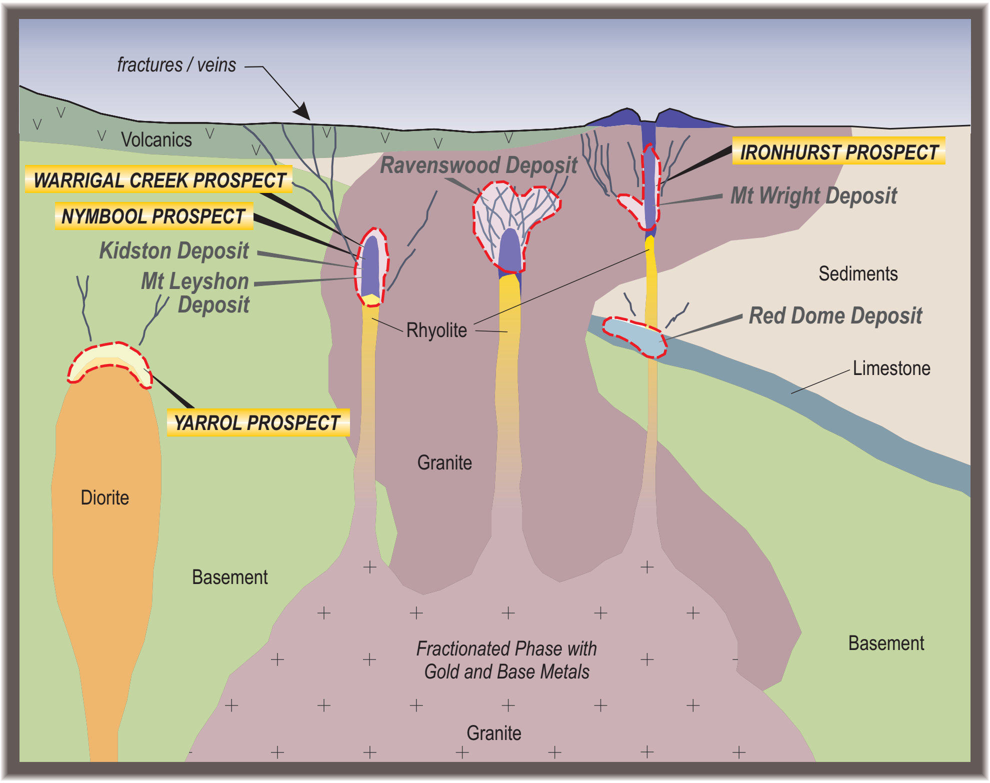


Diatreme Resources Limited - Project Locations.

GOLD

Model for the formation of Intrusive Related Gold Deposits

In eastern Australia many gold deposits are interpreted to be associated with high-level intrusive or sub-volcanic bodies. Gold deposits form in the upper parts of the intrusive bodies where the hydrothermal fluids containing gold tend to accumulate. Exploration involves recognition of areas containing high-level intrusives, which are prospective gold sources, and the use of geochemistry and geophysics to define targets for drilling.



Intrusive Gold Exploration Model - Schematic section showing gold deposit settings in Queensland which are used as a basis for further exploration.

Nymbool Gold Project

A shallow resource of low-grade gold mineralisation of 2.4 million tonnes at 0.7 g/t gold has already been identified at Nymbool. The aim of this project is to drill both below and adjacent to this resource into a newly discovered, essentially untested, large geophysical anomaly to delineate a substantial gold deposit.

An Induced Polarisation (IP) geophysical survey with advanced computer modelling of the results has indicated the presence of a large chargeability anomaly below the current gold resource. This anomaly is virtually untested by drilling except where past drilling has penetrated the top of the anomaly in one area. It covers an approximate area of 700 m by 300 m and is approximately 200 m thick.

The identified low-grade resource is a possible halo of mineralisation adjacent to a possible larger body of mineralisation inferred from the geophysical anomaly.

The known gold resource and the adjacent chargeability anomaly are hosted within prospective high-level sub-volcanic porphyritic intrusives.

DRL plans to conduct an initial drilling program of 7 holes for 1 500 m of reverse circulation drilling, below and adjacent to the known gold resource and also into the chargeability anomaly.

Nymbool Gold Project - Program and Budget

Item	Year 1 $	Year 2 $
Drilling	114 000	155 000
Geophysics	44 000	Nil
Geology	5 000	10 000
Research, Database	5 000	10 000
Sample analyses	12 000	22 000
Tenement costs, Logistics	21 000	27 000
TOTALS	**201 000**	**224 000**

Clermont Gold Project

The aim is to drill a prospective gold-bearing horizon at the Clermont South Gold Prospect to delineate a substantial body of stratabound, high-grade gold mineralisation.

Substantial alluvial gold has been mined from the vicinity of an extensive banded siliceous ironstone horizon which carries low-grade gold values in outcrop and drill holes.

The horizon is similar in appearance to gold-bearing horizons at some other major gold deposits such as Hemlo in Ontario and Tick Hill in Queensland.

The gold-bearing horizon crops out in a shallow-dipping anticlinal structure and a large area of shallow prospective horizon is inferred to exist in the area.

DRL will complete a widely-spaced drilling program, initially comprising 8 holes for 800 m, of reverse circulation drilling on the inferred extensive down dip portions of the banded siliceous ironstone horizon, in an attempt to delineate higher-grade areas for a more extensive follow-up drilling program.

Clermont Gold Project - Program and Budget

Item	Year 1 $	Year 2 $
Drilling	81 000	88 000
Geophysics	Nil	Nil
Geology	4 000	3 000
Research, Database	6 000	5 000
Sample analyses	6 000	7 000
Tenement costs, Logistics	21 000	21 000
TOTALS	**118 000**	**124 000**

Yarrol Gold Project

The aim is to outline substantial additional higher-grade resources adjacent to the known resources at the Yarrol and Mount Steadman Gold Prospects.

Resources defined to date in two areas at the Yarrol Gold Prospect by shallow drilling total 870 000 tonnes @ 1.6 g/t gold at Yarrol North and 270 000 tonnes @ 1.5 g/t gold at Central Ridge.

The resource defined to date at the Mount Steadman Gold Prospect by shallow drilling is 1.2 million tonnes @ 0.9 g/t gold.

DRL will complete initial reverse circulation drilling programs on defined targets adjacent to the known resources at Yarrol and Mount Steadman in an attempt to increase resources. These initial programs include 4 holes for 400 m at Yarrol and 2 holes for 200 m at Mount Steadman.

Yarrol Gold Project - Program and Budget

Item	Year 1 $	Year 2 $
Drilling	87 000	122 000
Geophysics	4 000	Nil
Geology	13 000	Nil
Research, Database	2 000	1 000
Sample analyses	7 000	8 000
Tenement costs, Logistics	35 000	39 000
TOTALS	**148 000**	**170 000**

Georgetown Inlier Gold Project

The aim of exploration on this project is to find substantial gold mineralisation at the Warrigal Creek, Munitions Creek (Langdon River) and Ironhurst Gold Prospects.

The Warrigal Creek Gold Prospect contains magnetic anomalies resembling those at Mount Leyshon and gold geochemical anomalies in the overlying sandstone cover rocks.

At the Munitions Creek Gold Prospect, quartz veins have yielded surface rock chip results to 22.5 g/t gold within an area 600 m by 200 m in extent. No drilling has been previously completed in this area.

At the Ironhurst Gold Prospect previous drilling has encountered moderately high zinc and silver values in the shallow parts of a sub-volcanic breccia system. Potential exists for gold mineralisation beneath the shallow zinc and silver zone.

DRL will initially drill 3 reverse circulation holes for 300 m into the magnetic targets at Warrigal Creek, 4 holes for 300 m into the gold-bearing quartz veins at Munitions Creek and a further 2 holes for 500 m into the deeper parts of the Ironhurst breccia system searching for significant gold mineralisation.

Georgetown Gold Project - Program and Budget

Item	Year 1 $	Year 2 $
Drilling	46 000	110 000
Geophysics	2 000	Nil
Geology	12 000	15 000
Research, Database	3 000	2 000
Sample analyses	Nil	10 000
Tenement costs, Logistics	46 000	37 000
TOTALS	**109 000**	**174 000**

Pyramid Gold Project

The project aim is to find a significant body of high-grade epithermal gold mineralisation.

Previous exploration has located extensive indications of gold mineralisation in this area associated with rocks that are equivalent in age to those that host the Yandan, Wirralie and Vera Nancy gold deposits.

The best drilling results previously reported from the area are 8 m @ 18.1 g/t gold and 24 m @ 5.0 g/t gold at the Gettysberg Prospect which is within DRL's EPM application.

Work will involve the delineation of targets adjacent to known gold mineralised prospects and drilling of these targets.

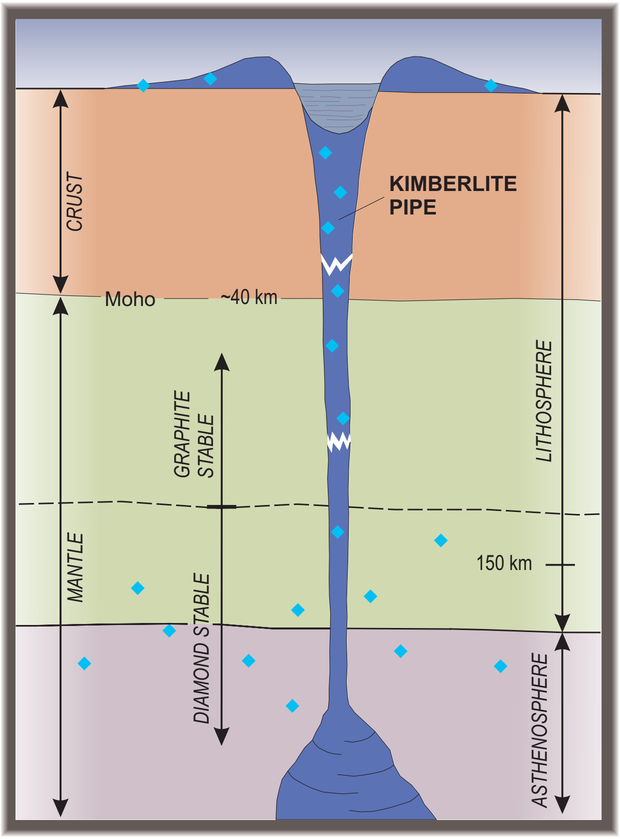
Pyramid Gold Project - Program and Budget

Item	Year 1 $	Year 2 $
Drilling	Nil	47 000
Geophysics	Nil	Nil
Geology	2 000	8 000
Research, Database	1 000	1 000
Sample analyses	Nil	4 000
Tenement costs, Logistics	21 000	25 000
TOTALS	**24 000**	**85 000**

DIAMONDS

Model for the formation of Diamond Deposits

Diamonds form deep within the earth where, at high pressures, they are stable. Rocks that originate deep within the earth such as kimberlite and lamproite occasionally transport diamonds to the earth's surface by natural volcanic processes. Diamond deposits at the surface are therefore found associated with dykes and diatremes of these deeply derived rocks. These diamond-bearing rocks when weathered and eroded produce alluvial deposits. Diatremes normally have surface craters when formed and these may fill with sediments which cover the diamond bearing rocks beneath. A diamond search typically involves sampling for 'indicator' minerals that erode from the deeply derived host rocks and using geophysical techniques to detect such host rocks.



Diamond Exploration Model - Schematic section showing how diamond deposits are believed to have formed and which is used as a basis for further exploration at Warialda.

Warialda Diamond Project

The aim of this project is to discover the hard rock source of the alluvial diamonds in the Bingara Diamond Field which was the second largest producing field in New South Wales.

DRL has used innovative geological methods coupled with interpretation of the latest high quality geophysical and radiometric data in the search for the source of the diamonds in the Bingara alluvials.

DRL has reconstructed the drainage patterns at the time of deposition of the alluvial diamonds in the elevated ancient river system at Bingara. Importantly, the paleo-drainage directions are interpreted as being reversed from those of the present time. This has enabled DRL to establish the possible headwater catchment supplying diamonds to the alluvial deposits in ancient times.

Using modern geophysical data, five high priority magnetic anomalies have been defined 30 km north of Bingara within the possible catchment of this ancient drainage.

Diamond bearing conglomerate at Bingara
(sample photo not on DRL property)

These anomalies are thought to be highly prospective and potentially indicate kimberlitic or lamproitic diamond pipes, which may have been the source of the alluvial diamonds in the Bingara Diamond Field.

DRL will initially drill 8 holes for a total of 800 m into the magnetic anomalies to determine their diamond potential. Additional work will depend on the results from this drilling.

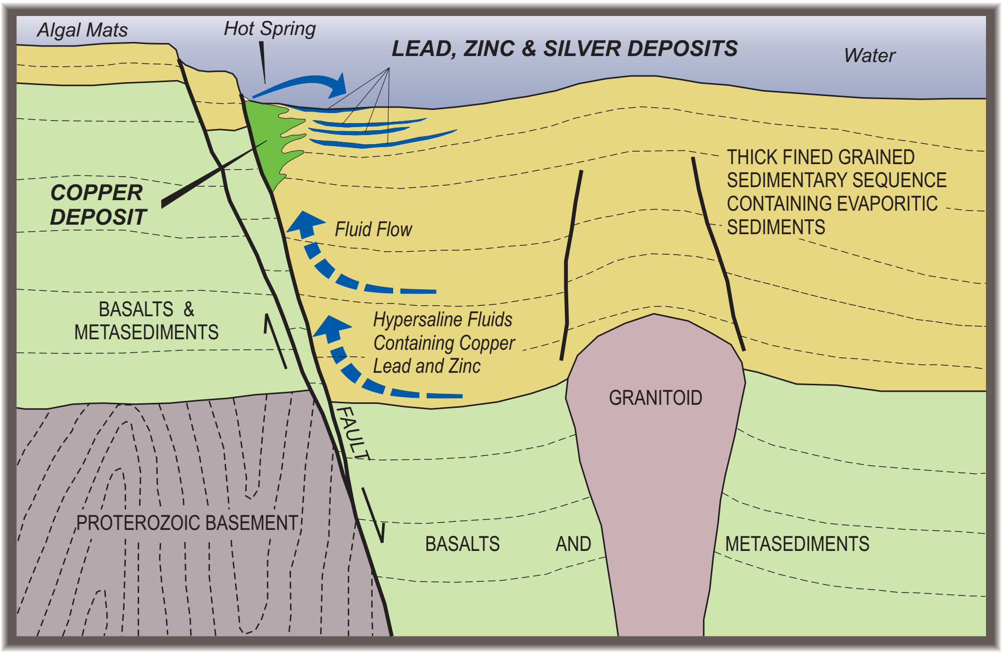
Warialda Diamond Project - Program and Budget

Item	Year 1 $	Year 2 $
Drilling	81 000	Nil
Geophysics	13 000	Nil
Geology	8 000	Nil
Research, Database	1 000	Nil
Sample analyses	6 000	Nil
Tenement costs, Logistics	14 000	16 000
TOTALS	**123 000**	**16 000**

BASE METALS

Model for the formation of Proterozoic Base Metal Deposits

Large Proterozoic base metal deposits form at or near the ground surface within fine-grained sediments adjacent to large fault zones which existed at the time of sediment deposition. Hot hypersaline solutions, probably derived from buried salt deposits, leach the metals from rocks and carry them to the surface where they form metal sulphide deposits. Large domal features commonly occur in the vicinity of the deposits. Basalts may be an important source of metal for copper deposits. The search for such deposits usually involves recognition of a favourable geological setting (presence of fine grained evaporitic sediments of Proterozoic age with adjacent large faults), geochemical and geophysical surveys and drilling.



Proterozoic Base Metal Exploration Model - Schematic section showing how base metal deposits are believed to have formed and which will be used in exploration at Bellfield.

Bellfield Base Metal Project

The aim of the Bellfield Base Metal Project is to discover a major Mount Isa style copper-lead-zinc-silver deposit.

DRL is looking for world-class base metal deposits within Proterozoic age rocks, where the bulk of Australia's large base metal mineral deposits occur.

Work to date has identified a base metal project, within similar rocks and in a similar structural setting to the giant Mount Isa deposit. The prospective rocks are covered by up to 180 m of younger sandstone rocks from which springs of groundwater, carrying anomalous zinc values, are known to well up from depth to the surface along a major fault zone.

Anomalous zinc and copper have been precipitated in swamp mud near the fault zone. The metals are thought to be sourced from mineral deposits in the underlying Proterozoic rocks.

DRL's research using modern high quality geophysical datasets and geological interpretation has identified five high-priority geophysical anomalies over a distance of 30 kilometres along the fault zone.

DRL will initially drill two 400 m deep holes for a total of 800 m, into these anomalies and through the overlying sandstone cover, seeking the source of the zinc and copper being transported by the groundwaters.

Bellfield Base Metal Project - Program and Budget

Item	Year 1 $	Year 2 $
Drilling	Nil	119 000
Geophysics	59 000	Nil
Geology	10 000	6 000
Research, Database	1 000	1 000
Sample analyses	Nil	6 000
Tenement costs, Logistics	67 000	51 000
TOTALS	**137 000**	**183 000**

3.4 Allocation of Funds and Rate of Expenditure

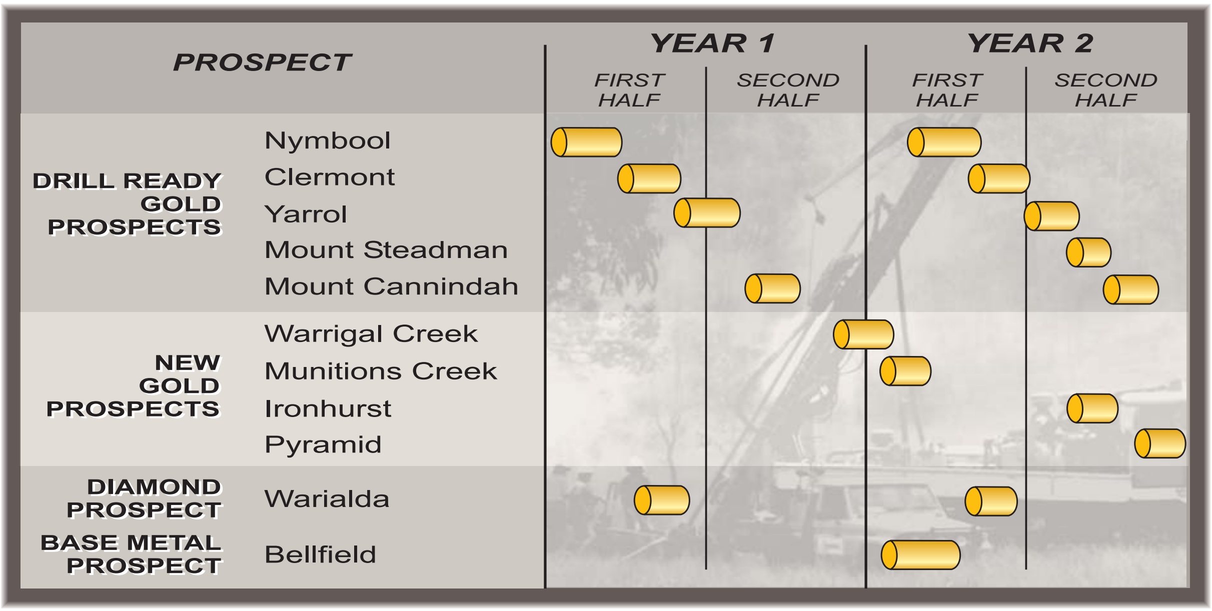
The funds to be raised are to progress the exploration and strategic position of the Company and also to be used for general working capital, as set out in the table below. The budget assumes that a total of $2.5 million, before costs, is raised through this Prospectus.

The proposed two year exploration budget for the Company is as follows:

PROJECT	1st Year	2nd Year	TOTAL
Gold Projects - Drill Ready	**$467 000**	**$518 000**	**$985 000**
Nymbool	$201 000	$224 000	$425 000
Clermont	$118 000	$124 000	$242 000
Yarrol	$148 000	$170 000	$318 000
Gold Projects - New	**$133 000**	**$259 000**	**$392 000**
Georgetown Inlier	$109 000	$174 000	$283 000
Pyramid	$ 24 000	$ 85 000	$109 000
Diamond and Base Metal Projects	**$260 000**	**$199 000**	**$459 000**
Warialda - Drill Ready	$123 000	$ 16 000	$139 000
Bellfield	$137 000	$183 000	$320 000
New Project Generation	**$ 79 000**	**$ 38 000**	**$117 000**
TOTAL	**$939 000**	**$1 014 000***	**$1 953 000**

** Ongoing exploration is dependent on successful results from prior programs, and funds will be directed to the more prospective areas as required.*

The anticipated drilling schedule for the prospects is as follows:



Anticipated Drilling Schedule. The schedule in Year 2 may vary depending on results.

Minimum Subscription Exploration Budget

In the event that the raising only achieves the Minimum Subscription, the Directors propose to complete a program with a smaller drilling component and to take action to maintain the tenements held by the company. A reduced program of drilling of the Nymbool and Clermont Projects is proposed to test the best targets in these project areas. Delays in granting of some tenements will reduce the need for expenditure on these and geological and other work proposed in other project areas will partly meet expenditure commitments to maintain these tenements.

The proposed exploration budget for the Minimum Subscription is as follows:

PROJECT	Budget
Gold Projects - Drill Ready	**$209 000**
Nymbool	$101 000
Clermont	$ 82 000
Yarrol	$ 26 000
Gold Projects - New	**$ 37 000**
Georgetown Inlier	$ 17 000
Pyramid	$ 20 000
Diamond and Base Metal Projects	**$ 23 000**
Warialda - Drill Ready	$ 13 000
Bellfield	$ 10 000
New Project Generation	**$ 41 000**
TOTAL	**$310 000**

In the event that the funds raised are greater than the Minimum Subscription but less than the total amount to be raised, the program for the Minimum Subscription budget will be completed as well as additional exploration on drill-ready targets and further work on the above projects in the subsequent year, if warranted by results obtained in the first year. Additional expenditure on drill-ready targets will be directed according to the level of subscriptions received and the results of preliminary reviews to establish the priority in which work is to be undertaken on those targets.

Nymbool Gold Project - DRL Drilling

3.5 Corporate Objectives

DRL has extensive expertise in mineral exploration which it will use for Shareholder's benefit. The principal objective is to discover major gold, diamond and base metal deposits in Australia. This is consistent with the Company's expertise. The Directors believe that if it can be achieved it will generate substantial wealth for the Shareholders.

The Company's Directors have not formed a view on whether discoveries will be developed, farmed out, joint ventured or sold by DRL as this decision must be made on the basis of maximising the returns to Shareholders. A decision can only be made when the full facts of a discovery are known.

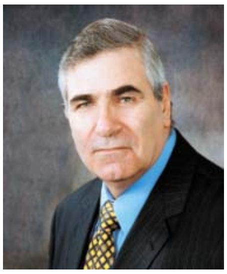
4. Directors and Management

4.1 Diatreme Resources Limited and its Board

The Board is responsible for the corporate governance of DRL, including its strategic development. The Board will be responsible for reviewing corporate strategy and financial targets in terms of Shareholder expectations, performance and potential. It establishes goals for management and monitors achievement of these goals.

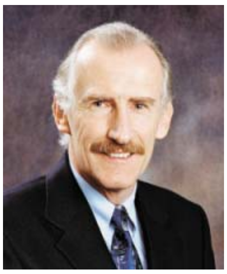
4.2 Profile of Directors and Executive Management

Anthony John Fawdon (Age 59) F.Aus.I.M.M., F.A.I.C.D.
Executive Chairman - CEO



Tony has been active in the Australian mining and exploration industry for 32 years, working, until 1982, at various management levels for multinational companies. Tony then became founder and director of several listed explorers including the Queensland based gold and base metal explorer Strike Mining NL in 1994 for which he was Managing Director/CEO until 2000. Tony is a Director of the Queensland Mining Council Ltd and chairs their Junior Resources Committee. He is Chairman of the Queensland Geoscience Improvement Forum, a member of the Queensland Minister for Mines Exploration Committee and is Chairman of Opal Horizon Limited.

David Hugh Hall (Age 49) B.App.Sc. (Geol), G.Dip.E.Sc.
Executive Director - Exploration Administrator



David is a geologist with over 22 years experience in both field exploration and office administration. During this time, he has developed skills and experience in corporate management. He has specialist experience in project maintenance, tenement administration, government agency, landholder and native title liaison and public and private company dealings. He is a member of the Queensland Mining Council Exploration Committee.

Lawrence James Litzow (Age 69) - F.C.A., A.A.U.Q., A.C.I.S.
Non-Executive Director - Corporate Secretary

As a Chartered Accountant, Lawrie consults in specialist accounting and corporate matters. He holds positions as corporate secretary with a number of public and private companies. His background includes tenure 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), State Chairman of the Taxation Institution of Australia and Director of several public and private companies.

Kenneth James Harvey (Age 58) M.Sc., Dip. Ed., M.Aus.I.M.M., M.A.I.G., M.S.E.G., M.G.S.A
Exploration Manager

Ken has over 33 years experience in mineral exploration, management and resource evaluation throughout Australia. He was a long-standing member of MIM's exploration team, who were responsible for many discoveries. Throughout his career he has held numerous management positions within the minerals industry. He is currently a member of the Queensland Geoscience Improvement Forum and a member of the Queensland Minister for Mines Exploration Committee.

4.3 Corporate Governance

The Board has put in place the framework and operational policies for the management of DRL ensuring the proper management of internal controls and risk.

The Board of Directors

The Board carries out its responsibilities according to the following mandate:

- the Board should comprise at least three Directors;
- the Board should include at least one non-executive Director;

- the Directors should possess a broad range of skills, qualifications and industry experience;
- the Board should meet on a regular basis; and
- all available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting.

The primary responsibilities of the Board include:

- the approval of the annual and half year financial reports;
- the establishment of the long-term goals of DRL and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of DRL and monitoring the results on a quarterly basis; and
- ensuring that DRL has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Independent Professional Advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at DRL's expense concerning any aspect of DRL's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Audit Committee

The Board has established an Audit Committee consisting of three Directors. The current members of the Audit Committee are:

- AJ Fawdon (Chairman)
- DH Hall
- LJ Litzow

The Audit Committee provides a forum for the effective communication between the Board and the auditors.

The Audit Committee reviews:

- the annual and half year financial reports prior to their approval by the Board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the audit functions.

The Audit Committee will invite the auditors to attend Audit Committee meetings.

Remuneration Committee

The Remuneration Committee consists of the Directors:

- AJ Fawdon , Chairman
- LJ Litzow , Non- Executive Director

The policy of the Company is to set remuneration at competitive levels so as to attract the appropriate levels of skill and experience in Directors and senior executives. The Remuneration Committee will commission external independent experts to guide the committee in setting appropriate industry remuneration levels on a case by case basis. The Remuneration Committee will determine in each case:

- the amount of the remuneration; and
- the term of appointment (subject to Shareholder confirmation where required).

Risk Management

The Board is responsible for DRL's system of internal controls. The Board monitors the operational and financial aspects of DRL's activities and, through the Audit Committee, the Board considers the recommendations and advice of the auditors and other external advisers on the operational and financial risks that face DRL.

The Board ensures that recommendations made by the auditors and other external advisers are investigated and appropriate action is taken to ensure that DRL has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel. To manage risk, the Company has formed a Risk Management and Compliance Committee consisting of:

- AJ Fawdon
- LJ Litzow
- DH Hall

Code of Conduct

As part of the Board's commitment to the highest standard of conduct, DRL has adopted a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to Shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices; and
- responsibilities to the environment and the community.

5. Risk Factors

The directors consider that an investment in the Shares, the subject of this Prospectus, is speculative because of the nature of the Company's intended activities.

The future performance of DRL and the future investment performance of the Shares may be influenced by a range of factors. Many are outside the control of the Board and DRL. Prior to making any decision to accept the Offer, investors should carefully consider the following risk factors applicable to the Company.

Careful consideration should be given to the following risk factors, as well as the other information contained in this Prospectus and the Applicant's own knowledge and enquiries, before an investment decision is made. Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. Some of the risks may be outside the control of DRL and not capable of mitigation. There are also general risks associated with any investment in Shares.

5.1 Specific Risk Factors of DRL

a) **Reliance on Key Personnel** In formulating its exploration programs, the Company relies to a significant extent upon the experience and expertise of the following Executive Directors and Management:

Executive Chairman and CEO Tony Fawdon
Exploration Administrator David Hall
Exploration Manager Ken Harvey.

These gentlemen possess knowledge of many of the DRL tenements through extensive personal experience of prospecting in those areas.

Although information concerning DRL's tenements has been chronicled, the loss of one or more of these key personnel may adversely affect the Company's prospects of pursuing its exploration programs within the timeframes and within the cost structure as currently envisaged.

Although the Key Personnel have a considerable amount of experience and have previously been successful in their pursuits of important prospecting discoveries, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Prospectus.

b) **Resource Targets** The geological characteristics of the Company's gold, diamond and base metal targets at the various locations covered by the Tenements appear to have similar characteristics to locations where established mining operations are being successfully conducted. Similarity of geological characteristics is not determinative of any similarity in actual mineral resources. Whilst those characteristics may encourage explorers like DRL to commit expenditure to drilling programs, it must be appreciated that a substantial and real risk still exists that no viable resource will be identified. As such, it is important that geological similarities be appreciated in the context that they only provide an indication rather than any determinative evidence of any viable outcome.

c) **Tenements** A failure to adhere to the requirements for the expenditure identified in Section 6.2 of this Prospectus will, unless an exemption is granted, make the exploration permit subject to possible forfeiture.

Tenements have previously been renewed in Queensland notwithstanding full expenditure requirements not having been met, on the basis that further expenditure (included in the expenditure identified in Section 6.2) will occur. The combined expenditure on all Queensland tenements exceeds the aggregate of requirements for each tenement, and it is anticipated that the practice of the Department of Natural Resources and Mines which has enabled the Company to renew tenements on that basis will continue. However, a change of practice may result in additional expenditure being required on specific tenements before renewal. The total required cannot be determined in advance. If the practice were to change, the Company would review its expenditure commitments on each affected tenement and determine whether to relinquish affected tenements or redirect expenditure to maintain them.

Not all of the tenements as detailed in Section 8 of the Prospectus have been granted by the Queensland Department of Natural Resources and Mines. The Company cannot guarantee that Native Title claims and other issues will not impact upon the successful granting of pending applications.

Access negotiations completed by the Company with the Tagalaka People in relation to certain areas coming within its Georgetown Inlier Gold Project have been embodied into a signed Indigenous Land Use Agreement (ILUA) which has not been registered with the National Native Title Tribunal (NNTT).

Under certain Queensland Exploration Permits the lodgement of a Native Title claim will, under the terms and conditions attaching to the grant of the original Permit, have the effect of excluding the claimed area from the Permit area. In effect this would require the Company to pursue a right to negotiate process with such claimants prior to conducting exploration.

5.2 General Risk Factors of DRL

a) **Operation and Development Risks** By its nature, the business of exploration, mineral development and production which the Company may continue to participate in contains risks. Prosperity depends on the successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management, and efficient financial management. For its part, exploration is a speculative endeavour, while mining operations can be hampered by force majeure circumstances, environmental considerations and cost overruns for unforeseen events. Further, the nature of the business of exploration, can sometimes result in industrial accidents, unusual or unexpected rock formations, and other incidents beyond the control of the Company.

There can be no assurances that the proposed project exploration programs described in this Prospectus, or any other projects or tenements that the Company may acquire in the future, will result in the discovery of a significant ore deposit. Even if a significant ore deposit is identified, there can be no guarantee that it can be economically exploited.

Ultimate success depends on the discovery and delineation of economically recoverable mineral resources, establishment of an efficient exploratory operation, obtainment of necessary titles and access and government and other regulatory approvals (including those relating to native title). The exploration activities of the Company may be affected by a number of factors including, but not limited to, geological conditions, seasonal weather patterns, technical difficulties and failures, continued availability of the necessary technical equipment and appropriately skilled and experienced technicians, adverse changes in government policy or legislation and access to the required level of exploration funding.

b) **Development** Possible future development of a mining operation at any of the Company's projects is dependent on, or affected by, a number of factors including, but not limited to, the discovery of recoverable ore bodies, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

c) **Mining** In the event that the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, fires, explosions or other accidents. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its project interests.

d) **Legislative Changes** Changes in government regulations and policies may adversely affect the financial performance of DRL. DRL is not aware of any current or proposed material changes in relevant regulations or policy.

e) **General Economic Conditions** Changes in the general economic climate in which DRL operates may adversely affect the financial performance of the Company. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, inflation and other economic factors. The price of commodities and level of activity within the mining industry will also be of particular relevance to DRL.

f) **Unforseen Expenses** While DRL is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

g) **Government Policy** Capacity to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of DRL.

Most of DRL's existing tenements are located in Queensland with the Warialda Diamond Project located in New South Wales.

The Queensland State Government has made a number of changes to its Native Title regime and has from 1 April 2003 reverted to using the Commonwealth Right to Negotiate process administered through the NNTT. The Queensland Department of Natural Resources and Mines and the New South Wales Department of Mineral Resources do conduct reviews from time to time of their policies in connection with the granting and administration of mining tenements. At present the Company is not aware of any reviews or changes that would affect its tenements. In Queensland legislation is before the Parliament which will impose a duty of care which require persons, including the Company, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation will apply across the State and will require the Company to develop suitable internal procedures to discharge its duty of care to avoid exposure to substantial financial penalties if its activities damage items of cultural significance. Changing attitudes to environmental, land care, cultural heritage and indigenous land rights issues, together with the nature of the political process, provide fertile ground for future policy changes. There is a risk that such changes may affect the Company's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

h) **Native Title** The Native Title Act 1993 (Commonwealth), related State native title legislation and aboriginal land rights and aboriginal heritage legislation may affect DRL's ability to gain access to prospective exploration areas or obtain production titles. Compensatory obligations may be necessary in settling native title claims lodged over tenements held or acquired by DRL. The level of impact of these matters will depend, in part, on the location, background tenure and status of the tenements. At this stage, it is not possible to quantify the impact (if any), which these developments may have on the operations of DRL. For further details regarding native title claims affecting the Company's tenements please refer to the tenement report contained in Section 8 of this Prospectus.

i) **Commodity Price Risk** The Company's prospects and share price will be influenced by the price obtained from time to time for the commodities targeted in its exploration programs. Commodity prices fluctuate and are affected by factors including the relationship between global supply and demand for minerals, forward selling by producers, the cost of production and general global economic conditions.

Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand issues. These factors may have an adverse affect on the Company's exploration and any subsequent development and production activities, as well as its ability to fund its future activities.

j) **Environmental Risks** The Company's operations and projects are subject to State and Federal laws and regulation regarding environmental hazards. DRL intends to conduct its activities in an environmentally responsible manner, in accordance with applicable laws and regulations.

k) **Share Market Risk** The market price of Shares and Options can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resources sector and exploration companies in particular.

There are a number of factors (both national and international) that may affect the share market price and neither the Company nor its Directors have control of those factors.

l) **Future Capital Needs and Additional Funding** The future capital requirements of the Company will depend on many factors including the results of the proposed exploration programs. The Company believes its available cash and the net proceeds of this offer should be adequate to fund the continued exploration of the projects and other Company objectives as stated in this Prospectus.

Should the Company require additional funding, there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional funding, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

Yarrol Gold Project - DRL Drilling

6. Independent Geological Report

VERONICA WEBSTER PTY LIMITED
(Incorporated in Queensland; ACN 010 299 224)
Consultants to the Mining Industry
Les W Davis - Minerals Exploration Consultant

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7 O'Quinn Street
Nudgee Beach QUEENSLAND 4014
Telephone & Fax: 07 3267 3355
L Davis 0411 484 295

25 July 2003

The Directors
Diatreme Resources Limited
P O Box 295
Brisbane Albert Street BC
Queensland 4002

Dear Sirs

RE: INDEPENDENT GEOLOGIST'S REPORT ON THE MINERAL PROPERTIES OF DIATREME RESOURCES LIMITED

The Directors of Diatreme Resources Limited ("DRL") have commissioned Veronica Webster Pty Limited ("VWPL") to prepare an independent geological report ("independent report") on mineral properties held or controlled by DRL and its subsidiaries.

The independent report will be included in an Initial Public Offering Prospectus, planned for July 2003, which will offer a subscription of 25 000 000 fully paid ordinary Shares at $0.10 (10 cents) per Share.

Mr. L W Davis of VWPL was supplied exploration information by DRL, which warrants that the supplied information was accurate and complete. Several days were spent perusing material and holding discussions with DRL staff at the Brisbane office of DRL and discussing technical and land title aspects. Mr Davis has relied, at his own discretion, on the observations and interpretations of previous explorers, exploration consultants and DRL geological staff.

VWPL will rely on the information and advice made available by the staff of DRL and its associates. Independent checking at other organisations was not carried out. The views and conclusions expressed in this report are solely those of VWPL and L W Davis.

Mr. Davis has considerable work experience in the geology and mineral deposits of Queensland and NSW and has inspected the projects of Clermont and Warialda in early 2001. He examined the gold prospects of Yarrol and Mount Steadman briefly during March 2000 and the Nymbool Prospect and its environs during 1981 and later in 1994.

An appraisal of all the abovementioned information forms the basis of this report.

All references to mineral resources will be consistent with the most recent Australasian Code (and Guidelines to the Code) for Reporting of Identified Mineral Resources and Ore Reserves: Reports prepared by the Joint Committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia (JORC).

VWPL will observe the Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for Independent Expert Reports (The Valmin Code), which is referred to by the Australian Securities and Investments Commission.

6.1 Introduction Summary and Opinion

Diatreme Resources Limited and its subsidiaries have acquired a portfolio of tenement areas that are grouped into five gold projects, one greenfields diamond project and one base metal project, Figure 1.

Within the gold projects there are seven gold prospects that we consider warrant drilling. In most cases preliminary work has been completed so that detailed drill hole proposals are available and drilling might commence.

The gold deposit styles are mainly intrusive related at which bulk tonnage ore bodies are being sought. DRL has one sedimentary stratabound gold target and one high-grade vein prospect. In each project area, DRL envisages a target gold deposit or close grouping of deposits containing at least one million ounces gold.

In far north Queensland, the Nymbool and Georgetown Inlier Gold Projects contain known bulk low-grade mineralisation of the intrusive related or porphyry style. These gold projects fall in a regional porphyry province, which contains the well-known mines of Kidston, Mount Leyshon and Red Dome.

The Nymbool Gold Project area contains sub-economic resources delineated by relatively short drill holes in a small area of about 40 000 m^2. DRL will endeavour to increase and improve this resource by drilling adjacent to and below the existing resource limits. The drill proposals are focussed on new identified induced polarisation ("IP") chargeability features extending over approximately 300 000 m^2, interpreted from high quality recent surveys. Seven holes and 1 500 m of drilling have been committed in the first year for testing the targets.

The known gold resource is associated with disseminated sulphides and responds well to IP detection so the prognosis of increasing greatly the size of the resource is convincing.

At the Clermont Gold Project in central Queensland, DRL will search for the hardrock source in an area just south of the town of Clermont, which is reported to have produced >5 000 kg (about 160 000 ounces) of gold from alluvial mining. The principal focus will be on the drilling for a theoretical stratabound bulk-tonnage gold target on a gold-bearing sedimentary horizon. Outcrops of this horizon have been mentioned in reports written during the early mining at the Clermont Goldfield, but it has not been tested adequately by modern exploration.

At this stage, comprehensive testing of the target horizon is warranted over the complete strike length to a depth of 100 m to clear oxidised and leached zones, but within usual open pit limits. DRL plans a systematic drill test of the gold bearing horizon amounting to eight holes for 800 m in the first year.

The Yarrol Gold Project contains prospects which are

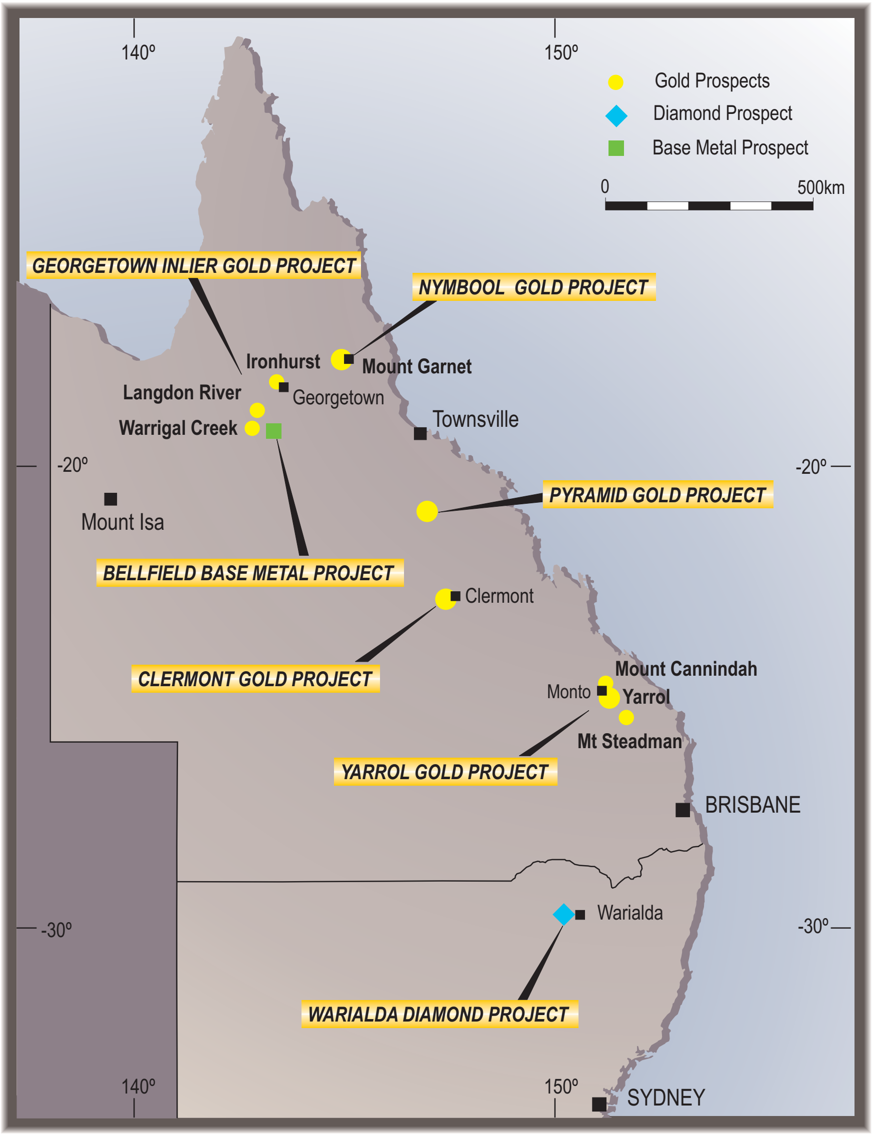


Figure 1: Diatreme Resources Limited - Project Locations.

characterised by gold mineralisation of porphyry or intrusive-related styles. Small measured and indicated gold resources have been defined at the Yarrol Gold Prospect and the Mount Steadman Gold Prospect. In this district, another company has commenced operations at the Mount Rawdon Gold Mine. DRL intends to drill test further the gold prospects of Yarrol, four holes for 400 m and Mount Steadman, two holes for 200 m in the first year.

In NSW, at the Warialda Diamond Project, DRL's objective is to find the source of the Bingara Alluvial Diamond Field with newly interpreted paleo-drainage. After a great deal of conventional prospecting the sources of the Bingara (and Copeton) diamonds still remain a mystery. DRL's reconstruction of the major pre-basaltic drainages in the Bingara area shows that the alluvial diamonds in the Bingara diamond deposits were deposited probably by a stream that originated from the Warialda-Gravesend area now subject to the DRL tenement holding. This district has not been subjected to intense diamond exploration work. Seven magnetic features, which could be caused by diamond pipes, are ready for prospecting. DRL plans to drill test systematically all of these and has allowed eight holes for 800 m in the first year.

At the Bellfield Base Metal Project in the Georgetown region, DRL will search for giant-sized lead-zinc rich massive sulphide mineralisation of the Mount Isa style under the younger Mesozoic cover rocks. A good case for drilling five geophysical targets has been prepared. DRL plans a limited drilling program in the early part of the second year amounting to two holes for 800 m but will continue drill testing in later years.

DRL has a satisfactory and clearly defined exploration and expenditure program, which is reasonable having regard to its stated objectives, and enough exploration has taken place in the last two years to maintain the tenements.

Bellfield Base Metal Project
- Laminated Siltstone

Nymbool Gold Project - DRL Drilling

In the first year of exploration DRL proposes to spend about $939 000, with emphasis on the Nymbool and Clermont Gold Projects, which will be drilled first. However, drilling will take place at the Yarrol Gold Prospect, Warrigal Creek Gold Prospect, Munitions Creek Gold Prospect and the Warialda Diamond Project. Geological mapping and geophysics will commence at the Bellfield Base Metal Project. Allowance has been made for successful first-year programs. At this stage, a minimum exploration budget of approximately $2.0 million is contemplated over two years and depending on the results of the first phase activities then a reallocation of funds will be made.

DRL considers that all the tenement areas have the inherent potential for the discovery, through exploration, of significant new mineralisation and for the extension of established resources. Exploration has been scheduled to test the prospects which show the best promise in the first year of operation. Several tenements in Queensland are awaiting grant and in these activity is scheduled mainly for the second year. In our opinion, the number of prospects at which drilling can be justified immediately is impressive for a prospectus offering.

6.2 Tenements

The Table below lists the tenement details and indicates the level of expenditure necessary to ensure that the tenements are maintained in good standing.

Note that the granted tenements allow DRL to carry out their planned drilling programs without further permits because they were either granted prior to native title legislation or cover land exclusive of native title claims.

6.3 Gold Projects

6.3.1 Nymbool Gold Project

The interest is centred on the Nymbool gold-copper porphyry system and other gold mineralisation located just northwest of the township of Mount Garnet in North Queensland, Figures 1 and 2. A small resource of low-grade gold (2.4 million tonnes grading 0.7 g/t gold) has been outlined at the Nymbool Gold Prospect but exploration is at an immature stage. DRL

Tenement Table

State	Project	Tenement No	Tenement Name	Owner	Grant or Application Date	Expiry Date	Approx. Area	Annual Expenditure Commitment
QLD	Nymbool Gold	EPM 8998	Mount Garnet	Diatreme Resources Limited	26-10-1992	25-10-2003	106 km^2	$45 000
QLD	Nymbool Gold	EPM 8994	Blacks Creek	Diatreme Resources Limited	01-12-1992	30-11-2002*	6 km^2	$15 000#
QLD	Clermont Gold	EPM 12867	Clermont	Chalcophile Resources Pty Ltd	22-12-2000	21-12-2005	128 km^2	$50 000
QLD	Clermont Gold	EPM 12956	Clermont No 2	Chalcophile Resources Pty Ltd	22-12-2000	21-12-2005	9 km^2	$8 000
QLD	Clermont Gold	EPMA 14026	Clermont No 3	Chalcophile Resources Pty Ltd	02-04-2003	n/a	320 km^2	$20 000#
QLD	Yarrol Gold	EPM 8402	Yarrol	Diatreme Resources Limited	13-11-1991	12-11-2003	12 km^2	$50 000
QLD	Yarrol Gold	EPM 12834	Mount Steadman	Diatreme Resources Limited	17-12-1999	16-12-2004	18 km^2	$32 000
QLD	Yarrol Gold	EPM 12903	Mount Cannindah	Chalcophile Resources Pty Ltd	11-12-2002	10-12-2007	28 km^2	$5 000
QLD	Georgetown Inlier Gold	EPMA 12976	Ironhurst	Chalcophile Resources Pty Ltd	28-03-2000	n/a	6 km^2	$2 000 #
QLD	Georgetown Inlier Gold	EPMA 11849	Langdon River	Diatreme Resources Limited	16-07-1997	n/a	315 km^2	$30 000 #
QLD	Georgetown Inlier Gold	EPMA 13126	Warrigal Creek	Chalcophile Resources Pty Ltd	18-07-2000	n/a	105 km^2	$8 000 #
QLD	Pyramid Gold	EPMA 12887	Pyramid	Chalcophile Resources Pty Ltd	15-12-1999	n/a	320 km^2	$20 000 #
NSW	Warialda Diamond	EL 5900	Warialda	Regional Exploration Management Pty Ltd	26-10-2001	25-10-2003	298 km^2	$70 000
QLD	Bellfield Base Metal	EPMA 12868	Bellfield	Chalcophile Resources Pty Ltd	02-12-1999	n/a	320 km^2	$20 000 #
QLD	Bellfield Base Metal	EPMA 12888	Gilbert River	Chalcophile Resources Pty Ltd	15-12-1999	n/a	774 km^2	$20 000 #

\# Annual expenditure commitment likely on grant or on renewal for one year
* Under renewal application
n/a Not applicable

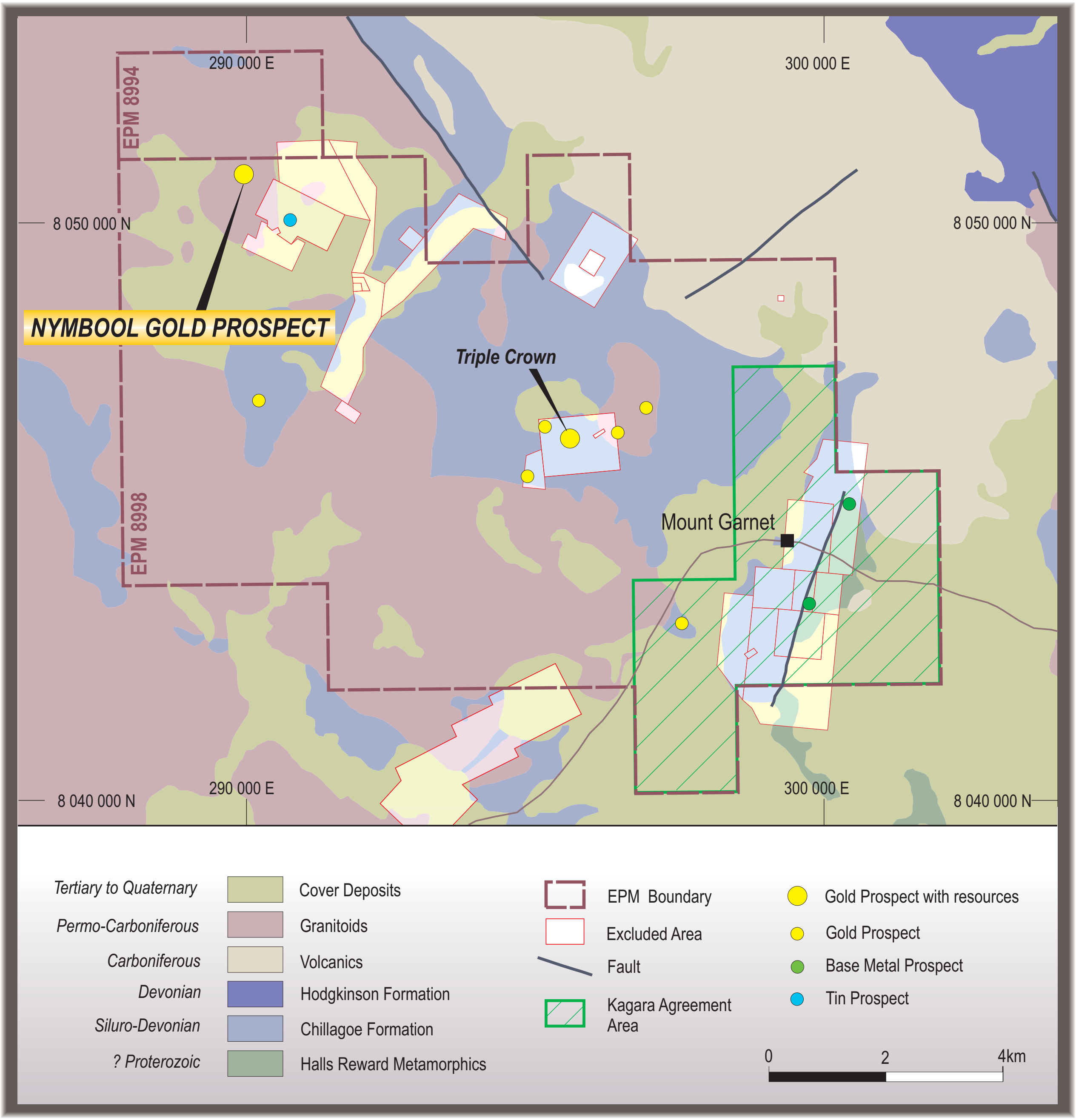


Figure 2: Nymbool Gold Project showing the Nymbool Gold Prospect location.

intends to explore for an ore body containing at least one million ounces of gold.

Tenure

This project is comprised of Exploration Permit for Minerals ("EPM") 8994, "Blacks Creek" and EPM 8998, "Mount Garnet". The current EPM holding is approximately 112 km^2, Figure 2. DRL has granted Kagara Zinc Limited the right to lodge any authority under the Mineral Resources Act 1989 (Qld) in respect of approximately 20 km^2 of EPM 8998 which surrounds the township of Mount Garnet.

Previous Investigations

The Nymbool Gold Prospect was held by Western Mining Corporation ("WMC") under Mining Lease Application ("MLA") and prospected during 1989. After surface grid-based mapping, sampling and induced polarisation ("IP") surveying, WMC drilled 11 reverse circulation percussion ("RC") holes to about 50 m hole depth, for a total of 545 m. Every hole intersected low-grade gold and the best intersections were 31 m grading 0.68 g/t gold and 27 m grading 1.1 g/t gold.

WMC relinquished the area and in 1991 Minexco

Associates Pty Ltd and G Hunter applied for MLA 20110 covering the Nymbool Gold Prospect. Auralia Resources N L ("Auralia") secured the adjacent area under EPM. Arimco Mining Pty Limited ("Arimco") entered into an agreement with the leaseholders and Auralia and in 1992 conducted a nine-hole program of RC drilling, which extended the low-grade gold mineralisation, delineated by WMC, to the north. Auralia drilled three RC holes in 1992, one into the known mineralisation and two to the west, which were reported as failing to intersect significant mineralisation.

Between 1992 and 1994, Normandy Gold Exploration Pty Ltd ("Normandy") explored EPM 8998 for bulk tonnage gold and/or copper-gold mineralisation. Normandy's exploration program included drainage geochemistry and prospecting of airborne geophysical anomalies in areas of outcrop and drill testing of aeromagnetic targets on the Palmerville Fault in areas of Cainozoic cover.

Since 1994, under a farm-in agreement with Normandy over EPM 8998, DRL has explored for gold and base metal mineralisation. In mid 2002 DRL purchased Normandy's interest in EPM 8998. DRL has completed stream sediment and grid based soil sampling, grid based geological mapping, IP surveying, shallow reverse circulation percussion drilling, resource estimation and preliminary metallurgical studies of composites of rock chips from previous drill holes.

Nymbool Gold Project - Stockwork Fracturing

Regionally, the granitoids are often hosts to the extensive tin mineralisation around Mount Garnet as well as deposits of tungsten, molybdenum, gold and base metals. Vein gold mineralisation is widespread in the sedimentary rocks and base metal skarn deposits are currently under investigation. Low-grade gold deposits similar to Nymbool are known in the district. The Triple Crown Prospect (~280 000 tonnes grading ~1.4 g/t gold), situated about 7 km southeast of Nymbool Gold Prospect, Figure 2, is an example.

Far north Queensland contains several bulk tonnage low-grade gold deposits of economic significance, which fall into the "intrusive-hosted/related" category. While these are the same style, they are quite different in details of structure and mineralogy and vary from Permian to Carboniferous age. They are described as plugs, breccia pipes and diatremes and can feature skarns. They are Kidston (production to 2001 of in excess of 3.4 million ounces gold), Mount Leyshon (production to 2000 of in excess of 3.0 million ounces gold), Mount Wright (resource estimate of ~10 million tonnes grading 3 g/t gold) and Red Dome (production to 1997 of 0.68 million ounces of gold). The Nymbool district falls into this gold province. (Note that the resource information is given to illustrate the order of magnitude of the gold deposits).

Nymbool Gold Project - Quartz Veining

Geology and mineralisation

The Nymbool Gold Project covers part of the Hodgkinson Province close to the west-bounding Palmerville Fault Zone, which is spatially and genetically related to some centres of economically important mineralisation in north Queensland. In the district, sediments of the basal Siluro-Devonian Chillagoe Formation, consisting of sandstone, shale, and conglomerates, are intruded by numerous granitoid rocks of Permo-Carboniferous age.

Mineralisation in the Nymbool Gold Project area - Nymbool Gold Prospect

The principal interest in the Nymbool Gold Project area is the low-grade porphyry style Nymbool Gold Prospect. At this prospect, mineralisation occurs where a complex of felsic porphyritic rocks intrude the contact zone of two granitoids, Figure 3 - Geology. Several felsic porphyry bodies, together with country rock granitoids, are hosts to mineralisation but the principal host is quartz porphyry. The host rocks are cut by a north northwest trending set of fractures,

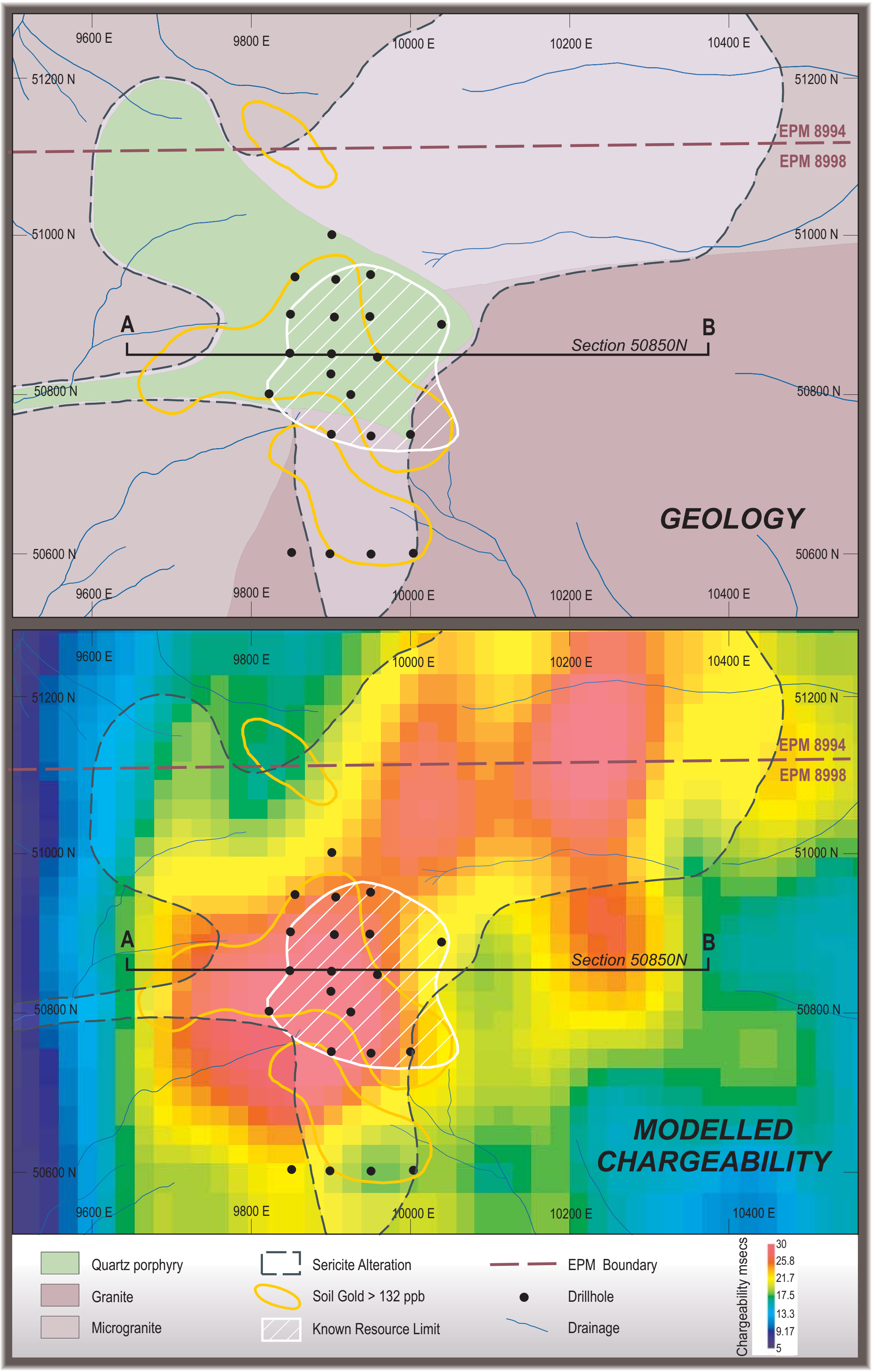


Figure 3: Nymbool Gold Prospect Geology and Modelled Chargeability at 130m Depth.

greisen zones and veins which, in turn, are cut by north trending shears with sheeted quartz veins, gossanous partings and narrow, quartz-fill breccias. Better gold grades are associated with intense quartz veining and pervasive or selvage silicification, but gold grades occur in all rock types.

Drilling has intersected large intervals of low grade gold (e.g. 100 m grading 0.66 g/t gold) and minor copper mineralisation with most of the drill holes ending in mineralisation. There are 21 drill holes delineating a resource with a projected surface area of about 40 000 m^2.

Resources have been estimated using several alternative geological models. The favoured model provides an estimate of 2.4 million tonnes of indicated and inferred material at an average grade of 0.7 g/t gold, including 1 million tonnes at an average grade of about 1 g/t gold, using a lower cut-off grade of 0.5 g/t gold. This resource could be extracted from a pit with a waste to mineralisation ratio of 2.2 to 1.0. Preliminary metallurgical testing has indicated that the oxide material could be suitable for heap leaching.

Other prospects available in the EPM areas were prospected and drilled but the results are not encouraging.

Discussion of Results

Initial IP surveys (50 m dipole-dipole) showed a positive chargeable zone coincident with the Nymbool gold resource. More recent IP surveys (100 m dipole-dipole) with greater penetration have indicated a strengthening of the positive chargeability features at the Nymbool Gold Prospect beyond the limits of the drilling, both along strike and at depth.

Although there is not a direct linear relationship between sulphide content and chargeability, the principal cause of the chargeability anomalism is expected to be sulphides. At the Nymbool Gold Prospect, gossanous alteration and elevated base metal and arsenic analytical results accompanying the gold mineralisation are evidence for the association of gold with sulphides.

Therefore, the chargeability anomalism is a favourable indicator of gold mineralisation and drilling is warranted.

In 2001, DRL completed a dipole-dipole IP and resistivity survey using a dipole spacing of 100 m to define zones with potential gold mineralisation at depth and adjacent to the known gold mineralisation. Three-dimensional ("3D") inversion modelling of this IP data has identified a number of targets for further drilling in a zone approximately 300 000 m^2 in surface area. Results from survey are shown in Figure 3 - Modelled Chargeability, Figure 4 - Drilling Section 50850N and Figure 5 - Modelled Chargeability Block Model. There is a strong anomaly in the area of previous drilling where gold has been discovered and a substantial undrilled anomaly just to the north east of the area drilled.

Historically, the accurate interpretation of IP surveys has been difficult because of the lateral response from chargeable sources and topographical effects. Modern computerised 3D interpretation gives more precise estimates for the location of chargeability sources and a higher confidence level for target validity.

Nymbool Gold Project - DRL Drilling

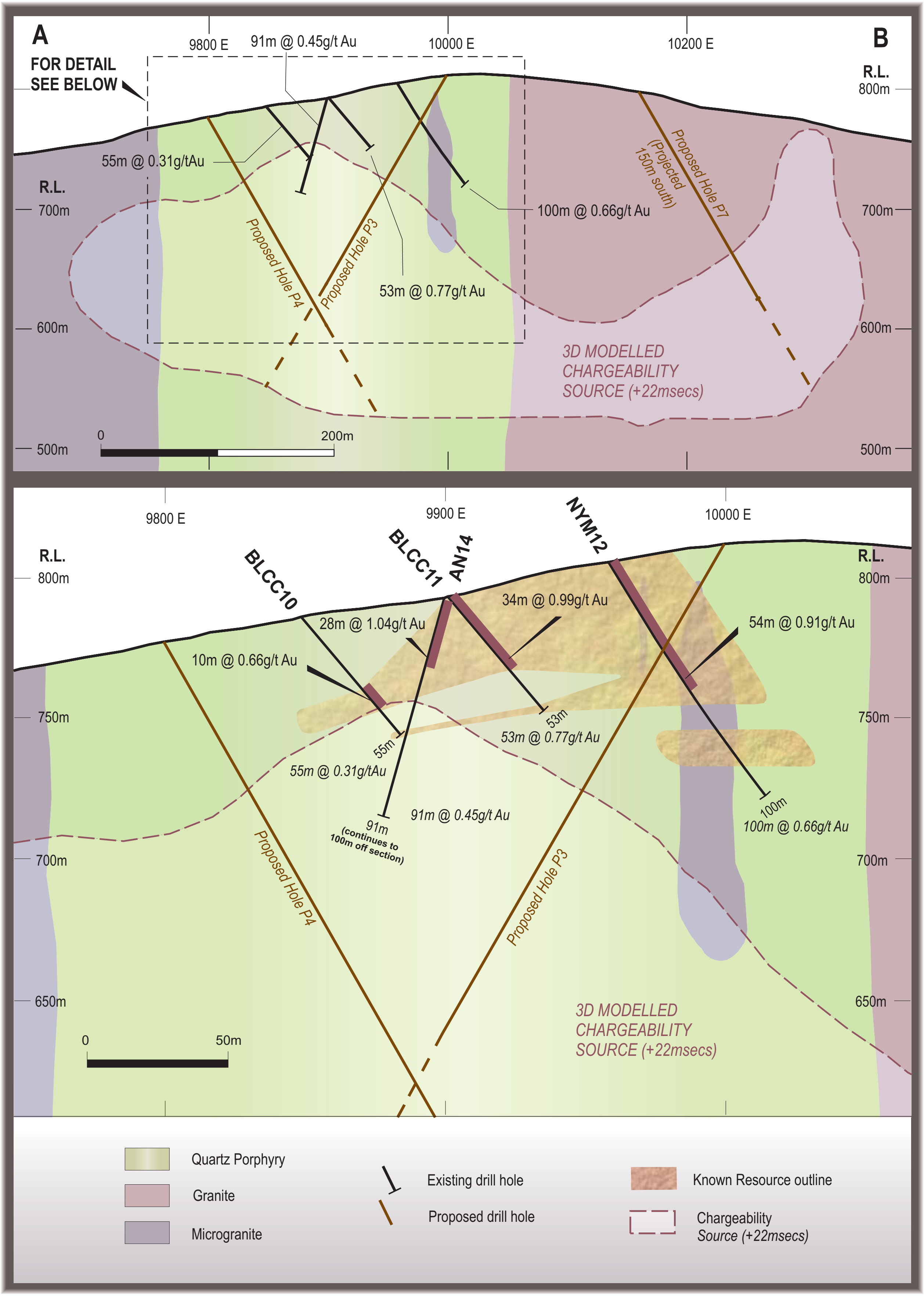


Figure 4: Nymbool Gold Prospect - Drilling - Section 50850N.

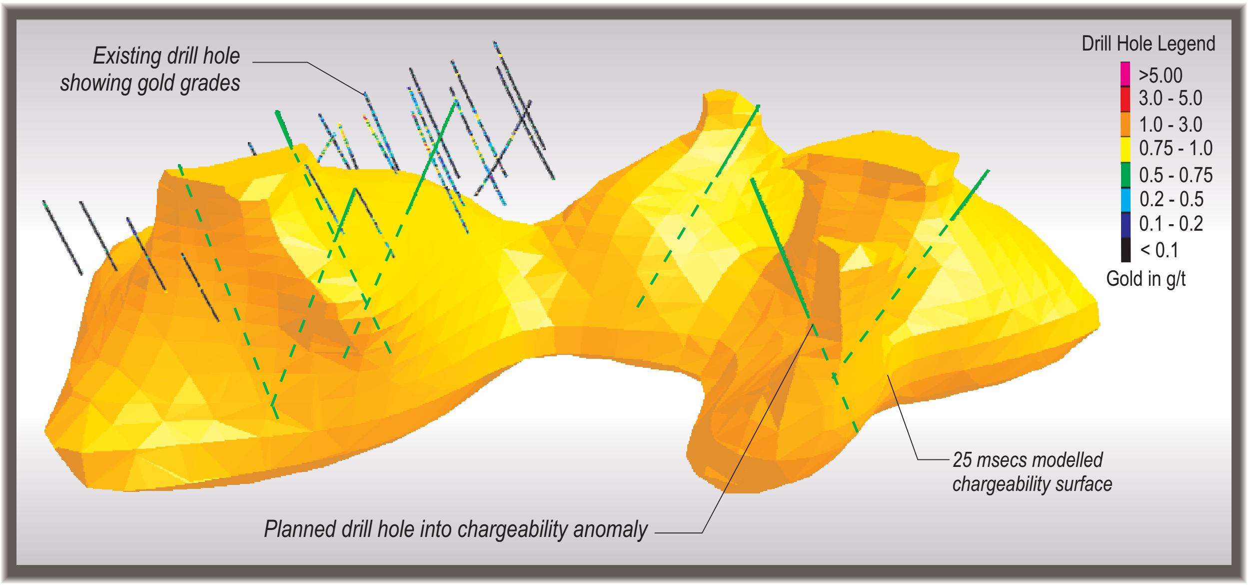


Figure 5: Modelled Chargeability Block Model (3D View).

Conclusions and Assessment - Future Exploration

DRL has proved the Nymbool Gold Prospect to have significant exploration potential based on the following:

- The prospect manifests the general characteristics of other bulk-tonnage gold deposits in northeast Queensland such as Kidston, Mount Leyshon, Mount Wright and Red Dome.
- A resource of 2.4 million tonnes of indicated and inferred material at an average grade of 0.73 g/t gold has been outlined in the shallow drilling to date. The position of the modelled chargeability anomalies suggests that the previous drilling has intersected only part of the system.
- The appealing IP anomalies are interpreted to be caused by substantial areas of sulphide mineralisation not yet tested. The strong gold-sulphide association means that gold resources might be increased substantially.

DRL proposes a program of deeper drilling on the Nymbool Gold Prospect involving seven holes for a total of 1 500 m of RC drilling as the next phase of work. Drill holes will target the 3D modelled chargeability anomalies.

The proposed budget for the next phase of drilling is $201 000 in the first year.

A successful result from this drilling program would lead to a further resource definition drilling program that would cost of the order of $500 000 - $1 000 000.

6.3.2 Clermont Gold Project

The Clermont Gold Project is situated south and west of the town of Clermont in central Queensland, Figure 1. Vein and alluvial gold were won extensively from the Clermont Goldfield in which the project is situated but DRL intends to explore for a stratabound bulk tonnage target containing at least one million ounces gold. The principal prospect of interest for DRL in the project area is the Clermont South Gold Prospect, which is located 1 km south of the township of Clermont, Figure 6.

Tenure

The project is comprised of EPM 12867 "Clermont", EPM 12956 "Clermont No 2" and EPMA 14026 “Clermont No 3” which total 457 km^2 in area. The EPMs were granted on 22 December 2000 for five years and EPMA 14026 was applied for on 2 April 2003.The project encloses State Forests, Mineral Development Licences and a Departmental Area (189D), which are excluded from the tenement areas, Figure 6.

Previous Investigations

Previous metalliferous mining activity in the region included gold mining predominantly from placers in Permian conglomerates and from Tertiary and Cainozoic alluvial deposits. Gold was discovered in gullies to the south of Clermont township in 1861. By 1862 mining extended from McDonalds Flat in the southeast to Hurley's Lead in the northwest. The main centres of alluvial mining were in the area adjacent to the Clermont township. Between 1877 and 1901, recorded gold production amounted to 5 458 kg from deep leads and other alluvial sources and only 308 kg from quartz lodes. Production peaked in 1898 when

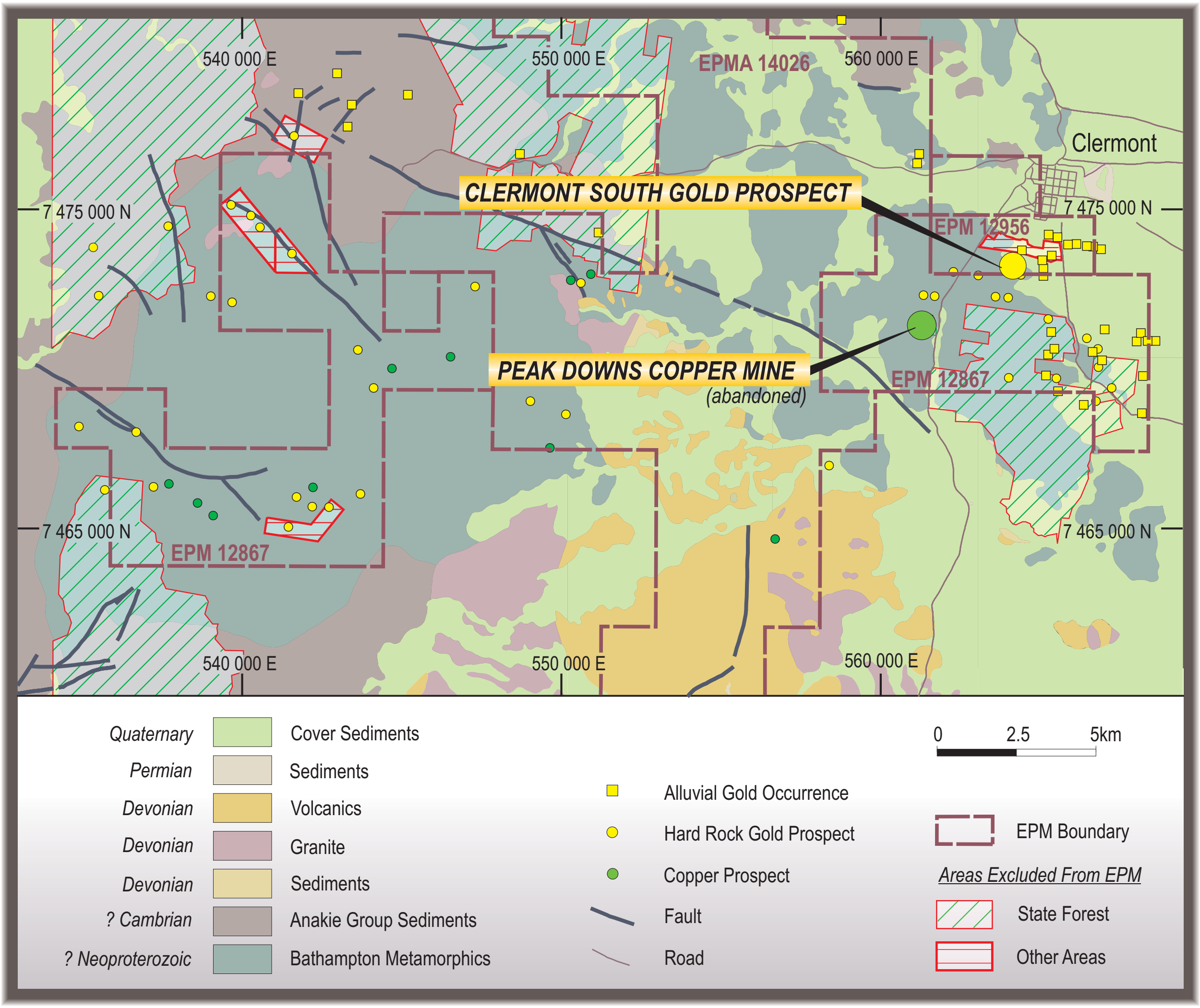


Figure 6: Portion of the Clermont Gold Project showing the principal Prospects.

the Wild Cat Lead was the principal producer. Production from the Clermont Goldfield during the period 1862 to 1901 is documented as 8 200 kg of gold.

Mining activity declined after 1910 and by the 1920s had almost ceased. In 1931 a new lead, discovered at Miclere, sparked a revival of mining, which continued through to the mid 1950s. During the 1980s and early 1990s small to medium-scale alluvial mining was carried out at McDonalds Flat, Bathampton, and Expedition Creek. Total gold production for the Clermont area to 1993 is estimated to be about 14 000 kg.

Copper was mined at the Peak Downs Copper Mine following its discovery in 1863 and during the period to 1877, 17 000 tonnes of copper (100 000 tonnes @ 17% copper ore) is reported to have been produced from the mining and smelting operations on site. The Peak Downs mine workings lie within the Bathampton Metamorphics, Figure 6.

The Peak Downs Copper Mine was dewatered and investigated in 1898. During the period 1922 to 1923, Mount Morgan Limited completed detailed mapping and sampling of the lower levels of the main workings in the central section. This work indicated that a sulphide horizon containing 3.9% copper with an average width of 0.7 m extended over a strike length of 366 m.

A number of companies have previously explored in the district around the project area, testing for both gold and base metal mineralisation. These companies, including Mines Administration Pty Ltd., Newmont Pty Ltd., Uranium Consolidated N.L., Utah Development Company ("Utah"), Electrolytic Zinc Company of Australia Limited, BHP Minerals Pty Ltd., Pennzoil of Australia Limited ("Pennzoil"), Ladnote Pty Ltd ("Ladnote"), Plutonic Operations Limited and Straits Mining Pty Ltd ("Straits"), completed extensive exploration including stream, soil and rock geochemistry, airborne and ground geophysical surveys, geological mapping and drilling. The drilling included approximately 225 holes at the Peak Downs Copper Mine and about 100 holes on other prospects in the project area.

DRL's Clermont South Gold Prospect was previously known as the Area K Prospect ("Area K"). Utah found Area K, while exploring for stratiform massive sulphide deposits in the Anakie Metamorphics during the period 1970 to 1974. The prospect, which was identified by anomalous copper and zinc from rock chip sampling of banded siliceous ironstones, was followed up with soil geochemical sampling, IP and ground magnetic surveys. Utah drilled seven diamond drill holes to evaluate base-metal geochemical and geophysical anomalies outlined during the program. The drilling intersected narrow bands of pyrite and chalcopyrite. Drill samples were analysed for copper, zinc and silver but not for gold. The core is not available.

During 1979 to 1980 Pennzoil also carried out rock chip sampling of the banded siliceous ironstones at Area K.

In 1983, Ladnote prospected in the vicinity of Area K seeking the source of the alluvial and eluvial gold in the area. The work completed at Area K included eight costeans and 20 shallow drill holes. The best results were 4 m grading 3.68% copper from 15 m to 19 m and 4 m grading 1.06 g/t gold from 4 m to 8 m.

At Area K between 1993 and 1997, Straits completed a high-resolution ground magnetic survey, which covered the prospect.

Geology and Mineralisation

The project area is located in the Anakie Inlier in central Queensland. The Anakie Inlier is an elongate belt of metamorphic rocks and granitoids between the Permian Bowen Basin to the east and the Devonian to Carboniferous Drummond Basin to the west.

The Anakie Metamorphic Group, the main unit in the Anakie Inlier, contains metasedimentary and metavolcanic rocks of probable Neoproterozoic to Cambrian age, which have been intruded by Ordovician to Devonian age intrusives.

The Anakie Metamorphic Group has been divided into six formations and is a succession comprised of quartzite, pelitic to psammitic schist, greenstone, mafic schist, amphibolite and minor serpentinite. General west-dipping lithological layering and foliation, in the absence of younging evidence, is used to interpret an apparent sequence with the mafic-rich Bathampton Metamorphics at the base passing up through the Rolfe Creek Schist and the Monteagle Quartzite to the Wynyard Metamorphics.

Granitoids of the Retreat Batholith intrude the Anakie Metamorphics. Small basins of Bowen Basin Permian sediments, containing coal resources, are perched on the Anakie Inlier.

Tertiary basalt flows with interbedded clastic sediments and pyroclastics rest unconformably on the Anakie Metamorphics. Quaternary alluvium covers much of the region.

Known mineralisation in the area includes gold associated with quartz veins in the metamorphic rocks and stratiform copper mineralisation within the Bathampton Metamorphics at the Peak Downs Copper Mine. Here, small copper resources with current estimates amounting to between 25 000 and 30 000 tonnes of copper metal have been measured, indicated and inferred. Substantial alluvial gold has been mined from deposits in the area. Deep lead alluvial deposits were also mined in units at the base of the Permian Bowen Basin.

Conclusions and Assessment - Future Exploration

Exploration and mining to date have proven only small gold bearing quartz vein systems. While these are the probable source for some the alluvial gold deposits in the area, the possibility exists for other sources of primary gold. In the vicinity of the Clermont South Gold Prospect there is no explanation or obvious source for the considerable amount of alluvial gold that was mined from the Wild Cat Lead, which was the principal producer, and other leads in the area. As noted above, recorded production from deep leads was >5 000 kg while only ~300 kg was reported from hard rock mines. *Although old production records are notoriously inaccurate and incomplete, the visual evidence from mining confirms this ratio.*

The distribution of the alluvial gold in the area suggests a gold source in the Bathhampton Metamorphics, which host many of the narrow gold-bearing quartz veins. Therefore this is considered to be the most prospective formation for alternative stratabound-style gold. The Bathampton Metamophics consist of basic metavolcanics, now represented by schistose and laminated quartz-epidote-chlorite rocks, and metasediments with the lithologies becoming more quartzose and sericitic towards the top of the succession.

An unusual gold-bearing banded siliceous horizon ("BSH") occurs within the Bathampton Metamorphics, Figure 7. It forms outcrops of banded quartz-goethite rock. The goethite component was interpreted by Utah to represent oxidized fine grained massive pyrite and disseminated coarser pyrite. Utah named the rocktype, "Banded Iron Formation" but it has also been called siliceous ironstone. The rock type is first mentioned in Rands, W. H., The Clermont Gold Field, 1902, where it is described as a ferruginous quartzite belt containing low gold values.

The BSH forms several lenses, with estimated widths

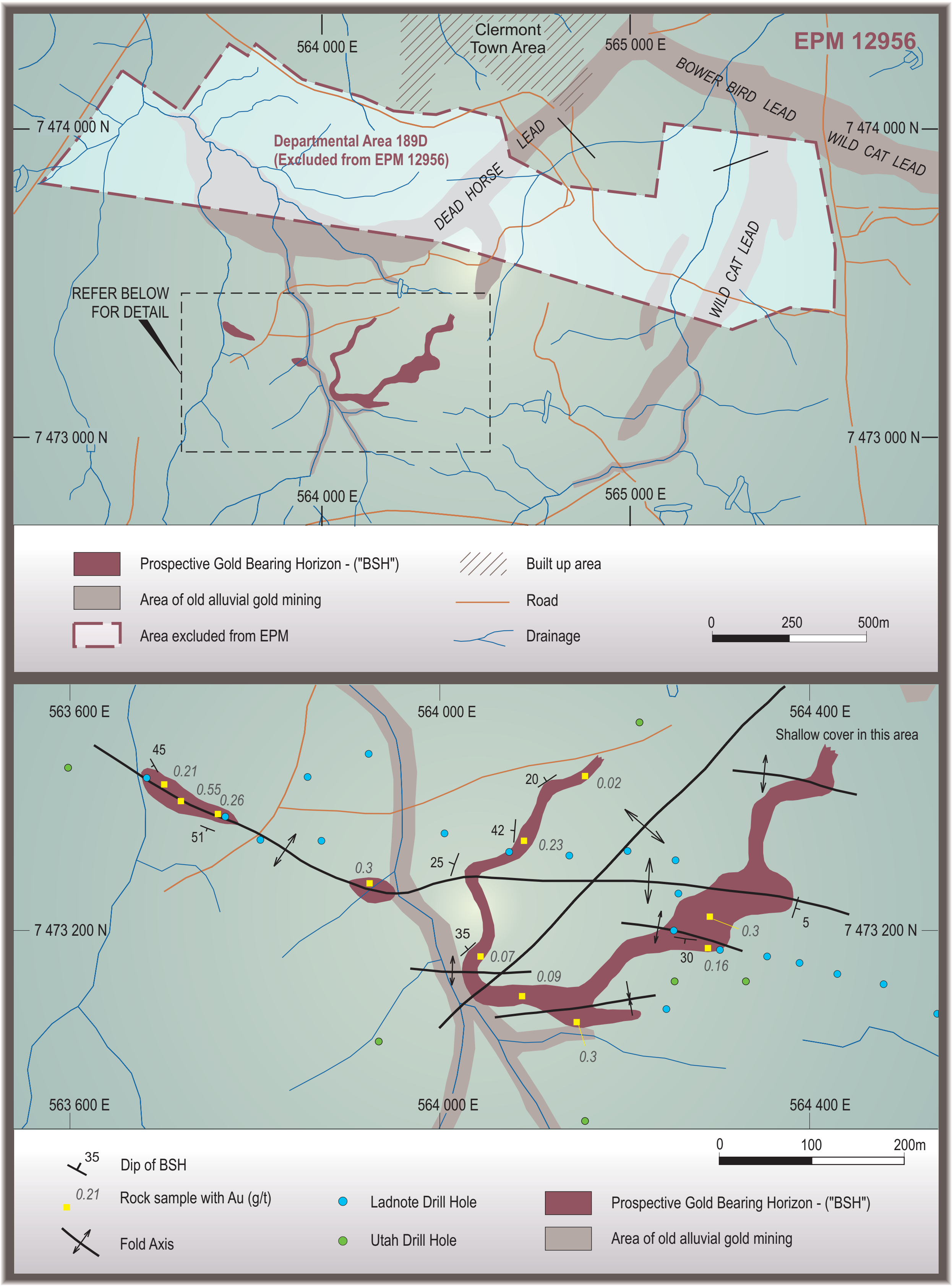


Figure 7: Clermont South Gold Prospect - Geology, Alluvial Gold Workings and Rock Chip Results.

up to 20 m, that show a complex folded structure. This constitutes the Clermont South Gold Prospect of DRL, previously Area K.

DRL geologists consider that the BSH bears similar characteristics to known gold bearing ore zones such as those at the Hemlo gold deposit in Canada (20 million ounces gold) and the Tick Hill gold deposit in Queensland (0.5 million ounces; grade of ~22 g/t gold).

Previous sampling by Utah shows that the BSH is clearly anomalous in copper and zinc with values of up to 1 800 ppm copper and 1 100 ppm zinc. Utah did not analyse for gold.

The reporting of the work of Ladnote at Area K is incomplete. Full details of this work are unavailable from the Department of Natural Resources and Mines records but the location and results of some of the drill holes have been obtained privately. In Area K, about 20 percussion holes were drilled to depths up to 25 m in the vicinity of the BSH. Many of the holes are interpreted not to intersect the BSH. Gold assay results are generally less than 1 g/t gold in the drilling results, but gold assays of up to 1.7 g/t gold were reported from banded rocks and ferruginous quartzites.

Pennzoil claimed to have sampled Area K and the BSH. The report states that sampling of the siliceous ironstone failed to reveal " significant making of gold values related to on strike facies variation". However, these conclusions are unsupported by sample details, assay records and location plans.

Permission was granted to Pennzoil to sample Newmont core from the Peak Downs Copper Mine and gold results were reported to be insigificant. The sampling failed to find significant gold values associated with particular iron facies rocks.

DRL has collected 11 rock chip samples at the BSH which range from 0.02 g/t gold to 0.55 g/t gold, Figure 7.

It is concluded that previous exploration of the Clermont South Gold Prospect or Area K has not been conducted systematically and is poorly reported. In our opinion, previous exploration results are unreliable. At this stage, comprehensive testing of the BSH is warranted over the complete strike length to a depth of 100 m to clear oxidised and leached zones but within usual open pit limits.

The focus of future exploration will be to investigate both high- and low-grade bulk tonnage gold deposit styles within the Bathampton Metamorphics. Particular attention will be directed to stratigraphically-controlled gold mineralisation associated with the BSH. Systematic sampling and drilling to 100 m is planned to explore for zones of elevated gold.

DRL proposes a program of drilling on the Clermont South Gold Prospect involving eight holes for a total of 800 m of RC drilling. The proposed budget for the next phase of drilling is $118 000 in the first year.

6.3.3 Yarrol Gold Project

The Yarrol Gold Project consists of three separate tenements, totalling 58 km^2, located near Monto in southeast Queensland, Figure 8. The project includes the Yarrol, Mount Steadman and Mount Cannindah Gold Prospect areas. The style of gold mineralisation in all areas is of the intrusive related type and may be described as porphyry mineralisation. DRL intends to explore for a combination of ore bodies containing at least one million ounces gold.

Tenure

The three tenements are EPM 8402 "Yarrol", EPM 12834 "Mount Steadman" and EPM 12903 "Mount Cannindah".

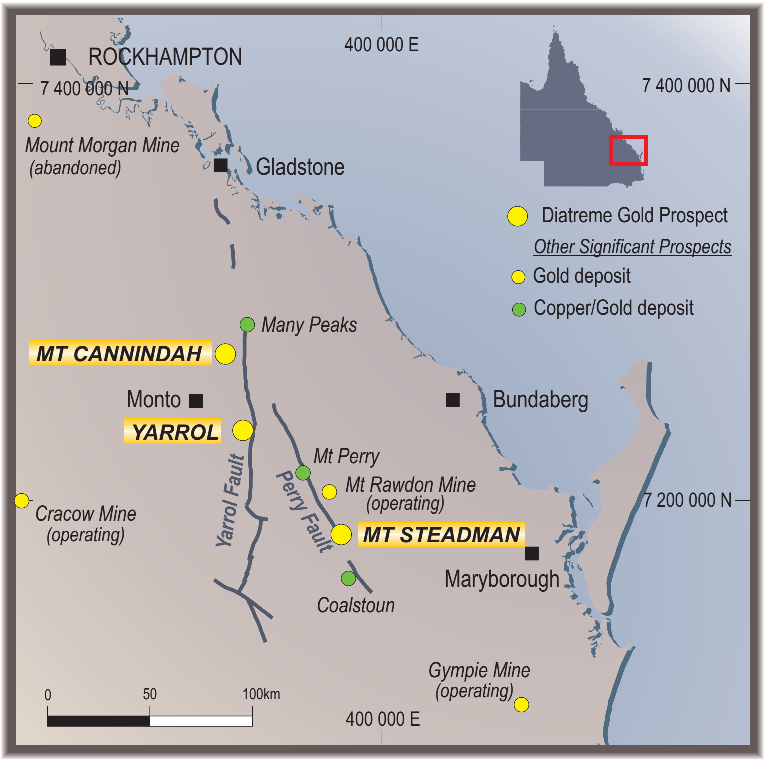


Figure 8: Yarrol Gold Project - Location of Gold Prospects and Major Faults.

Geology and Mineralisation

The project area falls within the northern New England Fold Belt, which consists mostly of a complex volcanic arc - continental margin succession related to a Carboniferous subduction complex. The subduction complex underwent extension with a period of compressive easterly-directed thrusting in the Late Permian. Granitoid emplacement accompanied the extensional events as well as extensive Triassic volcanism. North-northwest shears, such as the Perry Fault, Figure 8, and northeast cross-cutting faults, dominate the structural framework. Overprinting this regional fabric are north trending faults, which exhibit a strong spatial relationship with Permian to Triassic mineralisation.

Several Late Permian to Cretaceous age porphyries of the New England Fold Belt occur in relatively narrow zones roughly parallel to the Perry Fault, Figure 8. Host intrusives range from quartz diorite, granodiorite to granite/rhyolite composition. Multiple intrusions, breccias and pebble dykes are common. Mineralisation ranges from copper, copper/gold to gold. Alteration is typically quartz-pyrite-sericite assemblages, which grade outward to chlorite-clay zones. Potassic (biotite) cores are present sometimes.

The major Yarrol Fault occurs along the eastern margin of the Yarrol Basin and it is considered to be a thrust along which serpentinites have been emplaced. Large silica-pyrite bodies also lie along this fault.

The Yarrol Basin contains sediments of Carboniferous to Permian age.

Permian to Triassic plutonic rocks have intruded these Permo-Carboniferous sediments.

The largest copper porphyry in the region is Coalstoun (85 million tonnes grading 0.3% copper). Mount Rawdon, a large breccia pipe, (1987 resource estimate of 22 million tonnes grading 1.2 g/t gold and 4.2 g/t silver) is currently being mined.

Yarrol Gold Prospect

The Yarrol Gold Prospect, which is situated 25 km southeast of Monto, lies within EPM 8402. Gold mineralisation within the Yarrol Gold Prospect area, is associated with a compositionally variable suite of dioritic bodies and is of a porphyry style.

Previous Investigations

Mining at Yarrol started in the late 1800s and continued spasmodically until 1938. Production records are incomplete but only 300 tonnes are believed to have been produced with variable high grades and a likely average grade of 10 g/t gold.

Several exploration companies, including Amoco Minerals Australia Company, Augold NL, the Geopeko-Fawdon/Skett joint venture, Cyprus Gold Australia Corporation ('Cyprus') and DRL (then Strike Exploration Pty Ltd), have completed exploration at Yarrol since 1971.

This exploration has included:

- stream sediment sampling
- grid controlled geochemical soil sampling
- detailed and reconnaissance geological mapping
- trenching and channel sampling
- ground magnetic and IP surveys
- airborne magnetic and radiometric surveys
- aerial photographic survey
- RAB drilling
- reverse circulation percussion and diamond drilling
- resource estimations

A total of 141 RC and diamond drill holes have been drilled for 14 516 m.

Mineralisation

Gold mineralisation within the Yarrol EPM is contained mainly within a compositionally variable dioritic suite of rocks, which has been intruded along major north-south trending fault or fracture systems, Figure 9. Workings can be traced intermittently over a length of 4 km. In the southern part of the mineralised belt, the gold mineralisation is not always spatially related to north-south shearing and gabbroic country rocks are more prevalent. The relative width of intrusive rocks mapped between east-trending cross faults, interpreted from aerial photography, indicates possible significant vertical movement along the cross faults and a possible deepening of the system to the north. Copper-gold mineralisation occurs as structurally controlled gossanous zones on both the eastern and western contact of the intrusive body with the enclosing sediments. Old workings are present intermittently along the extent of the system.

The bulk of the estimated resources at the Yarrol North and the Central Ridge prospects is associated with a shallow to moderate easterly-dipping, tabular zone of sodic alteration within a diorite intrusive (possibly a separate quartz dioritic phase).

At the Yarrol North Grid area, steeply-dipping high-grade mineralised fault structures, exploited by early miners, are associated with a more disseminated style of gold mineralisation, incorporating sheeted quartz-sulphide veins within a tabular alteration zone which is characterised by anomalous bismuth and tellurium geochemical results. This zone has a low to moderate easterly dip and appears truncated to the east by a mineralised steeply-dipping fault zone, which extends north into the Starlight Grid area. Most of the estimated resources are contained in this part of the Yarrol North Grid area.

At the Central Ridge Grid area, a similar, easterly-dipping tabular zone of gold mineralisation, which has been intersected by drilling, locally contains high gold grades, Figure 9 - Section.

Resources

At the Yarrol North Grid area, a resource estimate has been completed using a lower cut-off grade of 0.5 g/t gold. This has resulted in a resource of 870 000 tonnes grading about 1.6 g/t gold. Additional resources have been drilled, but not estimated, at depth and to the east of Yarrol North and at the Starlight Grid area immediately to the north.

At the Central Ridge Grid area, a resource estimate has been completed using a lower cut-off grade of 0.5 g/t gold and an upper cut grade of 20 g/t gold. This has resulted in a resource of 270 000 tonnes grading about 1.5 g/t gold.

Future Exploration

Most of the drilling to date at Yarrol has been quite shallow and only one deep diamond drill hole has been drilled at each of the Yarrol North and Central Ridge grids. DRL proposes to complete a program of deeper RC drilling on the Yarrol Gold Prospect to locate extensions to the known areas of gold mineralisation. Attention will also be paid to the continuity of higher-grade zones. This work will involve the drilling of four holes for a total of 400 m of RC drilling with a budget of $85 000. DRL plans to execute the work in the first year of exploration.

Mount Steadman Gold Prospect

The Mount Steadman Gold Prospect is situated south of the township of Mount Perry. EPM 12834 which covers the area, is subject to a purchase agreement between DRL and Probe Resources N L ("Probe"). This agreement allows for DRL to pay Probe a future net proceeds royalty of 5% from a commercial venture established on the properties.

The tenements cover part of the Chowey Goldfield that was worked between 1880 and 1886.

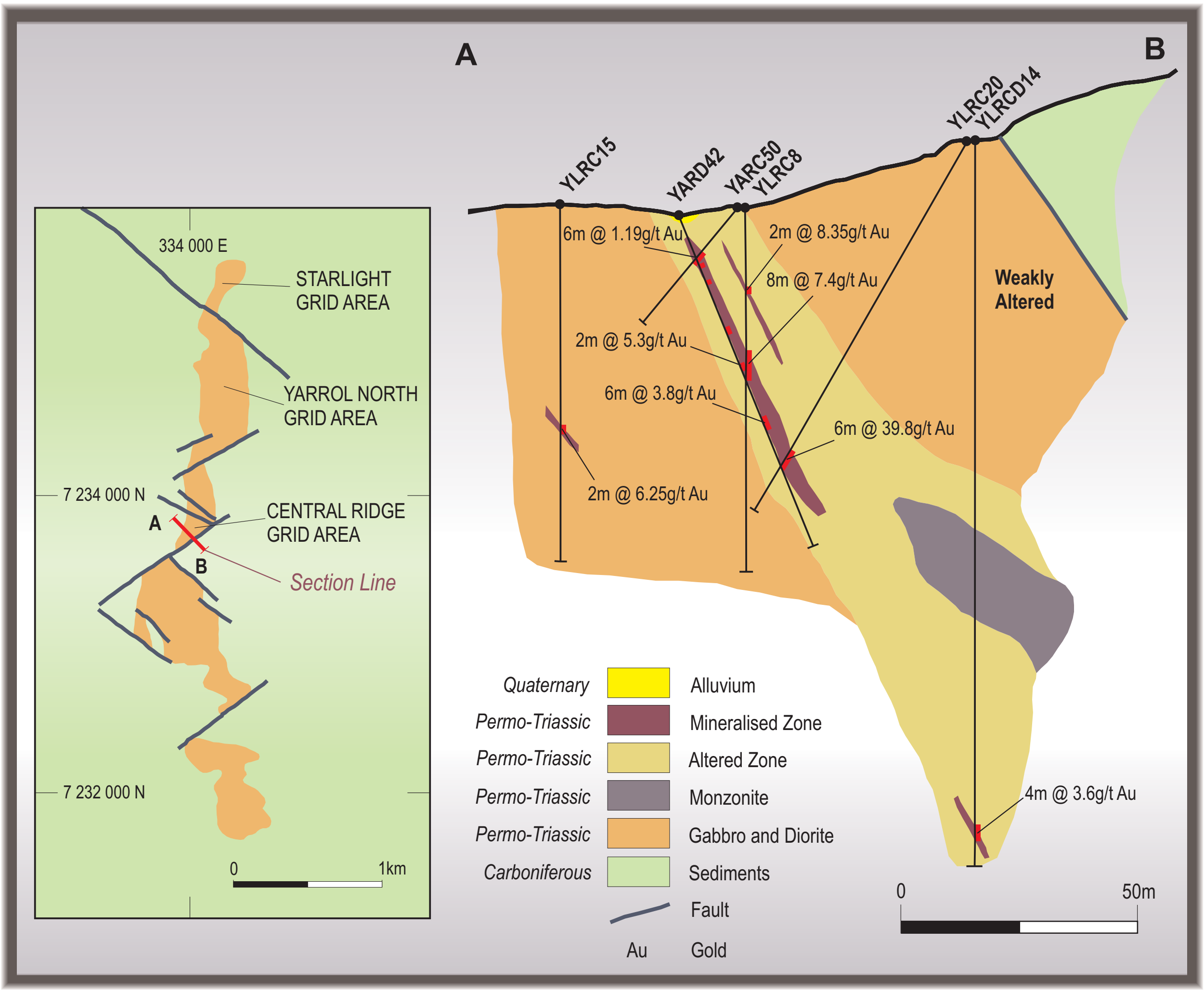


Figure 9: Yarrol Prospect - Section through Central Ridge.

Previous Investigations

The old Mount Steadman Mines (Mount Steadman, Venus and London) were worked mainly between 1891 and 1902 with some activity during the 1920s, 1930s and 1940s. In the London Mine, gold occurs in north-trending quartz fissure veins parallel to a major regional shear direction. At the Venus Mine, the formation carried bismuth and molybdenite with fine gold occurring between molybdenite laminae. Early workers referred to stockworking related to irregular bunches of aplite.

Previous exploration in the Mount Steadman Gold Prospect area has been completed by Eagle Mining, Pennzoil, Transit Mining, Metana Minerals, M F Davidson, Homestake Australia Ltd, Probe, CRA Exploration Pty Ltd ("CRAE") and DRL (then Strike Exploration Pty Ltd).

This exploration has included:

- drainage and reconnaissance rock chip sampling programs
- Prospecting
- data reviews
- prospect gridding, soil geochemical sampling, rock chip sampling
- prospect geological mapping
- ground magnetics
- reverse circulation and diamond drilling
- resource estimations and
- academic research

The drilling completed totals 41 holes for approximately 2 750 m.

Mineralisation

Gold mineralisation is hosted by the Chowey Granite, which is a relatively small polyphase stock with a core of medium to coarse-grained biotite hornblende granite, that gives way outwardly to a highly potassic (syenitic) marginal phase. Aplite, porphyry and diorite dykes intrude the granite.

The work completed outlined an area of significant gold mineralisation at the Fitzroy Prospect. Intersections from surface at this prospect include 26 m grading 1 g/t gold, 22 m grading 1 g/t gold, 25 m grading 1.1 g/t gold and 29 m grading 0.9 g/t gold. Gold mineralisation was found to be associated with a moderately easterly dipping zone of sheeted quartz veining in the Chowey Granite. The auriferous zone varies from 4 m to 33 m in true thickness. Sericite-haematite with minor chlorite alteration is characteristic of the mineralised zone. There is no consistent association between the gold grade and the intensity of quartz veining.

Resources

DRL has completed a resource estimation of the gold mineralisation at the main zone of the Fitzroy Prospect using the cross section polygonal method. This has resulted in a mostly indicated resource of about 1.2 million tonnes grading 0.9 g/t gold. This resource is spatially related to the zone of sheeted quartz veining to about 50 m depth. Drilling to a depth of 130 m has intersected zones of mineralisation below this estimated resource.

Future Exploration

Although it might be possible to add to resources at the Fitzroy Prospect through further drilling adjacent to the existing resource, the grade would most likely be at the marginal grade found to date. No further drilling is therefore planned on this resource. A small program of drilling however is planned on targets adjacent to the Fitzroy Prospect where significant potential is indicated from interpretation of the detailed ground magnetic data.

This drilling program will involve two RC drill holes for a total of 400 m of drilling with a budget of $50 000. DRL plans to execute the work in the second year of exploration.

Yarrol Gold Project - DRL Costean

Mount Cannindah Gold Prospect

The Mount Cannindah Gold Prospect is located 25 km northeast of Monto. The prospect is held within EPM 12903 "Mount Cannindah" which was granted on 11 December 2002. The tenure surrounds a group of MLs held by other parties. Mineralisation at Mount Cannindah is intrusive related with a central intrusive containing porphyry style mineralisation surrounded by skarn, breccia and stockwork mineralisation. Resources contained on the MLs include the Mount Cannindah Mine - 4.4 million tonnes grading 0.93% copper, 20 g/t silver, 0.4 g/t gold and Cannindah East - 250 000 tonnes grading 2.8 g/t gold. *(Note that these resources are not controlled by DRL).*

Future Exploration

A high priority exploration target exists within EPM 12903 immediately to the north of the mining leases. This target, which has been identified from airborne magnetics, appears to be a previously untested repeat of the Mount Cannindah porphyry/skarn/breccia system. The target is blind and lies beneath Triassic volcanics. At least two exploratory holes will be necessary to test the feature and this will cost $46 000. DRL plans the work for the first year of exploration.

6.3.4 Georgetown Inlier Gold Project

The Georgetown Inlier Gold Project comprises three separate tenements, totaling 426 km^2, located in the Georgetown region of north Queensland, Figure 1. The tenements cover the Ironhurst Gold Prospect, the Munitions Creek Gold Prospect at Langdon River and the Warrigal Creek Gold Prospect. The tenements forming this project are EPMA 12976 "Ironhurst", EPMA 11849 "Langdon River" and EPMA 13126 "Warrigal Creek". The tenements have not been granted at this stage because of native title. An Indigenous Land Use Agreement for the purpose of exploration has been entered into for EPMAs 11849 and 13126.

Ironhurst Gold Prospect

The Ironhurst Gold Prospect is located approximately 25 km northwest of the town of Georgetown. The prospect consists of a felsic volcanic breccia pipe intruding metasedimentary rocks of Proterozoic age. It has similar geological characteristics to economically significant deposits of this style in north Queensland such as Kidston, Mount Leyshon, Red Dome and Mount Wright.

Previous exploration in the area has been completed by CRA Exploration Pty Ltd and Seltrust Mining Corporation ("Seltrust").

Ironhurst Gold Project - Zinc-bearing Volcanic Breccia

Seltrust completed a program of 22 RC drill holes for 2 618 m of drilling on the breccia body. Holes were drilled to 150 m vertical depth to test the breccia and the surrounding basement rocks. The drilling encountered intersections of low grade gold returning up to 0.3 g/t gold. Significant intervals of zinc and silver mineralisation were intersected in several holes with the best reported interval of 20 m grading 10.7% zinc and 13 g/t silver in IHP10 from 84 m to 104 m. Anomalous silver intersections included 4 m grading 162 g/t silver and 3.7% zinc in IHP12 from 32 m to 36 m.

Recent investigations of this style of gold deposit in north Queensland indicate that base metal values tend to lie above the gold zones. This is well-documented at Mount Wright. DRL considers that the high zinc and silver values at Ironhurst may lie above a significant gold zone and that deeper drilling into the breccia pipe may be productive.

The proposed program of work includes drilling of two RC drill holes for 500 m with a budget of $60 000. At this stage, DRL plans the work for the second year of exploration.

Munitions Creek Gold Prospect

The Munitions Creek Gold Prospect lies within EPMA 11849 "Langdon River" which is located 80 km southwest of Georgetown in north Queensland. EPMA 11849 of 315 km^2, when granted, will be subject to the Georgetown Exploration Database Agreement with BHP Billiton whereby BHP Billiton may participate in the exploration of the EPM and obtain a 75% interest by reimbursing DRL three times the incurred expenditure. Alternatively, BHP Billiton may claim a 5% net profit interest in the EPM.

BP Minerals Australia, CRA Exploration Pty Ltd, MIM Exploration Pty Ltd and Battle Mountain (Australia) Inc. have completed previous exploration in the area for gold. At the Munitions Creek Gold Prospect, previous exploration located a quartz and quartz-breccia vein swarm over a zone measuring 600 m by 200 m. Composite rock chip sampling from quartz veins from a 100 m by 2 m zone returned assays of up to 22.5 g/t gold. Other quartz vein sampling produced assays up to 20.8 g/t gold and 10.7 g/t gold.

The surface dimensions of individual structures within the quartz vein and breccia swarm at Munitions Creek, coupled with the high grade rock chips collected by previous explorers, suggest a style of mineralisation amenable to selective underground mining. A program of four RC drill holes for a total of 300 m and a budget of $60 000 is proposed to test the size and grade of individual structures at depth, as well as for the presence of a more disseminated style of mineralisation within the host metasediments. DRL plans the work for the end of the first year of exploration.

Warrigal Creek Gold Prospect

The Warrigal Creek Gold Prospect in EPMA 13126, "Warrigal Creek", is centred approximately 125 km southwest of Georgetown in north Queensland.

This target is a complex of magnetic low features resembling the magnetic low anomaly over Mount Leyshon. The magnetic features are probably related to intrusives into Middle Proterozoic sediments.

Within the district a number of companies have undertaken exploration testing for base metal, gold, uranium, tin and tungsten mineralisation but none has carried out any testing of DRL's magnetic target.

As part of its search for Proterozoic base metal deposits, MIM Exploration Pty Ltd ("MIM") completed a high quality airborne magnetic survey over the region in 1992. This survey showed a complex of magnetic low features beneath shallow Mesozoic sandstone in the headwaters of Warrigal Creek. Cyanide leach stream sediment sampling by ACM Gold Operations Pty Ltd showed stream gold anomalies to 30 ppb in streams draining Mesozoic sandstones to the northwest of the complex of magnetic low features. The pattern of stream gold anomalies and the interpreted pre-Mesozoic drainage pattern suggest that the source of the gold could be in the vicinity of the magnetic low features. Drilling of the magnetic low features is required.

The prospect is close to the EPMAs of the Bellfield Base Metal Project and for logistical purposes exploration will be carried out in conjunction with that project.

A program of three RC drill holes for a total of 300 m and a budget of $55 000 is proposed to test the size and grade of structures at depth below the Mesozoic cover. Drilling is planned for the end of the first year of operations.

6.3.5 Pyramid Gold Project

The Pyramid Gold Project is comprised of EPMA 12887 "Pyramid" of 320 km^2 which is located approximately 120 km southeast of Charters Towers and 220 km west of Mackay in central Queensland, Figure 1. EPMA 12887 has not been granted at this stage because of native title considerations.

The Pyramid Project lies in the northeast corner of the Devonian to Carboniferous Drummond Basin. It contains a north-northeast trending inlier of Late Ordovician Anakie Metamorphics. The inlier of Anakie Metamorphics divides this region from the main area of Drummond Basin sedimentation to the west. A thick wedge of the Late Carboniferous Bulgonunna Volcanics forms the Bulgonunna Block to the east.

From the late 1970s, numerous mining companies have explored the area around the Pyramid Project. Exploration has been mainly directed towards locating epithermal gold mineralisation and has involved extensive stream and soil geochemistry and drilling.

DRL has selected for examination a number of gold prospects that have been discovered from this work. The Sellheim, Gettysburg, Pradesh, Madras, Vindaloo, TM-64, Sellheim West, West Anthill Creek, Bell Creek and Mount Stone prospects are hosted in the Saint Anns Formation, a unit of the Drummond Basin. Equivalents to the Saint Anns Formation are the host to epithermal gold mineralisation in the Drummond Basin at the economically important Pajingo, Yandan and Wirralie gold deposits.

DRL proposes to focus its attention on the gold mineralisation hosted within the Saint Anns Formation and particularly on the Sellheim, Gettysburg and Pradesh prospects. Previous drilling at Gettysburg has intersected significant gold mineralisation including 8 m grading 18.1 g/t gold and 24 m grading 5.0 g/t gold. These results indicate that this area has potential for discovery of a high-grade deposit of the Pajingo style.

At this stage, DRL anticipates granting of the EPM in the next year and plans preliminary work for the second year of exploration.

6.4 Diamonds

6.4.1 Warialda Diamond Project

DRL is searching for diamonds at the Warialda Diamond Project situated in northeastern New South Wales, Figure 1. The Warialda Diamond Project is situated 60 km west of Inverell and north of the old diamond bearing areas at Copeton and Bingara. The objective is to find the source of the Bingara Alluvial Diamond Field with newly interpreted paleo-drainage.

Tenure

The Warialda Diamond Project is comprised of Exploration Licence ("EL") 5900 "Warialda" covering a total area of 298 km^2.

Regional Geology

The Project is located in the New England Fold Belt and includes the Tamworth Belt containing sediments of mainly Carboniferous age, the Great Serpentinite Belt and the Central Block, consisting of Siluro-Devonian metasediments and volcanics. A major structure, the Peel Fault, forms the boundary between the Tamworth Belt to the west and the Central Block to the east.

Permo-Triassic granitoids intrude into the Central Block metasediments on the eastern side of the Warialda Diamond Project area.

Coarse fluvial sediments of Triassic age to the east of the Warialda Diamond Project area were deposited within the Warialda Trough.

Extensive terrestrial sedimentation occurred within the Surat Basin during the Jurassic period. The sediments are predominately flat lying to shallow-dipping sandstones. These rocks form a shallow cover over the northern half of the Warialda Diamond Project area.

Small areas of Tertiary sediments occur throughout the area as isolated preserved erosional remnants. During the Tertiary Period extensive sheets of basalt covered much of New England. These sheets have been substantially eroded since deposition but a substantial sheet still remains in the Inverell area to the immediate east of the Warialda Diamond Project area. Much of the Warialda Diamond Project area was originally covered by basalt but the substantial erosion that has occurred has reduced the cover to scattered outliers usually capping hills.

Quaternary alluvial sediments consisting of gravel, sand, silt and clay have been deposited along and in the flood plains of most of the major and minor rivers and creeks of the region.

The district contains numerous deposits including gold, tin, base metals, other metals, and alluvial diamonds.

Bingara Diamonds

The Bingara Diamond Field is situated 10 km west of Bingara and 160 km north-northwest of Tamworth, Figure 10.

The Bingara Diamond Field with a total recorded production in excess of 34 000 carats, though actual production was probably much higher, is the second largest diamond producer in eastern Australia, behind Copeton, which recorded 167 000 carats. The Bingara field lies 50 km west of Copeton.

Diamonds were discovered in 1872 during gold mining operations and worked intermittently until 1939.

Diamonds in the Bingara area have been recovered exclusively from alluvial deposits. The main cluster of workings, which accounts for most of the diamond production, occupies a small area of 4 km by 3 km. The distribution of the diamonds suggests that they are not exotic to the region and a 'local' source is considered likely.

Warialda Diamond Project - Target W1

Previous Modern Exploration for Diamonds

The New South Wales Department of Mineral Resources has recently compiled high quality geophysical imagery datasets, for the Bingara area. These datasets, when used with historical exploration information, provide an excellent opportunity to locate the hard rock source for the Bingara diamonds by studying paleo-drainage systems.

Despite significant exploration by a variety of companies, the hard rock source for the Bingara and Copeton diamonds has never been discovered. Previous exploration has relied extensively on heavy mineral sampling for both indicator minerals and diamonds with disappointing results. Explorers, who have carried out extensive programs in the area, include Baxter Brown Exploration, Diamond Ventures, Stockdale Exploration and Western Mining Corporation. A large number of other explorers have also been active in the area. Several different theories for the origin of the diamonds, the age and source have been put forward.

DRL's Interpretations and Exploration Approach

All of the known diamonds in the Bingara and Copeton areas occur as alluvial diamonds and most of these occur in Tertiary deep leads, eroded deep leads or in more recent sediments derived from the erosion of deep leads. The diamonds occur in ancient mature drainage systems that may have eroded from their original hard rock source well before the stream alluvium was preserved by the basalt. After a great deal of conventional prospecting the sources of the Bingara (and Copeton) diamonds still remain a mystery.

The occurrence of diamonds in the basal sediments of deep leads, which are overlain by basalts of Tertiary age, indicates that the diamonds are at least Mesozoic age or older.

Kimberlite and lamproite, the most usual diamond hosts, occur as diatremes, vents and dykes.

Diatremes are formed by volcanic processes and normally develop surface craters after emplacement. Both ultrabasic diatremes and craters filled with soft sediments are easily weathered, so an eroded diamond bearing diatreme is likely to be reflected at surface by a depressed topographical feature.

The strong possibility of sedimentary or soil cover over any diamond bearing diatreme in the Bingara area is a feasible explanation why traditional exploration, using heavy mineral sampling of streams, has not been successful.

A fundamental issue that has to be addressed in any exploration program for the source of the Bingara diamonds is the nature of the drainage that deposited the diamonds. It is DRL's view that, in the main, past attempts at interpreting a classical kimberlite or

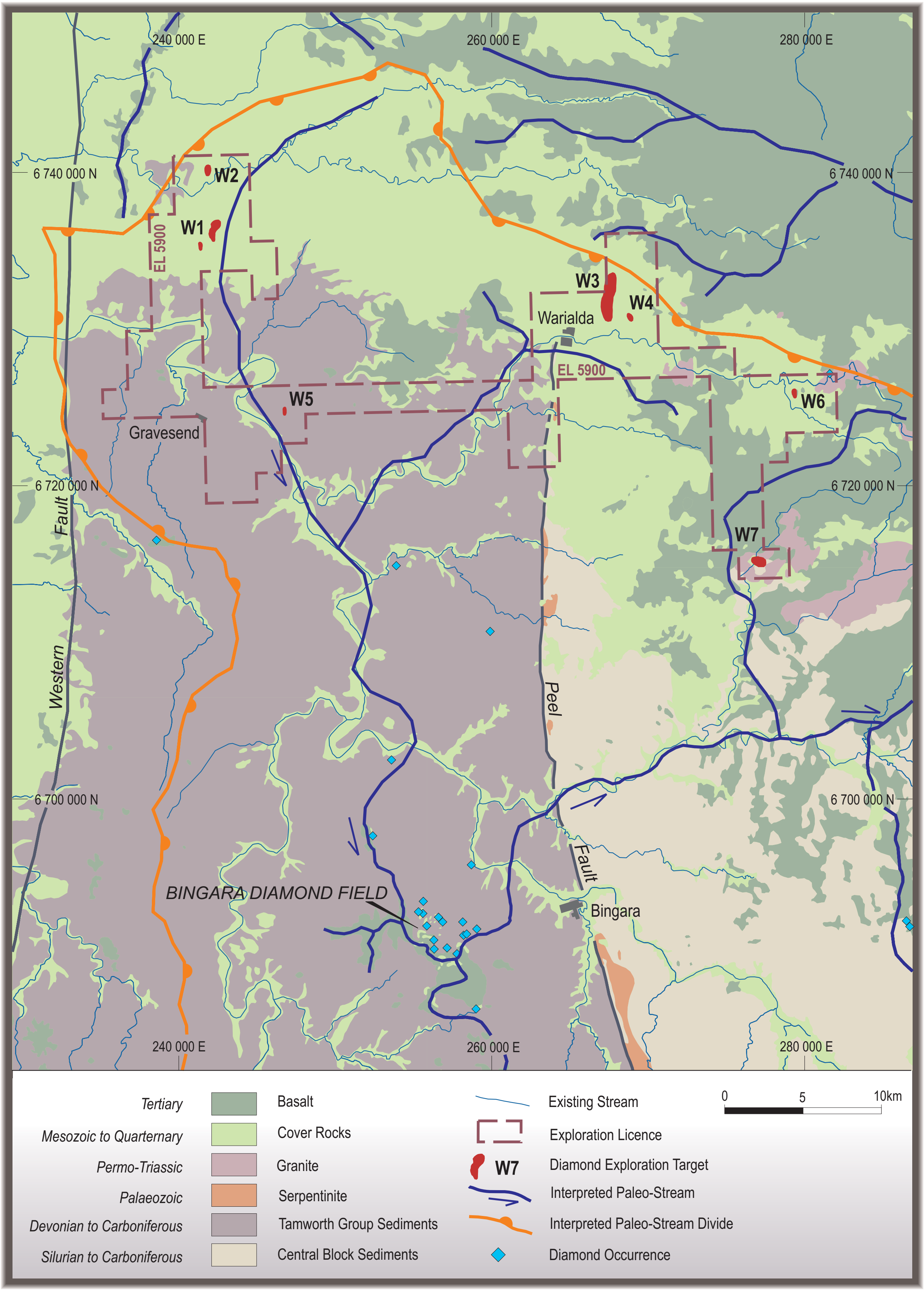


Figure 10: Warialda Diamond Project showing Targets and Interpreted Paleo-drainages.

lamproite sources for the diamonds in deep leads in the Bingara area have been too influenced by the current drainage system.

DRL considers that there is substantial evidence that the Bingara area has been tilted to the west (and northwest) during the Tertiary period when the coastal ranges in the New England area were raised to their current elevation. This tilting has been accompanied by north-south faulting with the western sides of the faults displaced downwards. The combination of the tilting and faulting has resulted in the current northwesterly flowing drainage system that is markedly different from the pre-Tertiary drainage system.

The extensive basaltic volcanic flows throughout the area also influenced the drainage system during the Tertiary period.

DRL's reconstruction of the major pre-basaltic drainages in the Bingara area (Figure 10) shows that the alluvial diamonds in the Bingara diamond deposits probably were deposited by a stream that originated from the Warialda-Gravesend area. Earlier, before high quality imagery was available, Baxter Brown Exploration also completed a detailed study of the pre-basaltic drainage system in the area and reached similar conclusions to those from the work undertaken independently by DRL but with different emphasis.

DRL's interpretation of the pre-basaltic drainage shows that the area from the Bingara alluvial diamond deposits north to the interpreted east-west pre-basaltic stream watershed or divide is the probable source area for the Bingara diamonds.

DRL has investigated the magnetic and radiometric data for the theoretical source area and has selected five high priority magnetic anomalies as diamond pipe targets, Figure 10, W1 to W5. These targets do not have associated low radiometric signatures, which typically occur with magnetic anomalies that are associated with basaltic outliers. Most of the targets lie beneath Mesozoic or later sedimentary cover. Two other magnetic anomalies, Figure 10, W6 and W7, have been identified as targets to the east of this area. These targets, however, do have associated low radiometric signatures and may reflect basaltic diatremes.

Proposed Exploration Budget

DRL proposes to complete a program of testing of the seven high priority diamond targets. The first-year exploration program on these targets will include locating and prospecting each of the magnetic anomalies on the ground. A budget of $123 000 has been cast with an allowance for eight 100 m RC holes.

6.5 Base Metal Projects

DRL is committed to exploration for a giant base metal deposit at its Bellfield Base Metal Project within the Proterozoic sequences west of Georgetown in northern Queensland, Figure 1.

6.5.1 Bellfield Base Metal Project

The Bellfield Base Metal Project is comprised of EPMA 12868 "Bellfield" and EPMA 12888 "Gilbert River". The project area, which totals some 1 100 km^2, is located about 120 km southwest of Georgetown in north Queensland. Agreement has been reached with one of the aboriginal groups holding native title over some of the area but agreements are outstanding on the remainder of the area.

Bellfield Base Metal Project - New Water Swamp

Regional Geology

The Project area is located in the Georgetown Inlier, which is one of a series of Proterozoic inliers, extending from south of Gilberton to Cape York. The Georgetown Inlier is separated from the Mount Isa Inlier by shallow sedimentary cover of Mesozoic to Tertiary Basins. In many respects the Georgetown Inlier should be regarded as an easterly extension of the Mount Isa Inlier. The oldest rocks in the Georgetown Inlier consist predominantly of Proterozoic metasediments, metabasalts, granites and volcanics.

Within the Bellfield Base Metal Project area, units of the Middle Proterozoic Lower Etheridge Group including the Bernecker Creek, Daniel Creek, Dead Horse Metabasalt, Corbett and Lane Creek Formations, predominate. The metamorphic grade increases in an easterly direction and the equivalent amphibolite facies rocks in the eastern part of the inlier are referred to as the Einasleigh Metamorphics. Flat lying sandstones and conglomerates of Jurassic age overlie the Proterozoic sediments in the western part of the project area.

Previous Mining and Exploration

A number of small shear and vein hosted lead and dolerite hosted copper workings occur within the area. Gold has been produced from both alluvial and hard rock sources. The total alluvial and hard rock gold productions of the Gilberton Goldfield, located just to the east of the project area, are 130 000 ounces and 30 000 ounces gold, respectively.

Within the project area a number of organisations have undertaken exploration for base metals, gold, uranium, tin and tungsten mineralisation and have conducted geological mapping, geochemical surveys and geophysical surveys relevant to exploration of the Bellfield Base Metal Project.

Between 1982 and 1984, a joint venture consortium led by Queensland Metals Corporation N.L. completed exploration for base metals and the work included photo geological interpretation and mapping, airborne magnetic and radiometric surveys, gravity surveys, stream sediment, soil and water sampling and drilling.

M.I.M. Exploration Pty. Ltd. (“MIM”) held several hundred square kilometres under EPMs covering the southwestern part of the Georgetown Inlier, including its extension under Mesozoic cover, during the period from 1991 to 1996.

MIM's target in the area was a Proterozoic base metal deposit similar to those that occur in the Mount Isa Inlier.

The extensive program of work completed by MIM included a large detailed airborne magnetic survey, three separate electromagnetic surveys, a gravity survey, geological mapping, stream and soil geochemical sampling, lead isotope analyses and drilling.

Work completed by DRL

DRL has analysed and reprocessed geological information from previous surveys and drill holes and interpreted geology from the airborne magnetics and EM surveys to produce a map of the bedrock geology beneath the Mesozoic cover, Figure 11.

Using this interpreted geological map, the geophysical data and a widely accepted model for the formation of Proterozoic base metal deposits, DRL has also outlined a number of high priority targets for exploration.

Exploration Model

The Proterozoic sedimentary sequences in northwest Queensland and the neighbouring Proterozoic areas in the Northern Territory are highly prospective for large base metal deposits. This area contains four major lead zinc deposits (Mount Isa, Hilton [George Fisher], Century and Macarthur River [HYC]) as well as the major Mount Isa copper deposit. A number of smaller deposits also occur. Exploration of the outcropping Proterozoic sequences of the Mount Isa Inlier is at a mature stage and greater attention is now being focused on the surrounding covered areas. This has led to the discovery of a number of medium-sized deposits to the west of the Bellfield Base Metal Project (e.g. Cannington and Ernest Henry). The discovery of a major deposit under cover has yet to be made.

DRL has established the following key points favouring the exploration initiative at Bellfield and confirming the potential of the Georgetown Proterozoic sequences to contain large Proterozoic base metal deposits.

- The Georgetown Inlier contains Proterozoic sedimentary sequences that are very similar to the rocks in the Mount Isa Inlier.
- The similarity in ages of the two sequences has recently been confirmed by dating completed by the Queensland Department of Natural Resources and Mines and the Australian Geological Survey Organisation.
- The outcropping Georgetown rocks are merely separated from the outcropping Mount Isa rocks by an area of generally thin Mesozoic cover generally about 120 m thick in the Project area.
- Exploration in the Georgetown Inlier has failed to result in the discovery of a significant base metal deposit to date but smaller base metal deposits (e.g. Mount Misery) do exist and a number of occurrences of stratabound zinc mineralisation have been reported. Most of the known stratabound zinc occurrences are associated with the Etheridge Group.
- A major east-west fault (the Clara River Fault) separates a major unit of metabasalts and metasediments from the prospective Etheridge Group rocks at Bellfield. This fault is similar in character to other faults, which occur adjacent to a number of large base metal deposits in northwest Queensland and the Northern Territory, such as the Mount Isa Fault at Mount Isa, the Emu Fault at Macarthur River and the Termite Range Fault at Century. In all cases the base metal deposits occur adjacent to and on the downthrown side of these major faults. Potential is therefore interpreted to exist adjacent to and on the northern side of the Clara River Fault, Figure 11.
- A large shallow swamp (New Water Swamp) lies on or close to the Clara River Fault in the western part of the project area, Figure 11. This swamp contains substantial zinc and copper values as shown by soil geochemical sampling of bottom sediments. DRL interprets that the metal has leaked via the groundwater system from an ultimate sulphide source in the Etheridge Group, Figure 11.

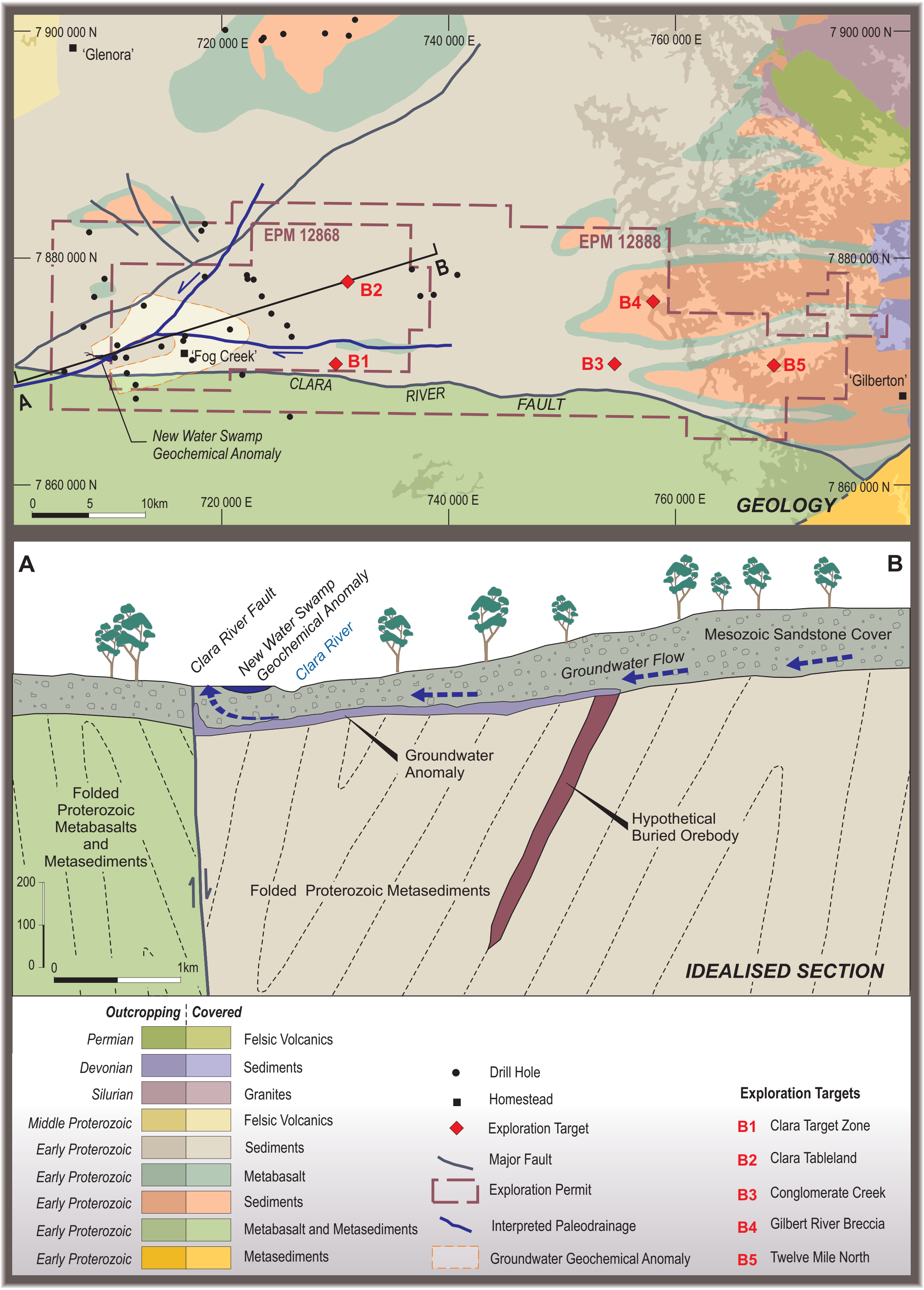


Figure 11: Bellfield Base Metal Project showing Geochemical Anomalies and Exploration Targets.

- A number of lead occurrences lying adjacent to the eastern part of the Clara River Fault show Proterozoic lead isotopic signatures similar to those at Mount Isa and Broken Hill.
- The Bernecker Creek Formation that forms the base of the sequence in the exposed area is composed of mudstone, siltstone and fine subfeldspathic sandstone. It is commonly calcareous and dolomitic. It appears to have an evaporitic character and it is commonly brecciated. Evaporitic rocks are commonly associated with large Proterozoic base metal deposits in Australia.

Future Exploration

DRL has outlined five target areas based on its understanding of the geology of the project area and interpretation of the airborne geophysical data, Figure 11.

The principal target for a large sulphide deposit is the Clara Target Zone (B1 on Figure 11). This area of high potential lies to the east of the New Water Swamp and on the northern side of, but close to, the Clara River Fault.

A very strong complex EM anomaly (Target B2 on Figure 11) exists approximately 7 km north of the Clara Target Zone in an area under flat-lying Mesozoic sediments. It is referred to as Clara Tableland.

A strong elongate but discrete magnetic anomaly lies near Conglomerate Creek just to the west of the Gilbert River in an area of shallow Mesozoic cover. This anomaly is shown as Target B3 and the prospect is called Conglomerate Creek.

The area of haematitic breccia in the bed of the Gilbert River and referred to as the Black Hand or Big Bend prospect by MIM, remains as a prospective target. It is shown as Target B4 on Figure 11 and is referred to as the Gilbert River Breccia. The prospect has not been drilled.

A prominent potassium radiometric anomaly, (Target B5), occurs within the Bernecker Creek Formation to the north of the old Twelve Mile copper prospect. The anomaly is partly obscured by Mesozoic sandstone cover.

Preliminary work and completion of ten RC and diamond holes has been estimated to cost $650 000, of which the direct drilling budget is $320 000. At this stage, DRL anticipates granting of the EPM in the first year and plans an initial drill program of two 400 m holes for a total of 800 m at a cost of $137 000 in the first and $183 000 in the second year of exploration.

6.6 Validation of Exploration Database

The level of documentation and degree of detail is of high professional standard. Resource data would appear to be accurate and reliable but has not been audited. Reporting at Nymbool is old and not detailed. However, as the work was carried out by reputable explorers, there is no reason or evidence to suggest the results are invalid.

6.6.1 Drilling

Conventional RC and diamond drill methods have been used in programs of DRL - all projects; Cyprus - Yarrol, CRAE and Probe - Mount Steadman; WMC, Amoco/Arimco, Auralia - Nymbool and Utah/Straits - Clermont.

The work by Ladnote on the Clermont Gold Project does not appear reliable on account of incompleteness and standard of reporting.

Recoveries were recorded for each drilled interval. Overall, recoveries are high enough that assay results for the interval were accepted as representative.

Collar positions and heights have been located by ground surveys. Diamond drill holes and some of the deeper RC holes have been down-hole surveyed.

6.6.2 Sampling

RC drilled intervals were 1 m and samples were reduced by spear/tube sampling in programs conducted by DRL. Riffling was probably used in other programs but the details are not available.

Sampling interval composites averaged approximately 2 m hole length but were reduced to 1 m for detailed investigations and sometimes expanded to 3 m for reconnaissance. Core was routinely halved by diamond saw, with one half despatched for analyses.

Approximately 2 kg of RC sample and the remaining half of mineralised core is stored on site at projects. Samples have not been stored for the older programs of the Nymbool and Mount Steadman Gold Prospects.

6.6.3 Sample Preparation and Assay

Original analytical returns are unavailable for the older drill campaigns, which includes the Nymbool Gold Project.

Analabs Pty Limited and Australian Laboratory Services Pty Limited using laboratories in Brisbane and Townsville have carried out the majority of sample processing for DRL. This includes the Yarrol and Mount Steadman Gold Prospects.

After conventional crushing, pulverising and reduction, 50 g fire assay and an AAS finish determined gold.

6.6.4 Bulk Density

For the gold resource estimates of Yarrol, Nymbool and Mount Steadman, DRL used an arbitrary 2.5 g/cm^3 to 2.6 g/cm^3.

Sample and assay information has been acquired in accordance with acceptable industry standards for all the projects of DRL.

6.7 Sources of Information

Open file and internal company reports available from the Queensland Department of Natural Resources and Mines and Geological Survey of New South Wales libraries. *Open File Company reports are denoted "CR".* Geological Survey NSW report on open file are denoted "GS".

The following literature has been selected from numerous reports and publications and is considered to be the most relevant.

Nymbool Gold Project

Amdel Limited Report No. N8181. Preliminary Cyanide Leach Tests, Nymbool Project.

Arimco Mining Pty Limited, 1993. Progress Report for Six Months to December 1992, Nymbool Porphyry Copper-Gold Project, Mt Garnet, North Queensland.

Arimco Mining Pty Limited. Nymbool Prospect in MLA 20110: maps, sections.

Auralia Resources NL. Summary Information Report on EPMs 8994, 8992 and 8196 and MLA 20110.

EPM 8984. Blacks Creek, Annual Reports for the twelve months ended 30 November 1996, 30 November 2000, 30 November 2001, Work completed during May 2000. (Strike Exploration Pty Limited Reports (confidential)).

EPM 8998. Mt Garnet Project, Queensland. Annual Reports for the twelve months ended 25th October 1993, 25th October 1994, (Poseidon Gold Limited Report (confidential)). 25 October 1995, 25 October 1996, 25 October 1997, 25 October 1998, 25 October 1999, 25 October 2000, 25 October 2001.

(Strike Exploration Pty Limited Report (confidential)).

MLAs 8417 and 8418. Western Mining Corporation, CR21960, CR20605, CR19543.

Clermont Gold Project

Dunstan, B., 1902. The Clermont Gold Field. *Geol. Surv. Queensland Publ. 176.*

EPM 321. Mines Administration Pty Ltd. CR2147, CR2148, CR2545.

EPM 811. Utah Development Company. CR3610, CR3767, CR4550.

EPM 1183. Utah Development Company. CR4969.

EPM 2077. Penzoil of Australia Ltd. CR7771, CR8245, CR8429, CR10960.

EPM 3424. Ladnote Pty. Ltd. CR12494, CR913908.

EPM 9531. Straits Mining Pty. Ltd. CR 28979, Annual reports for 1993, 1994, 1995, 1997 and 1999.

EPM 9537. Straits Mining Pty. Ltd. CR 29711, Annual reports for 1993, 1994, 1995, 1997 and 1999.

Yarrol Gold Project

Horton, D.J., 1982. Porphyry-Type Copper and Molybdenum Mineralisation in Eastern Queensland. *Geol. Surv. Queensland Publ. 378.*

Yarrol Gold Prospect

Deakin, R.C., 1997. A Review of Surface Magnetics from the Yarrol Project Area, Queensland. On behalf of Strike Exploration Pty Ltd. by R. Deakin & Associates (unpublished report to Strike Exploration).

EPM 397. Noranda Australia Pty Ltd, 1971. CR 3959.

EPM 2726. Amoco Minerals Australia Company. CRs 9044, 1077, 11573.

EPM 3662. Sovereign Mining Pty Ltd, 1985. CR 15740.

EPM 8402. Fawdon and Skett exploration information; report and maps. 1992.

EPM 8402. Peko-Wallsend Operations Limited - Geopeko Division, exploration information; reports and maps. 1992.

EPM 8402. Strike Exploration Pty Ltd/Diatreme Resources Limited, Annual Reports for 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001.

Mount Steadman Gold Prospect

EPM 8093. Mt Steadman Exploration Report for Period of Joint Venture 1/12/94 to 31/5/95 and EPM 10401. Mt Steadman North Exploration Report for Period of Joint Venture 3/1/95 to 31/5/95. CRA Exploration Pty Limited Report No 20251.

EPM 8093. Mt Steadman, Annual Report for period ending 23 August 1994. Probe Resources NL.

EPM 8093. Mt Steadman, Annual Report for period ending 23 August 1996. Probe Resources NL.

EPM 10401. Mt Steadman North, Annual Report for period ending 2 January 1997. Probe Resources NL.

EPM 10401 Mt Steadman North, Annual Report for period ending 2 January 1998. Probe Resources NL.

EPM 8093. Mt Steadman, Partial Relinquishment Report, August 1994. Probe Resources NL.

Resource Estimation Fitzroy Prospect Mt Steadman Project SE Queensland. Strike Exploration Pty Limited. 1999.

EPM 8093. Mt Steadman, First and Final Report ending 18 December 1991. Homestake Gold Australia Ltd.

EPM 8093. Mt Steadman, Annual Report 1996. Probe Resources N L.

Mount Cannindah Gold Prospect

Creenaune, P. and Harvey, K. 1997. The geology and mineralisation of the Mount Cannindah porphyry copper and gold system.

Georgetown Inlier Gold Project

Ironhurst Gold Prospect

EPM 1619. Esso Australia Ltd. CR6126, CR6551, CR6551, CR7387, CR7388.

EPM 2996. Howard Smith Exploration Pty Ltd. CR9589.

EPM 3455. Seltrust Gold Pty Ltd. CR12933, CR13569, CR13988.

EPM 4316. CRA Exploration Pty Ltd. CR16304, CR18072, CR18155, CR18371, CR18700, CR20437, CR20493, CR21725.

EPM 4519. CRA Exploration Pty Ltd. CR16829, CR17395, CR17831, CR18412, CR19301, CR19420, CR20713.

EPM 8452. BP Minerals. CR26055, CR27135, CR28278.

Munitions Creek Gold Prospect

A to P 3956M. BP Minerals Australia. CR15339.

A to P 4644M. CRA Exploration Pty Limited. CR16956.

A to P 5043M. Battle Mountain (Australia) Inc. CR18614.

Pyramid Gold Project

AMIRA 1991. Deposits within Sellheim River Area EPM 5250. AMIRA Project P247.

Hutton, L.J., 1989. A stratigraphy and tectonic model for the Drummond Basin and its relationship to gold mineralisation in the Northern Drummond Basin: Significance of the Bulgonunna Volcanics, In *Proc. North Queensland Gold'89 Conference*, AusIMM., 31-40.

ATP 1023M. Amoco. CR4476.

ATP 2015M. AOG Mineral Pty. Ltd. CR7154.

ATP 2890. Sanadine N.L.CR9580. CR104621.

EPM 3663. CR13979, CR13980, CR14720, CR16716.

EPM 5250. Hunter Resources Limited. CR20737, CR20737, CR22573.

EPM 7261. Dalrymple Resources N.L. CR23023.

EPM 7686. Poseidon Exploration Limited. CR23259.

EPM 8194. Dalrymple Resources N.L. CR23200.

EPM 8438. Dalrymple Resources N.L. Final Report.

EPM 8639. Dalrymple Resources N.L. CR25326, CR25327, CR26805, CR31005.

EPM 9159. Newcrest Mining Limited. CR27523, CR28928.

EPM 10569. Newcrest Mining Limited. CR 28438, CR25936, CR26031, CR26576.

Warialda Diamond Project

MacNevin A.A., 1977. Diamonds in New South Wales. Geol.Surv. NSW, Mineral Resources No. 42.

Inverell 1:250 000 Metallogenic Map. Metallogenic Study and Mineral Deposit Data Sheets. Geol.Surv. NSW.

Els 2450, 2453, 2454. Baxter Brown Exploration NL. GS1985/315.

Els 3414, 3415. Baxter Brown Exploration NL. GS1991/287.

Bellfield Base Metal Project

EPM 4582. Queensland Metals Corporation. CR17035, CR17671.

EPM 8095. MIM Exploration Pty Ltd. CR24035, CR24749.

EPM 8255. MIM Exploration Pty Ltd. CR25123.

EPM 8543. MIM Exploration Pty Ltd. CR25955.

EPM 8676. MIM Exploration Pty Ltd. CR25355.

EPM 9391. BHP Minerals Pty Ltd. CR25549.

EPM 9597. BHP Minerals Pty Ltd. CR26387, CR27336, CR28429.

EPM 10157. MIM Exploration Pty Ltd. CR27047, CR28916.

6.8 Glossary of Technical Terms

AAS (atomic absorption spectrophotometry) a laboratory technique for testing the amount of an element in a sample

alluvial deposit a mineral deposit consisting of recent surficial waterlain sediments.

breccia a rock composed of angular rock fragments.

Cainozoic an era of geologic time from the end of the Mesozoic to the present.

Cambrian a time period, approximately 545 million to 505 million years ago.

Carboniferous a time period, approximately 360 million to 290 million years ago.

chalcopyrite a mineral of copper ($CuFeS_2$).

conglomerate sedimentary rock formed by the cementing together of waterrounded pebbles, distinct from breccia.

costean a trench usually dug to expose rock for sampling.

Cretaceous a time period, approximately 131 million to 65 million years ago.

deep lead an covered ancient alluvial deposit usually covered by basalt.

Devonian a time period, approximately 408 million to 360 million years ago.

dipole-dipole a method of completing an IP survey.

diatreme a breccia-filled volcanic vent or pipe created by violent gas-driven eruption of magma.

dip the angle at which any planar feature is inclined from the horizontal.

dyke a tabular igneous intrusion which cuts across the bedding or other planar structures in the country rock.

epithermal a hydrothermal mineral deposit formed at a relatively low temperature near the Earth's surface, mainly in veins.

felsic a light coloured igneous rock, typically containing an abundance of feldspar and quartz.

gabbro a coarse-grained intrusive igneous rock composed chiefly of plagioclase feldspar and pyroxene.

gossan rock composed of hydrated oxides of iron that forms a superficial cover over sulphides of iron and/or other metals.

granitoid rock similar to granite in texture and composition.

greisen a pneumatolytically altered granitic rock composed largely of quartz, muscovite mica, and topaz.

hematite (haematite) a mineral composed of ferric iron oxide (Fe_20_3).

indicated resource a mineral resource sampled by drill holes, underground openings, or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give reasonable indication of continuity, and where geoscientific data are known with a reasonable level of reliability.

inferred resource a mineral resource inferred from geoscientific evidence, drill holes, underground openings, or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

inversion modelling a method of determining the possible cause of a geophysical anomaly by using computer algorithms.

IP (Induced Polarisation) a geophysical exploration method which measures changes in magnetic and electrical fields induced in the earth by the application of an electrical current to the ground.

Jurassic a time period, approximately 210 million to 131 million years ago.

kimberlite a porphyritic alkalic ultrabasic rock containing abundant phenocrysts of olivine (commonly serpentinized or carbonatized) and phlogopite, in a fine-grained groundmass of calcite and second-generation olivine and phlogopite and with accessory ilmenite, serpentine, chlorite, magnetite, and perovskite.

lamproite a group name for dark-colored hypabyssal or extrusive rocks rich in potassium and magnesium.

mafic a dark coloured rock composed dominantly of magnesium, iron and calcium-rich rock-forming silicates.

Mesozoic an era of geologic time, from the end of the Palaeozoic to the beginning of the Cainozoic, or from about 250 to about 65 million years ago.

metamorphic descriptive of a rock which has changed its structure and properties due to the effects of heat and/or increased pressure over time.

Neoproterozoic a time period approximately 1 000 million to 545 million years ago.

Ordovician a time period, approximately 505 million to 433 million years ago.

paleo-drainage ancient drainage.

pelite a sediment or sedimentary rock composed of the finest detritus (clay- or mud-sized particles); e.g. a mudstone.

percussion a type of drilling method whereby the rock is broken by a hammering action into small chips.

Permian a time period, approximately 290 million to 250 million years ago.

Permo-Carboniferous an interval of geologic time covering the Permian and Carboniferous periods.

porphyry an igneous rock with conspicuous crystals in a finegrained groundmass.

porphyry style deposit a well known intrusive related mineralisation style for copper and gold.

psammite a clastic sediment or sedimentary rock composed of sand-size particles; a sandstone.

pyrite a common iron sulphide mineral (FeS_2).

RC (reverse circulation percussion) a drilling method in which the sample is brought to the surface inside the drill rods, thereby reducing contamination. Conventional percussion drilling retrieves the sample exterior to the rods between the rods and the wall of the drill hole.

rhyolite a volcanic rock composed chiefly of potassium feldspar and quartz.

sericite a mineral; a fine grained white mica of similar composition to muscovite.

serpentinite an ultramafic rock composed of hydrous magnesium and iron minerals.

Silurian a time period, approximately 433 million to 408 million years ago.

Siluro-Devonian an interval of geologic time covering the Silurian and Devonian periods.

skarn a thermally metamorphosed impure limestone.

stratabound a deposit confined to a single stratigraphic unit, it may or may not be conformable.

stratiform said of a special type of stratabound deposit in which the desired rock or ore constitutes, or is strictly coextensive with, one or more sedimentary, metamorphic, or igneous layers.

subduction the process of one lithospheric plate (slab of the Earths crust) descending beneath another.

Tertiary first period of the Cenozoic era covering the time span from 65 to 2 million years ago.

Triassic a time period, approximately 250 million to 210 million years ago.

ultrabasic said of rocks with less than 35% silica, which are dense, composed of calcic feldspars and ferro-magnesian silicate minerals.

6.9 Declaration

6.9.1 Qualifications and Experience

This report has been prepared for Veronica Webster Pty Limited through its duly authorised and qualified representative, Mr. Leslie William Davis, Minerals Exploration Consultant and Director of the company. Veronica Webster Pty Limited has operated in Australia serving the mining industry since 1980.

Mr. Davis has had 30 years experience in the Australian minerals industry, particularly exploration for precious metals and base metals, mining geology, ore resource/reserve estimation and property evaluation. He held senior positions with Electrolytic Zinc Co of Australasia Limited, Freeport Minerals Corporation of Australia, Tenneco Oil & Minerals and Amad NL before joining Veronica Webster Pty Limited in 1985. Mr. Davis has been granted Investment Advisers Licence Number 69287 by the Australian Securities and Investments Commission under Section 784 of the Corporations Act.

His principle qualification is Bachelor of Science (Special Geology) Leics., UK. His professional affiliations are as follows:-

Fellow - The Australasian Institute of Mining & Metallurgy

Chartered Professional Geology CP Geo

Fellow - Australian Institute of Geoscientists

Member - Geological Society of Australia.

6.9.2 Independence

Veronica Webster Pty Limited and L W Davis have no conflict of interest in preparing this independent report. The independent report has been commissioned by DRL with payment to be made for services rendered solely on a standard time-fee basis. The companies and consultants preparing this independent report have no association with DRL nor have they any financial interest in or entitlement to DRL or and associates of DRL.

6.9.3 Limitations

The views expressed in this independent report are solely those of Veronica Webster Pty Limited, and L W Davis. When conclusions and interpretations credited specifically to other parties are discussed within the report, then these are not necessarily the views of Veronica Webster Pty Limited or L W Davis.

6.9.4 Consents

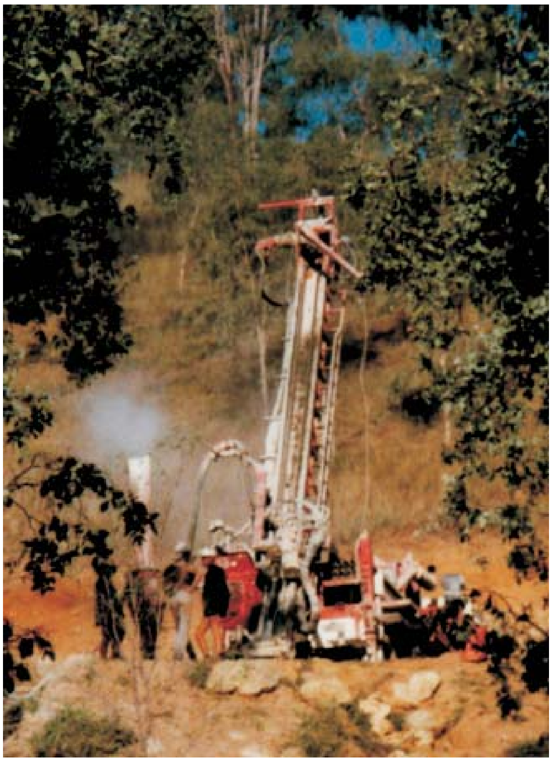
Veronica Webster Pty Limited hereby consents to the inclusion of the independent report in an Initial Public Offering Prospectus, planned for July 2003, which will offer a subscription of 25 000 000 ordinary fully paid Shares at $0.10 (10 cents) per Share.

Veronica Webster Pty Limited hereby consents to the inclusion of the independent report, in both electronic and paper form, in the form and context in which it appears and advise that we have not, at the date of the independent report, withdrawn such consent. Veronica Webster Pty Limited was only commissioned to prepare, and has only authorised issue of this independent report on DRL's exploration tenements specified in the independent report. It has not been involved in the preparation of, or authorised issue of, any other part of the Prospectus in which this independent report is included.

For and on behalf of

VERONICA WEBSTER PTY LIMITED

L W DAVIS
BSc (Special Geology), Leics. UK, FAusIMM, FAIG, CP Geo



Yarrol Gold Project - DRL Drilling

7. Accountant's Report

23 July 2003

The Directors
Diatreme Resources Limited
Level 10, 243 Edward Street
BRISBANE QLD 4001

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT

1. Independent Review of Financial Information

We have prepared our Independent Accountant's Report ("Report") at the request of the Directors of Diatreme Resources Limited ("Diatreme" or the "Company") on the Financial Information to be included in a Prospectus to be dated on or about 28 July 2003. The Prospectus has been prepared in relation to Diatreme's Offer to the public to subscribe for a maximum of 25,000,000 fully paid ordinary shares at an issue price of 10 cents each to raise $2,500,000.

The Offer is underwritten by W.H.I. Securities Pty Limited to the extent of 2,000,000 fully paid ordinary shares, being $200,000. The minimum Subscription is 5,000,000 fully paid ordinary shares to raise $500,000.

Expressions defined in the Prospectus have the same meaning in our Report.

2. Basis of Preparation

Our Report has been prepared to provide investors with Financial Information on the financial position and pro-forma financial positions of Diatreme as at 31 May 2003. The pro-forma financial positions includes the financial effect of share issues subsequent to 31 May 2003 and those transactions contemplated by the Prospectus as if they had taken place as at 31 May 2003. Pro-forma financial positions have been considered in respect of the minimum and maximum capital raising scenarios.

This Report does not address the rights attaching to the shares to be issued, the risks associated with the investment, nor form the basis of an independent expert's opinion with respect to a valuation of Diatreme or a valuation of the share issue price of 10 cents each.

We have not been requested to consider the prospects for Diatreme nor the merits and risks associated with becoming a shareholder and accordingly, have not done so, nor purport to do so. We accordingly take no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for our Report.

3. Scope of Our Report and Procedures

3.1 Historical Financial Reports

Douglas Heck & Burrell has acted as the independent auditor of Diatreme since the Company's incorporation.

The financial report of Diatreme for the year ended 31 December 2002 has been audited by Douglas Heck & Burrell in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit report was unqualified.

Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures were undertaken to form an opinion whether, in all material respects, the financial information is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia, so as to present a view which is consistent with our understanding of the Company's and consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

3.2 Review of Financial Information

We have reviewed Diatreme's financial position and pro-forma financial positions as at 31 May 2003. Our review was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports" in order to report whether anything has come to our attention which would cause us to believe that the Financial Information is not properly drawn up in accordance with the assumptions and transactions contemplated by the Prospectus. Our procedures consisted primarily of enquires and comparison and other such analytical review procedures we considered necessary so as to evaluate the basis of the preparation of the Financial Information. In conducting our review we have undertaken the following:

a) reviewed the financial position of Diatreme as at 31 May 2003;
b) reviewed the underlying data supporting the transactions that have already occurred, the proposed transactions and the assumptions; and
c) ensured that the Financial Information has been calculated in accordance with the assumptions, Australian Accounting Standards and other mandatory professional reporting requirements.

The scope of a review is substantially less than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and accordingly we do not express an audit opinion on the Financial Information. We do not confirm or guarantee the achievement of the Prospectus raising, as future events, by their very nature, are not capable of independent substantiation.

4. Financial Information as at 31 May 2003

4.1 Financial Information

The Financial Information consists of the financial position and pro-forma financial positions of Diatreme as at 31 May 2003. The pro-forma financial positions have been considered in respect of the minimum and maximum capital raising scenarios. The Financial Information is set out in Section 4.2 and the accounting policies upon which they are prepared are set out in Appendix A.

The pro-forma financial positions reflect the proposed financial structure of Diatreme after completion of the Offer, on the basis of the following assumptions and that transactions had occurred as at 31 May 2003:

a) 1,800,000 shares issued subsequent to 31 May 2003 in respect of seed capital;
b) 1,000,000 shares at an issue price of 0.1 cents each and 1,000,000 free options issued to Diatreme's corporate financial advisers (or their nominees) in respect of the preparation of the Prospectus and raising of seed capital;
c) the proposed allotment and issue by Diatreme to the public of a minimum of 5,000,000 shares and a maximum of 25,000,000 shares, each at an issue price of 10 cents; and
d) the estimated expenses associated with the preparation and fundraising under the Prospectus are $154,000 and $280,000 under the minimum and maximum capital raising scenarios respectively, being offset against the share capital raised.

4.2 Statements of Financial Positions as at 31 May 2003

	Appendix A Note	**31 May 2003 Actual $**	**Minimum Pro-forma $**	**Maximum Pro-forma $**
Current Assets				
Cash		50,040	523,040	2,397,040
Receivables	2	5,053	5,053	5,053
Other	3	32,159	32,159	32,159
Total Current Assets		87,252	560,252	2,434,252
Non-Current Assets				
Receivables	4	1,560	1,560	1,560
Plant and equipment	5	6,241	6,241	6,241
Exploration interests	6	2,629,446	2, 629,446	2, 629,446
Investments	7	47,275	47,275	47,275
Total Non-Current Assets		2,684,522	2, 684,522	2, 684,522
Total Assets		2,771,774	3,244,774	5,118,774
Current Liabilities				
Payables	8	170,646	170,646	170,646
Provisions	9	22,205	22,205	22,205
Total Current Liabilities		192,851	192,851	192,851
Total Liabilities		192,851	192,851	192,851
Net Assets		2,578,923	3,051,923	4,925,923
Equity				
Contributed equity		3,118,858	3,591,858	5,465,858
Accumulated profits/(losses)		(539,935)	(539,935)	(539,935)
Total Equity		2,578,923	3,051,923	4,925,923

4.3 Contributed Equity

	Shares	Issue Price cents	$	Options *
Balance as at 31 December 2002	21,683,394		3,077,858	4,512,791
Shares issued	250,000	8.0	20,000	125,000
Shares issued	300,000	7.0	21,000	150,000
Balance as at 31 May 2003	22,233,394		3,118,858	4,787,791
Shares issued	1,800,000	7.0	126,000	900,000
Shares issued to corporate advisors	1,000,000	0.1	1,000	1,000,000
Contributed equity on issuing Prospectus	25,033,394		3,245,858	6,687,791
Minimum Subscription:				
Contributed equity prior to Prospectus	25,033,394		3,245,858	6,687,791
Issue to public under Prospectus	5,000,000	10.0	500,000	-
Cost of issue	-		(154,000)	-
	30,033,394		3,591,858	6,687,791
Maximum Subscription:				
Contributed equity prior to Prospectus	25,033,394		3,245,858	6,687,791
Issue to public under Prospectus	25,000,000	10.0	2,500,000	-
Cost of issue	-		(280,000)	-
	50,033,394		5,465,858	6,687,791

* Options are exercisable at 20 cents each on or before 30 May 2007.

4.4 Reconciliation of cash

	Minimum Pro-forma $	Maximum Pro-forma $
Cash as at 31 May 2003	50,040	50,040
Share issues prior to Prospectus	127,000	127,000
Issue to public under Prospectus	500,000	2,500,000
	677,040	2,677,040
Cost of issue	(154,000)	(280,000)
Pro-forma cash as at 31 May 2003	523,040	2,397,040

4.5 Directors' and associated parties' shareholdings

The Directors' (including associated parties) shareholdings in the issued and unissued capital of the Company are as follows:

Name	Interest in shares	Options held
A J Fawdon (Executive Chairman)	3,094,370	1,000,000
D H Hall (Executive)	982,005	1,000,000
L J Litzow (Non Executive)	1,023,378	1,009,617

5. Statement

Based on our review, which is not an audit, nothing has come to our attention which would cause us to believe that the Financial Information is not properly drawn up in accordance with the assumptions and transactions set out Section 4.1 of this Report and with generally accepted principles for the presentation of such information in a prospectus.

As set out in Note 6 of Appendix A, $2,629,446 has been included by the Directors as exploration interests in the pro-forma financial positions. This is the principal asset of Diatreme. The ultimate recovery of this asset is primarily dependent upon the successful development and commercial exploitation of, or alternatively, sale of the tenements.

6. Subsequent Events

To the best of our knowledge and belief, there have been no material items, transactions or events subsequent 31 May 2003, except for the adjustments included in the pro-forma financial positions, that would cause the Financial Information to be misleading.

7. Independence

Neither Douglas Heck & Burrell nor the Partners of Douglas Heck & Burrell have any pecuniary interests in any shares of Diatreme, or any interest in the outcome of the Offer that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Offer. Normal professional fees to be received for the preparation of this Report, totalling $8,000, are not contingent upon the outcome of the Offer.

Douglas Heck & Burrell is engaged as the independent auditor, tax advisers and share registrar for Diatreme. In our opinion the provision of these services has not impaired our independence.

Consent to the inclusion of our Independent Accountant's Report in the Prospectus, in the form and context in which it appears, has been given. At the date of our Report our consent has not been withdrawn.

DOUGLAS HECK & BURRELL
Chartered Accountants

R C Brown
Partner

APPENDIX A

NOTES TO THE STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2003

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements are prepared in accordance with the historical cost convention and the accounting policies consistently applied.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Diatreme Resources Limited ("parent entity") as at 31 May 2003 and the results of all controlled entities for the period then ended. Diatreme Resources Limited and its controlled entities together are referred to as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

(b) Revenue

Revenue is recognised when the service is provided, or there is an unconditional contract for the sale of an asset.

(c) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit (after allowing for permanent differences). The future tax benefit relating to losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(d) Non-Current Assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written-down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(e) Depreciation

Depreciation on fixed assets has been calculated on diminishing value basis. Estimates of remaining useful lives are made on a regular basis for all assets.

The depreciation rates used for each class of assets are as follows:

Furniture and office equipment	20.0% - 22.5%	Diminishing value
Plant and equipment	40.0%	Diminishing value

APPENDIX A

NOTES TO THE STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2003

1. Summary of Significant Accounting Policies (continued)

(f) Exploration Expenditure

Expenditure is accumulated separately for each area of interest until such time as the area is abandoned or sold. The realisation of the value of the expenditure carried forward depends on any commercial results that may be obtained through successful development and commercial exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment. Some exploration expenditure may also be written off where areas of interest are partly relinquished. In cases where uncertainty exists as to the value, provisions for possible diminution in value are established.

(g) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Employee Entitlements

Amounts expected to be paid to employees for their pro-rata entitlements to annual leave are accrued annually at the current pay rates having regard to years of service and statutory awards. Contributions for superannuation are made in accordance with statutory requirements. Any liability for superannuation unpaid at balance date has been accrued.

(i) Cash

Cash includes deposits at call, which are readily convertible to cash on hand, and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

	31 May 2003 Actual $	Minimum Pro-forma $	Maximum Pro-forma $
2. Current Assets – Receivables			
Trade debtors	3,348	3,348	3,348
Sundry debtors	1,705	1,705	1,705
	5,053	5,053	5,053
3. Current Assets – Other			
Prepayments	626	626	626
Deposits	31,533	31,533	31,533
	32,159	32,159	32,159
4. Non-Current Assets – Receivables			
Loan to Opal Horizon Limited	1,560	1,560	1,560

APPENDIX A

NOTES TO THE STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2003

	31 May 2003 Actual $	Minimum Pro-forma $	Maximum Pro-forma $
5. Non-Current Assets – Plant and Equipment			
Furniture and office equipment – at cost	20,826	20,826	20,826
Accumulated depreciation	(20,326)	(20,326)	(20,326)
	500	500	500
Plant and equipment – at cost	141,980	141,980	141,980
Accumulated depreciation	(136,239)	(136,239)	(136,239)
	5,741	5,741	5,741
	6,241	6,241	6,241
6. Non Current Assets – Exploration Interests			
Exploration expenditure	2,629,446	2,629,446	2, 629,446
7. Non-Current Assets – Investments			
Shares in unlisted entities (at cost)	47,275	47,275	47,275
8. Current Liabilities - Payables			
Sundry creditors	170,646	170,646	170,646
9 Current Liabilities – Provisions			
Employee entitlements	22,205	22,205	22,205

10. Future Income Tax Benefits

As at 31 May 2003, the consolidated entity had income tax losses carried forward of approximately $6.7 million.

The future income tax benefit of the income tax losses carried forward, totalling approximately $2.0 million will only be obtained if:

i) The consolidated entity derives assessable income of a nature and an amount sufficient to enable the benefit from the deduction of the losses to be realised;
ii) The consolidated entity continues to comply with the conditions for deductibility imposed by legislation; and
iii) No changes in tax legislation adversely affect the consolidated entity in realising the benefit of the deduction of the losses.

There are no franking credits available for the subsequent financial year for the consolidated entity.

APPENDIX A

NOTES TO THE STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2003

11. Commitments for Expenditure and Contingent Liabilities

No provision has been made for the following in the financial report of the Company.

i) The possibility of native title claim applications at some future time, under the provisions of the Native Title Act (1993), may impact on exploration tenements under application. Any substantial claim may have an effect on the value of the tenement application affected by the claim; and

ii) So as to maintain current rights to tenure of various exploration tenements, the consolidated entity will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These outlays, which arise in relation to granted tenements, are as follows:

	31 May 2003 Actual $	Minimum Pro-forma $	Maximum Pro-forma $
Payable within 1 year	284,911	284,911	284,911
Payable between one and two years	138,191	138,191	138,191
	423,102	423,102	423,102
Rental on tenements payable within 1 year	9,911	9,911	9,911

The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished. Cash security deposits totalling $30,000 are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

12. Investments in Controlled Entities

Name of entity	Country of Incorporation	Class of Shares	Equity Holding %
Regional Exploration Management Pty Ltd	Australia	Ordinary	100
Chalcophile Resources Pty Ltd *	Australia	Ordinary	100

* This entity is 100% owned by Regional Exploration Management Pty Ltd.

8. Tenement Report

TAS
TENEMENT ADMINISTRATION SERVICES
Melbourne
Suite 31, 120 Cambridge St.
Collingwood VIC 3066
Telephone:(03) 9486 9600
Facsimile:(03) 9486 9234
Perth
2/326 Hay St
East Perth W.A. 6004
Telephone: (08) 9421 1777
Facsimile: (08) 9421 1331
Brisbane
13/97 Creek St
Brisbane QLD 4000
GPO Box 3081
Brisbane QLD 4001
Telephone: (07) 3229 1488
Facsimile: (07) 3229 8816

23 July 2003

The Directors
Diatreme Resources Limited
Level 10
Travel House
243 Edward Street
Brisbane Qld 4000

Dear Sirs

RE: DIATREME RESOURCES LIMITED - MINING TENEMENT REPORT

This Expert Tenement report has been commissioned by Diatreme Resources Limited ("Diatreme") and has been prepared pursuant to the requirements of the VALMIN Code. The report is required to examine and comment on the standing of mineral tenements which Diatreme proposes to include in a prospectus it proposes to be lodged with the Australian Securities and Investments Commission ("ASIC") on or about 28 July 2003 ("the Prospectus").

This report has been prepared in accordance with the conditions placed on Expert Reports by the Corporations Act 2001, and in particular ASIC Practice Notes 1, 42 and 43, ASIC Policy Statements 74-75, ASC Information Release 95/12 and the VALMIN Code.

1. Aim

The aim of this Report is to collate, summarise and interpret available information to ascertain the location, standing, registered ownership and any material qualification regarding the mineral tenements listed in the Schedule of Material Mineral Tenements ("the Tenement Schedule") attached.

2. The Expert

The author holds a first-class Honours degree in Geology, with post-graduate qualifications in company law, management and accounting. She is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy with over nineteen years experience in the management of mineral tenements in all Australian jurisdictions covered by this Report.

3. Assumptions

This report is prepared on the following assumptions:

1. that the list of mineral tenements described in the commission is true and correct in terms of their materiality to the Prospectus, and that there are no other mineral tenements which affect the Prospectus; and

2. that there are no charges, liens or encumbrances affecting the mineral tenements extant but not yet registered as at 16 July 2003.

MINING AND EXPLORATION TENEMENT MANAGEMENT, AUDIT AND REVIEW: GEOLOGICAL CARTOGRAPHY, DIAGRAMS AND SLIDES
Tenement Administration Services Pty. Ltd. A.C.N. 007 397 873

4. The Tenement Schedule

We refer to the Tenement Schedule attached which forms part of this Report.

As a result of, and based upon, the information derived we confirm that the information and particulars included in the Schedule are an accurate statement of the mineral tenements therein.

5. Sources of Information

Information in respect of the mineral tenements has been derived from extracts of registers obtained from

- the National Native Title Tribunal ("NNTT") Register of Native Title Claims in Brisbane, Queensland
- the National Native Title Tribunal ("NNTT") Register of Indigenous Land Use Agreements in Brisbane, Queensland
- the Department of Natural Resources and Mines, Queensland (“DNRM”)
- the National Native Title Tribunal ("NNTT") Register of Native Title Claims in Sydney, New South Wales
- the National Native Title Tribunal ("NNTT") Register of Indigenous Land Use Agreements in Sydney, New South Wales
- the Department of Mineral Resources (“DMR”), New South Wales

between 10 July and 21 July 2003.

All material requested has been supplied, and the author has no reason to be dissatisfied unless expressly stated.

6. Encumbrances

Other than those material encumbrances listed in the schedule, the mineral tenements have, from the information available, no other charges, liens or encumbrances extant.

7. Bonds

Other than those material encumbrances listed in the schedule, the mineral tenements have, from the information available, no bond requirements outstanding.

8. Government and Other Royalties

There is no evidence that any Royalties payable to the relevant authorities are outstanding.

We are unaware from information provided to us by Diatreme whether any other royalties are payable to third parties.

9. Local Government Rates

There are no Local Government Rates payable on the Material Mineral Tenements located in either Queensland or New South Wales.

11. Wardens Court Plaints and Objections

There is no evidence that any of the material tenements are subject to Wardens Court Plaints for forfeiture or objections to grant.

12. Annual Mineral Exploration Reports

Evidence from Extracts of Register from DNRM and DMR, and from information supplied by Diatreme, indicates that no reporting is currently outstanding.

13. Native Title - Generally

The following information of a general nature is provided. Where further clarification is required, reference to legal experts may be made in this matter.

"Native Title" is a legal concept which describes the rights of persons determined to be Aboriginal or Torres Strait Islander people with respect to land and water usage. The decision of the High Court of Australia in *Mabo & Ors v The State of Queensland (No 2)(1982)* determined that such indigenous persons who had maintained a continual cultural connection with their land according to traditional laws may hold Native Title.

In response to this decision, and to the subsequent decision of the High Court in *Wik Peoples v the State of Queensland* (1996), the *Native Title Act* 1993 (Cth) ("NT Act") was enacted in 1993 and further amended in 1998.

The NT Act provides for the regulation and protection of the rights of governments, indigenous and non-indigenous persons in dealings between any or all of these parties in relation to land and land use that is or may be subject to Native Title. Inter alia, the NT Act provides for the administration and registration of native title claims and applications for claims through the National Native Title Tribunal ("NNTT"). This body is also vested with an arbitral function where parties may not be able to reach a negotiated settlement in relation to land or land use.

It should be noted that the act of lodging a claim does not guarantee any rights may be conferred on the claimant parties, nor that the absence of a claim indicate that no native title exists over the land in question, determination of which is vested in the Federal Court of Australia.

There is evidence that some of the land the subject of the material mineral tenements is the subject of a land grant under federal legislation at the time of this Report, and details of such claims are included in the attached Tenement Schedule. We have not been commissioned for the purposes of this or any other report on the material mineral tenements, to establish either the rights conferred under any existing or future claim.

14. Native Title - Right to Negotiate

As noted above, the NT Act provides for administrative frameworks where land uses such as mining may affect Native Title rights. The NNTT procedures for notification and consultation between affected parties are triggered by the possible extinguishment or creation of rights inconsistent with the exercise of Native Title, a "Future Act".

Grants of mineral tenements after 01 January 1994 are, by definition, "Future Acts" and require compliance with the "Right to Negotiate" procedures specified in the NT Act.

Right to Negotiate procedures ("the Procedures") are also applied to mineral tenements that are, inter alia,:

- converted from an exploration (e.g. prospecting or exploration permit or licence) to mining title
- not subject to an Indigenous Land Use Agreement ("ILUA"), whereby a voluntary agreement is negotiated and concluded between the affected parties, and registered at the NNTT.
- not renewal applications for mineral tenements validly granted on or before 23 December 1996 where the new area, term or rights created are not extended beyond the original and earlier area, term or rights

The Procedures require the relevant State Government to provide notices to the public and to any registered Native Title claimant of the application for the grant or renewal of a mineral tenement. Where claimants satisfy the relevant registration test they may make submissions, either orally or in writing, regarding the proposed Future Act, and the parties may then negotiate in good faith to reach agreement as to the terms and conditions of the grant or renewal of the tenement. This may include compensation by the registered mineral tenement holder pursuant to the provisions of the NT Act for the effect of activities carried out on the mineral tenement which may affect or cause loss in respect of Native Title.

Where agreement cannot be reached between the parties within a six month period following the initial publication of the public notices, any of the parties may apply to the NNTT for the determination as soon as practicable of the matter using it's arbitration provisions. This determination may only be overridden by a decision of the Federal Minister for Aboriginal and Torres Strait Islander Affairs within a two month period following any such determination, which decision may in turn be appealed to the Federal Court under procedures provided in the *Administrative Decisions (Judicial Review) Act* 1977 (Cth).

A Tenement Holder may also elect to employ the “Alternative State provisions’ provided for in the NT Act, where the relevant State Government has legislated to implement alternative negotiation arrangements, approved by the Federal Government. In both Queensland and New South Wales, the approved alternative provisions are essentially similar to the Federal process described above, but in New South Wales the process is quarantined indefinitely pending the consent of the Minister for Mineral Resources to explore on land where native title may exist. An exploration licence may therefore be granted, and the explorer permitted to explore on land, where native title is deemed extinguished or non-existent, without going through the “right to negotiate” process.

We emphasise that the above comments are of a general nature only.

For the purposes of this Report, there is evidence that the State of Queensland has entered into a “State-wide Exploration Backlog” ILUA numbered QI2003/007 with the Tagalaka People. The agreement has been lodged, but not yet been registered with the NNTT. The effect of this agreement would be the grant and renewal of mineral tenements on the terms and conditions set out in the agreement.

Similarly, there is evidence that the State of Queensland has entered into a “State-wide Exploration Backlog” ILUA numbered QI2002/060 with the Ewamian People, which has been registered with the NNTT on 16 May 2003. The effect of this agreement would be the grant and renewal of mineral tenements on the terms and conditions set out in the agreement.

EPMs 11849, 12976 and 11849 also fall within the above ILUA areas, but are to be processed through the expedited procedure of the Federal NT Act, discussed earlier in this Report.

The tenement holders have elected to negotiate using the Queensland “Alternative State Provisions” with the relevant indigenous bodies in respect of their proposed exploration programs for EPMs 12868 and 12888, and such negotiations are continuing.

For EL 5900 in New South Wales, the *Mining Act* 1992 provides that “low-impact” exploration licences are excluded from the “Right to Negotiate” provisions of the Commonwealth *Native Title Act* 1993. Therefore, subject to obtaining an “Access Arrangement” with any registered native title body corporate or registered native title claimants and other private or Crown landholders, prospecting operations authorised by the licence may be conducted, unless a variation of any kind to the exploration licence status is sought.

We are advised by Diatreme that they have caused standard compensation agreements to be concluded with relevant private landowners, details of which may be obtained from Diatreme.

15. Assessment of Standing

We have assessed the standing of each of the granted tenements, except those which were unable to be assessed for reasons stated, as being either good, fair, poor or very poor.

In assessing standing we have had consideration for the reported expenditure on each tenement, the rental and bond situation and other matters considered material.

In considering the expenditure reported we have had consideration of current Departmental policies and procedures with respect to under expenditure, but note that such policies and procedures may be subject to change at any time.

We note that EPM 8994 is currently pending renewal of term. From the evidence available, we believe there is no material impediment to the grant of such renewal, notwithstanding underexpenditure in the initial years of the tenement's term, which has resulted in the assessment in this report of "fair" standing. We note that the expenditure requirement has been complied with in the three most recent years of the tenement term, and have been assured by Diatreme that this is likely to continue.

We note that EPM 8998 also experienced underexpenditure in the initial years of the tenement's term, which has resulted in the assessment in this report of "fair" standing. We note that the expenditure requirement has been complied with in the three most recent years of the tenement term, and have been assured by Diatreme that this is likely to continue.

We note that EL 5900 experienced underexpenditure in the first year of the tenement's term, which has resulted in the assessment in this report of "fair" standing. We note that if the expenditure requirement is complied with by the end of the current granted term, there would be no material impediment to renewal of the tenement.

We have not been given any information as to the mineral reserve position on any of the tenements and have not taken such information into account in assessment of standing in this report.

16. Disclosure of Interest

Tenement Administration Services Pty Limited will be paid normal and usual professional fees for the preparation of this Report. Other than in respect of its professional fees, Tenement Administration Services Pty limited has no interest in the promotion of Diatreme.

17. Consent

Tenement Administration Services Pty Limited has given, and has not, before the release of this Report, withdrawn its consent to the release or the publication of the report in the form and context in which it appears.

Signed as confirmation that Tenement Administration Services Pty Limited and the individuals responsible for the preparation of the Tenement Report are sufficiently qualified to prepare such a Report in respect of the Material Mineral Tenements.

For and on behalf of Tenement Administration Services Pty Limited.

J. Evans Wheeler

Jay Evans-Wheeler
B.Sc(Hons) DipCM MBus(Acc)
FAusIMM(CP) MMICA ACIS ACA
Dated this 23 July 2003

						Expenditure Details						
Tenement Number	Grant Date Refer Note 1,3,4	Expiry Date refer Note 2	Term (Yrs - Refer Note 2)	Area Refer Note 6	Registered Holder and Shares	Commitment to Date	Expenditure to Date	Bond	Conditions	Registered Agreements & Encumbrances	Native Title Details	Comments and Standing assessment
EPM 8402	13/11/91	12/11/03	5	4 sb	Diatreme Resources Limited 100%	$760,000	$2,178,342	AC072317 $2,500	Standard	Nil	QC01/029 Port Curtis Coral Coast; QC99/033 Wakka Wakka #2 dated 13/02/01	Good standing
EPM 8994	01/12/92	30/11/02	5	2 sb	Diatreme Resources Limited 100%	$350,000	$103,582	AC072317 $2,500	Excision of Mining Lease no 4304	Nil	QC01/017 Bar-Barrum #2; QC01/018 Bar-Barrum #3	Renewal pending; Fair standing - refer Item 15 in text
EPM 8998	26/10/92	25/10/03	5	33 sb	Diatreme Resources Limited 100%	$890,000	$529,995	BR116417 $2,500	Standard conditions	Farm-in Agreement -see Note 7; Joint Venture Agreement - see Note 8; Assignment indication - see Notes 9,10	QC01/017 Bar-Barrum #2; QC01/018 Bar-Barrum #3; QC01/032 Bar-Barrum #4	Fair standing - refer Item 15 in text
EPM 11849	Application	n/a	5	98 sb	Diatreme Resources Limited 100%	N/A	N/A	n/a	Standard conditions	Nil	QC01/022 Tagalaka #2	Good standing
EPM 12834	17/12/99	16/12/04	5	6 sb	Diatreme Resources Limited 100%	$30,000	$56,673	ISO68648 $5,000	Substantial conditions in respect of excision of road reserves and land set aside for use and benefit of Aboriginals and Torres Strait Islanders.	Nil	QC99/033 Wakka Wakka #2	Good standing
EPM 12867	22/12/00	21/12/05	5	40 sb	Chalcophile Resources Pty Ltd 100%	$50,000	$48,489	ISO87233 $2,500	Mining Development Licences 28, 103,106 and 143; Substantial conditions in respect of excision of road reserves, land set aside for use and benefit of Aboriginals and Torres Strait Islanders, and railway reserves.	Nil	Nil	Good standing
EPM 12868	Application	n/a	5	100 sb	Chalcophile Resources Pty Ltd 100%	N/A	N/A	n/a	Not yet imposed.	Nil	QC01/022 Tagalaka #2; Alternative State provisions employed for negotiation of high impact exploration - refer text	Good standing
EPM 12887	Application	n/a	5	100 sb	Chalcophile Resources Pty Ltd 100%	N/A	N/A	n/a	Not yet imposed; future conditions likely to include excisions of land affecting the Burdekin Falls Dam storage.	Nil	QC98/010 Jangga	Good standing
EPM 12888	Application	n/a	5	242 sb	Chalcophile Resources Pty Ltd 100%	N/A	N/A	n/a	Not yet imposed.	Nil	QC01/022 Tagalaka #2; QC01/016 Ewamian #3; Alternative State provisions employed for negotiation of high impact exploration - refer text	Good standing
EPM 12903	11/12/02	10/12/07	5	9 sb	Chalcophile Resources Pty Ltd 100%	$5,000	Not yet due	BR121274 $2,500	Excision of Mining Lease Nos 3201-3209 inclusive; Substantial conditions in respect of excision of road reserves, restricted areas, land set aside for use and benefit of Aboriginals and Torres Strait Islanders, and railway reserves.	Nil	QC01/029 Port Curtis Coral Coast; Alternative State provisions employed for negotiation of high impact exploration - refer text	Good standing
EPM 12956	22/12/00	21/12/05	5	3 sb	Chalcophile Resources Pty Ltd 100%	$10,000	$8,665	ISO87237 $2,500	Substantial conditions in respect of excision of road reserves, restricted areas, and land set aside for use and benefit of Aboriginals and Torres Strait Islanders	Nil	Nil	Good standing
EPM 12976	Application	n/a	5	2 sb	Chalcophile Resources Pty Ltd 100%	N/A	N/A	n/a	Standard conditions; Excision of Mining Lease 30195	Nil	QC01/016 Ewamian #3	Good standing
EPM 13126	Application	n/a	5	33 sb	Chalcophile Resources Pty Ltd 100%	N/A	N/A	n/a	Not yet imposed.	Nil	QC01/022 Tagalaka #2	Good standing
EPM 14026	Application	n/a	5	100 sb	Chalcophile Resources Pty Ltd 100%	N/A	N/A	n/a	Not yet imposed.	Nil	QC98/025 Kangoulu	Good standing
EPM 5900	26/10/01	25/10/03	5	100 u	Regional Exploration Management Pty Ltd 100%	$70,000	$9,040	$10,000 cash	Low impact methods only; no exploration on land affected by Native title without due process - refer text.	Nil	NC98/17 Nucoorilma Clan of the Gamilaaroy Aboriginal People	Fair standing

NOTES

1. Licence documents are issued for all granted licences.
2. Tenements are renewable beyond the initial grant term at the discretion of the relevant State Minister or their delegate for additional periods of up to five years.
3. Exploration tenements granted in Queensland and New South Wales do not have survey conditions imposed.
4. Exploration tenements granted in Queensland are for all minerals other than coal unless otherwise stated.
5. Reference to standard or substantial conditions imposed refers to conditions imposed in the relevant Instrument of Licence. Substantial conditions are merely precised for information and should not be considered to be a comprehensive analysis of the conditions imposed.
6. Exploration licence areas in Queensland and New South Wales are referred to as sub-blocks and units respectively. These are both multiples of 01 minute x 01 minute areas based on the Australian Geodetic Datum as adopted in the relevant State jurisdiction.
7. Farm-in Agreement registered 03/10/94 (Dealing 940480) between Strike Exploration Pty Ltd. and Poseidon Gold limited dated 06/09/94
8. Joint Venture Agreement registered 18/11/94 (Dealing 940520) between Poseidon Gold limited and Strike Exploration Pty Ltd dated 06/09/94
9. Assignment Indication registered 14/01/99 (Dealing 990704) between Normandy Gold Pty Limited and Normandy Gold Exploration Pty Ltd
10. Assignment Indication registered 04/06/02 (Dealing 997868) between Newmont Gold Exploration Pty Ltd and Diatreme Resources Limited

9. Additional Information

9.1 Constitution

The Shares issued pursuant to this Prospectus will be fully paid ordinary Shares and will rank equally in all respects with the Company's fully paid ordinary Shares currently on issue.

Subject to any restrictions on the allotment of Shares imposed by the Constitution of the Company, the Listing Rules of NSX and the Corporations Act, the Directors may issue or otherwise dispose of new Shares on such terms and conditions as they see fit.

The following is a broad summary of the rights which attach to the Company's Shares. It is not intended to be an exhaustive or definitive summary of the rights and obligations of Shareholders.

Copy of Constitution

The Constitution has been lodged with ASIC and is taken to be included in this Prospectus by operation of section 712 of the Act. The Company will give a copy of the Constitution to any person who requests a copy of it during the Offer period of this Prospectus, free of charge.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class of Shares, at a meeting of Shareholders, each Shareholder entitled to vote may vote in person or by proxy or attorney or, being a corporation, by representative duly authorised under the Corporations Act, and has one vote on a show of hands and one vote per fully paid Share on a poll.

A poll may be demanded by the Chairman of a general meeting, by not fewer than five Shareholders who are present in person or by proxy, attorney or representative and who are entitled to vote, or by any one or more Shareholders holding not less than 5% of the total voting rights of all members having the right to vote.

Dividend Rights

The profits of the Company which the Directors may from time to time determine to distribute by way of dividend are payable equally on all fully paid ordinary Shares.

Buy Back of Shares

Subject to the Corporations Act and the NSX Listing Rules, the Company may buy back Shares in itself by any of the means authorised by the Corporations Act.

Sale of Unmarketable Parcels

Once in each 12 months the Company may dispose of any holding that is less than a marketable parcel in accordance with the procedure set out in the Constitution, and forward the monies received to the former holder. This power lapses during a takeover. The procedure includes at least 42 days notice being given to holders and holders having opportunity to object to the sale of their holding.

Rights on Winding-Up

If the Company is wound-up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company and may, for that purpose, set a value as the liquidator considers fair upon the property to be so divided and may determine how the division is to be carried out between the Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of the property of the Company in trustees upon trusts for the benefit of Shareholders as the liquidator thinks fit.

If approved by special resolution, any division of the property of the Company may be otherwise than in accordance with the legal rights of the members of the Company.

Issue of Further Shares

Subject to the Constitution of the Company, the NSX Listing Rules, the Corporations Act and any special rights (if any) conferred on the holders of any existing Shares or class of shares of the Company, the Directors may allot, issue, grant Options over, or otherwise dispose of, further Shares with or without preferential rights on such terms and conditions as they see fit.

Transfer of Shares

Subject to the Constitution and the Corporations Act, shareholders may transfer any or all of their shares by any computerised or electronic system established or recognised by the NSX Listing Rules or by an instrument in writing or any other form approved by the Directors.

The Directors may refuse to register a transfer of shares only if the NSX Listing Rules permit, and shall refuse to register a transfer of shares if the NSX Listing Rules require the company to do so. Subject to the NSX Listing Rules, the Company may not prevent, delay or interfere with the generation of a proper SCH Transfer or the registration of a paper based transfer of shares in registrable form.

Variation of Rights

At present, the Company has only fully paid ordinary Shares on issue. The rights, privileges and restrictions attaching to those Shares, or to any other class of Shares, can only be varied by a special resolution passed at the general meeting of the relevant holders or with a written consent of relevant holders of at least three quarters of the ordinary Shares on issue.

General Meetings

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution or the Corporations Act.

Proportional Takeover Provisions

The Constitution contains provisions which prohibit the registration of any transfer of Shares giving effect to an offer made as part of a proportional takeover scheme until the Shareholders who hold Shares at the end of the day on which the first offer was made have passed an ordinary resolution approving the scheme. These provisions will cease to apply after three years unless renewed by Shareholders in general meeting.

Amendment of Constitution

The Constitution can only be amended by special resolution passed at a general meeting of the Company. The Company must give at least 28 days notice of its intention to propose a resolution as a special resolution.

Listing Rules

Upon DRL being admitted to the Official List of the NSX, then despite anything in the Constitution, if the NSX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the NSX Listing Rules require to be done. If the NSX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the NSX Listing Rules require the Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the NSX Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

9.2 Terms and Conditions of Existing Options

Holders of Options are entitled to subscribe for and be allotted one ordinary Share in the capital of the Company on the following terms :

Shares issued on Options exercise

a) Each Option entitles the Optionholder to subscribe for one new Share upon exercise of the Option and payment of the Exercise Price.

Option period

b) The Options are exercisable at any time prior to 5:00pm Brisbane time on 30 May 2007 (Expiry Date) by completing the Option Exercise Form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.

Exercise price

c) The exercise price of the Options is $0.20 (20 cents) per Option.

Transferability

d) Subject to the Corporations Act, the NSX Listing Rules (if appropriate at the time) and the Constitution of the Company, Options are freely transferable. An application may be made to the NSX for Official Listing of the Options upon the completion of any escrow period imposed by NSX, if appropriate at the time.

Class of Share

e) All ordinary fully paid Shares issued upon exercise of Options will rank pari passu in all respects with the Company's then issued ordinary fully paid Shares. The Company may apply for Official Quotation by NSX of all Shares issued upon exercise of Options, subject to satisfaction of any applicable restriction requirements.

f) There are no participating rights and entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. The Company will ensure that Option holders will be allowed at least 10 business days notice to allow for the conversion of Options prior to the Record Date in relation to any offer of securities made to shareholders.

g) In the event of any reconstruction or reorganisation of capital (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, rights of the holders of the Options, the number of Options and/or the exercise price of the Options shall be changed to the extent necessary to comply with the NSX Listing Rules (if applicable at the time) applying to the reorganisation of capital at the time of the reorganisation.

9.3 Interests of Experts and Advisers

Other than set out below or elsewhere in this Prospectus, no expert or any firm in which any expert is a partner has, or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, DRL and no amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any expert (or to any firm in which he or she is or was a partner) for services rendered by the expert or the firm in connection with the promotion, or was a Director of DRL. No form of payment of any kind will be made or agreed to be made to any such expert or firm other than in cash.

Douglas Heck & Burrell has acted as Independent Accountants to the Offer, conducting a review of the Company's accounts to the end of May 2003, and has prepared the Independent Accountants Report in Section 7. Douglas Heck & Burrell will be paid an amount of $8 000 (exclusive of GST) in respect of this service. Douglas Heck & Burrell also acts as Auditor of the Company and has received fees for its services as auditors in the past two years totalling $20 650. In the past two years, Douglas Heck & Burrell Registries, a partnership comprised of the partners of Douglas Heck & Burrell has received fees for the provision of registry services totalling $4 188.

Veronica Webster Pty Limited has acted as Independent Geologists to the Offer and has prepared the Independent Geological Report set out in Section 6 of this Prospectus. Veronica Webster Pty Limited will be paid an amount of $2 000 in respect of this service.

Oakley Thompson & Co Pty Ltd have acted as Solicitors to the Offer and have performed work in relation to preparing the due diligence program, performing due diligence inquiries on corporate legal matters and performing other work in relation to this Prospectus. DRL estimates that it will pay amounts totalling approximately $23 000 (excluding disbursements) to Thompson & Co Pty Ltd in respect of this work.

Tenement Administration Services Pty Ltd will be paid an amount of $3 275 for the preparation of the Tenement Report in Section 8 of this Prospectus.

W.H.I. Securities Pty Limited has agreed to act as Underwriter to the Issue. The terms of the Underwriting Agreement are set out in Section 9.9.1, and include a commission payable to W.H.I. Securities Pty Limited of up to a maximum amount of $150,000 (excluding GST if applicable) at the rate of 1% on all Application Monies plus an additional amount equal to 5% of all Application Monies marked with a licenced broker's stamp other than those received from Existing Shareholders. DRL is also required to pay all out of pocket expenses and disbursements that are reasonably incurred by W.H.I. Securities Pty Limited, including travel costs and legal fees paid in relation to the preparation of the Underwriting Agreement. As the Company's Nominated Advisor for the Company's proposed listing on the NSX, W.H.I. Securities Pty Limited will receive a fee of $10 000. W.H.I. Securities Pty Limited holds 400 000 Shares and 400 000 Options in the Company, issued at 0.1 cents per Share on 17 July 2003.

Peregrine Corporate Ltd has acted as corporate adviser to the Company. Peregrine Corporate Ltd or its nominee hold 600 000 Shares and 600 000 Options in the Company, issued at 0.1 cents per share on 17 July 2003, and 250 000 Shares and 125 000 Options issued at eight cents per share in February 2003. Peregrine Corporate Ltd has agreed to sub-underwrite a proportion of the Issue and may receive commissions at the rate of 5% of all Applications marked with its broker's stamp, other than those received from Existing Shareholders. This will be paid from the commission payable to W.H.I. Securities Pty Limited as Underwriter and is not an additional cost to the Company.

9.4 Interests of Directors

Holdings

The Directors of DRL or their associates have a beneficial interest in the following Shares and Options in DRL at the date of this Prospectus.

Director	Shares		Options	
	Direct	Indirect*	Direct	Indirect
Anthony John Fawdon	3 067 293	27 077	1 000 000	0
David Hugh Hall	980 765	1 240	1 000 000	0
Lawrence James Litzow	1 000 000	23 378	1 009 617	0

** Indirect holdings held by family members of the Directors.*

Mr K Harvey, who was a Director of the Company within the past two years, has direct or indirect interests in 840 000 Shares and 1 003 174 Options.

Other than set out above or elsewhere in this Prospectus:

- No Director or proposed Director of DRL and no firm in which a Director or proposed Director of DRL is or was at the relevant time a partner, has or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, DRL.
- No amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any Director or proposed Director of DRL (or to any

firm in which he is or was a partner) either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of DRL.

Payments to Directors

Under the Company's Constitution the total amount of remuneration paid to all Directors as director fees must not be increased unless authorised by the company in General Meeting. This does not apply to remuneration paid under a contract of employment or a service agreement. Directors are entitled to be reimbursed for travelling and other expenses incurred in attending meetings or in relation to the business of the Company. The Constitution of DRL provides that the Directors may be paid, as remuneration for their services, a sum determined from time to time by DRL's Shareholders in general meeting, with that sum to be divided amongst the Directors in such manner and proportion as they agree. The maximum aggregate amount which has been approved by Shareholders for payment as Director fees is currently $150 000 per annum.

The total amounts received by current Directors as fees and other remuneration in the past two years are:

Director	Total Paid
Anthony John Fawdon	$141 571
David Hugh Hall	$107 122
Lawrence James Litzow	$ 40 000

Mr K Harvey, a former Director of the Company, received a total of $97 676 in the past two years.

The Corporations Act limits the extent to which insurance cover and/or indemnities may be provided or given to directors in relation to claims arising out of their discharge of their duties as directors. The Company's Constitution does not provide any additional restrictions on the provision of insurance or indemnity. The Company has not considered it desirable to take out directors' insurance nor has it granted any right of indemnity to its directors.

9.5 Expenses of the Offer

All expenses connected with the Offer are payable by DRL, including geological experts, accounting fees, legal fees, share registry fees, printing costs, public relations costs and other miscellaneous expenses. These expenses are estimated at $280 000 if the Offer is fully achieved, and $154 000 if only the Minimum Subscription is achieved.

9.6 Privacy

The Company may from time to time consider it appropriate to distribute information which may be of interest to Shareholders. Examples may include copies of prospectuses of other companies with similar activities. You may choose not to receive such information by ticking where indicated on the Application Form, or by informing the Company or its Share Registry at any time. The Company is obliged to send certain documents and information to Shareholders and Optionholders by law and under the Listing Rules. Ticking the box will not mean that you will not be sent documents and information DRL is required to send by law. The Company may release aggregated information which does not identify particular Investors.

9.7 Electronic Prospectus

Prospectus availability

This Prospectus is available in electronic form at *www.diatreme.com.au.* Any person receiving this Prospectus electronically will on request be sent a paper copy of this Prospectus (and attached Application Form) by DRL free of charge during the period of the Offer.

Applications must be made by completing a paper copy of the Application Form. Diatreme Resources Limited will not accept Application Forms electronically.

Electronic Prospectus

The Application Form may only be distributed attached to a complete and unaltered copy of this Prospectus. The Application Form included with this Prospectus contains a declaration that the investor had personally received the complete and unaltered Prospectus prior to completing the Application Form.

DRL will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of this Prospectus or if it has reason to believe that the Application Form or electronic copy of this Prospectus has been altered or tampered with in any way.

While DRL believes that it is extremely unlikely that during the period of the Offer the electronic version of this Prospectus will be tampered with or altered in any way, DRL can not give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of this Prospectus should immediately request a paper copy of this Prospectus directly from DRL or a financial adviser.

9.8 Litigation

The Company is a party to a Native Title Determination Application by the Nucoorilma Clan of the Gamilaaroy Aboriginal People in the Federal Court (Application number NG 6106/98) in respect of certain areas in north-eastern New South Wales. The Company applied to become a party on 13 September 2001, having been notified by the Court in September 2001 that the claim had been lodged. The Company applied to become a party in order to be informed about the progress of the claim and, if appropriate, to be entitled to participate without the need to make special application to the Court as may have been the case if it applied after 4 December 2001, and to have its interests taken into account (if relevant) at such time as a determination may be made. The Company has not been informed of any particular claims being made against or in respect of any tenement held by it in the area the subject of the application, and has taken the step of becoming a party to the Application to preserve its position for the time being.

Other than as a party to the above application, the Company is not a party to any current litigation, nor does it have notice of any impending action against it.

9.9 Material Contracts

The Board considers that certain agreements relating to DRL are significant to the Offer, the operations of DRL or may be relevant to investors. A description of material contracts or arrangements, together with a summary of the more important details of each of these agreements is set out below.

9.9.1 Underwriting Agreement

An Underwriting Agreement has been entered into between W.H.I. Securities Pty Ltd ("WHIS") and Diatreme Resources Limited ("DRL").

Under the terms of the agreement, WHIS agrees to underwrite in part the public offering of securities by DRL. The amount underwritten is $200 000 (“the Underwritten Amount”) representing 2 000 000 shares at the issue price of 10 cents per share. The offer contained in the Prospectus is for 25 000 000 shares to be issued at 10 cents each; that is a total amount of $2 500 000. The minimum subscription is 5 000 000 shares.

The fees payable to WHIS shall include an underwriting commission up to a maximum amount of $150 000 calculated at the rate of 1% on all Application Monies plus an additional amount equal to 5% of all Application Monies marked with a licensed broker's stamp other than those received from Existing Shareholders. The commission payable to the underwriter excludes GST and if there is an amount of GST payable on such commission, DRL would be liable for payment of such amount.

DRL is also required to pay all out of pocket expenses and disbursements that are reasonably incurred by WHIS, including travel costs and legal fees paid in relation to the preparation of the Underwriting Agreement.

In accordance with the terms of the Underwriting Agreement,

(i) DRL has provided copies of this Prospectus to WHIS; and,

(ii) WHIS has completed the review of the due diligence program undertaken by DRL.

DRL has reasonable grounds to believe that the Underwriting Agreement has become unconditional as at the date of this Prospectus and the above conditions precedent appear to have been satisfied.

The Underwriting Agreement requires DRL to undertake that certain objectives are met in relation to the formal legal requirements for this Prospectus, including lodgement with NSX and ASIC in accordance with the Corporations Act, and ensuring that this Prospectus complies with the Corporations Act and Regulations and Listing Rules and any other relevant laws, statutes and regulations.

Under the Underwriting Agreement it is the sole responsibility of DRL to ensure that there are no misleading or deceptive statements in this Prospectus and generally to take all reasonable steps to ensure that the offer is conducted in a proper and businesslike manner, and to ensure that this Prospectus is available to investors from the time that it is lodged with ASIC.

If DRL breaches any of its covenants in relation to the contents of this Prospectus or the conduct of the Offer, WHIS may terminate the Underwriting Agreement.

Upon termination WHIS can still recover any costs it has incurred and has rights to claim damages against DRL for any loss occasioned by the breach of the Underwriting Agreement. DRL also indemnifies WHIS against any claims made as a result of misleading or incorrect information contained in this Prospectus.

Relief of Underwriter’s Obligations:

If any one or more of the following events occurs after the date of the Agreement before the date which is four (4) business days after the close of the Offer (the Underwriter’s Payment Date) the Underwriter may by notice to the Company and without cost or liability to the Underwriter terminate or cancel the Agreement immediately and be relieved of all its obligations under that Agreement:

(a) the All Ordinaries Index Number or the Dow Jones Industrial Average is at any time more than 5.0%

below its level as at the close of business on the Business Day immediately preceeding 31 July 2003;

(b) a new circumstance arises after this Prospectus is lodged that would in the reasonable opinion of the Underwriter have been required by sections 710 or 711 of the Corporations Act to be included in the Prospectus if it had arisen before this Prospectus was lodged;

(c) the Company makes default under or is in breach of any of its material obligations under the Underwriting Agreement and following consultation between the Company and the Underwriter, that failure is not remedied within 5 Business Days afterwards;

(d) any warranty or representation by the Company in the Underwriting Agreement ceases to be true in any material respect and, following consultation between the Company and the Underwriter, the matters rendering the warranty untrue are not remedied within 5 Business Days afterwards;

(e) any material adverse change occurs in the financial position of the Company;

(f) any Director or officer of the Company named in this Prospectus dies or is charged with or convicted of an indictable offence;

(g) any material statement in this Prospectus is found to be or becomes misleading or deceptive or there is found to be a material omission from this Prospectus of material required by sections 710 or 711 of the Corporations Act;

(h) the adoption or announcement by or on the authority of the government of the Commonwealth of Australia of:

(1) any future change in fiscal or monetary or taxation policy which would materially and adversely affect companies generally or the Company in particular or investments in stocks and shares in Australia including but not limited to any change which is likely to materially and adversely affect interest rates not already announced or anticipated as at the date of the Underwriting Agreement; or

(2) any law or prospective law or other measure having the effect of restraining capital issues, corporate profits or foreign investment, and which, in either case, would materially and adversely affect the Entitlement Issue;

(i) any person who has previously consented to the inclusion of its, his or her name in this Prospectus or to be named in this Prospectus, withdraws that consent;

(j) any information supplied at any time by the Company (or any person on its behalf) to the Underwriter in respect of any aspect of the Entitlement Issue;

(k) any of the results of investigations of the Company or of any subsidiary conducted pursuant to the Company's due diligence program and verification material is or becomes false or misleading;

(l) any material contravention by the Company or an officer of any of them of any provision of the Corporations Act, or the Listing Rules or any requirement of NSX or the ASIC or any governmental agency;

(m) a resolution is passed or an order made by a Court of competent jurisdiction for the winding up of the Company, other than an order for the purpose of reconstruction or amalgamation made with the prior consent of the Underwriter;

(n) a receiver or receiver and manager is appointed to all or part of the assets or undertaking of the Company;

(o) the Company enters into any scheme of arrangement with its creditors or any class of them or indicates its intentions to do so;

(p) the Company suspends payments of its debts or is unable to pay its debts within the meaning of the Corporations Act;

(q) the Company is placed under official management or an official manager is appointed;

(r) a provisional liquidator is appointed to the Company;

(s) an inspector is appointed pursuant to the Corporations Act to investigate all or part of the affairs of the Company;

(t) the Company fails to furnish a certificate in accordance with the requirements of the Agreement certifying that the Company has complied with its obligations and that no events which would relieve the Underwriter of its obligations have occurred; or

(u) there is an outbreak of hostilities (whether or not war has been declared) not presently existing or a major escalation in existing hostilities occurs involving any one or more of the Commonwealth of Australia, the United Kingdom, the United States of America, former Republic of the USSR, European Union, the Peoples Republic of China, Taiwan, Japan or Indonesia.

The occurrence of an event listed above will not entitle the Underwriter to terminate the Underwriting Agreement unless, in the opinion of the Underwriter reached in good faith and acting reasonably, the event has or could have a materially adverse effect on the success of the Issue.

Failure by the Underwriter to terminate the Underwriting Agreement as a result of the occurrence of any one or more of the above events does not preclude the Underwriter from exercising its right in respect of any subsequent occurrence whether of the same or a different event.

Upon exercise of its rights to terminate the Underwriting Agreement the Underwriter must notify the NSX immediately.

The warranties and representations of the Company in the Underwriting Agreement (referred to in paragraph (d) above) concern the proper incorporation and capacity of the Company, the accuracy and completeness of this Prospectus and documents and information provided to the Underwriter, there being no legal proceedings of which the Underwriter has not been informed in writing, not issuing other securities during the offer period without the Underwriter's approval, the Company seeking to procure applications under this Prospectus, and the Company acting properly to fully perform its obligations under this Prospectus.

9.9.2 Kagara Zinc - Mount Garnet Agreement

On 9 September 2002 the Company entered an agreement by which it granted Kagara Zinc Limited [ACN 008 988 583] ("Kagara") certain rights in respect of the following sub-blocks of Exploration Permit No 8998 ("EPM 8998"): subblock w of block 1382 and sub-blocks b, c, f, g, h an I of block 1454 (collectively "the sub-blocks"), in consideration of the payment of $100 000 to the Company by Kagara. The agreement operates for two years from 9 September 2002 or until transfer of the sub-blocks to Kagara, whichever is earlier. Kagara has lodged a caveat in respect of its interest in EPM 8998 under the agreement.

Under the Agreement, Kagara is entitled to lodge any authority under the Mineral Resources Act 1989 (Qld) and the Company will consent to the grant of the authority to Kagara. The Company must maintain EPM 8998 in good standing and not take or allow any action or permit or suffer any inaction which would result in the cancellation of EPM 8998. Kagara is required to reimburse the Company in advance for rent to be paid in respect of the sub-blocks for the period commencing 26 October 2002, and to provide evidence of expenditure required to maintain the sub-blocks in good standing. If EPM 8998 is reduced by 40% or more (noting that the Company is to seek to have any reduction limited to less than 50%), Kagara is to agree to the reduction of two of the sub-blocks. If after a reduction only the Kagara sub-blocks remain, the Company is to transfer the EPM to Kagara and Kagara is to replace the security provided by the Company.

Kagara indemnifies the Company in respect of actions against the Company as a result of events and circumstances caused by Kagara within the sub-blocks. The Company is required to provide Kagara with notice of instances of non-compliance with, and copies of correspondence received in respect of, matters indemnified by Kagara. The Company must do such things as are required to give effect to the agreement.

The agreement includes dispute resolution provisions including using best endeavours to seek to resolve the dispute by discussion and negotiation or in the absence of agreement, referring the dispute to arbitration under the Commercial Arbitration Act 1990.

9.9.3 Royalty Agreement with Probe Resources NL (now Eqitx Ltd)

By an agreement dated 22 July 1998, the Company acquired two tenements (Queensland Exploration Permits for Minerals 8093 and 10401) from Probe Resources NL [ACN 009 188 694] ("Probe"), which subsequently changed its name to Eqitx Ltd, in consideration for the Company granting Probe a royalty interest over the tenements. The agreement included arrangements for the holding and management of the tenements pending Ministerial approval of the transfer, which has since occurred. The security deposits provided by Probe were to be replaced by security deposits provided by the Company.

The agreement contains warranties by Probe as to the standing of and its title to the tenements. The Company acquired and assumed all future rights and obligations in respect of the tenements.

Under the agreement, the Company is to pay Probe a net royalty of 5% of the realised value of all gold produced from the tenements, provided the net royalty is payable only if and when mining operations are commenced on any part of the tenements by the Company. The obligation to pay the net royalty ceases upon cancellation, surrender or expiration of the tenements. The realised value is total proceeds of sale less various listed expenses including operating and administrative costs of the mining operations, interest of debt, depreciation, amortisation of exploration and development expenditures, smelting and refining costs, taxes, rents, government royalties, transport and handling costs, brokerage, government charges on banking transactions and all other outlays which are a direct incident of marketing and sale of the gold. The net royalty is payable within 90 days of the end of each year of the term of the relevant tenement. Probe has obligations to maintain the confidentiality of information provided by the Company.

The agreement is stated to be governed by the laws of Queensland.

9.9.4 Georgetown Exploration Database Agreement with BHP Minerals Pty Ltd (Now BHP Billiton Minerals Pty Ltd)

By an agreement dated 12 February 1996 BHP Minerals Pty Ltd [ACN 008 694 782] ("BHPM"), which subsequently changed its name to BHP Billiton Minerals Pty Ltd, agreed to make available to the Company, for the Company's use at its own expense, BHPM's Georgetown geochemical database and related information developed by BHPM ("the GCD"). The agreement permitted the Company to use information contained in the GCD for the sole purpose of assisting it in exploration target selection within the Georgetown area. The agreement continued for two years from its date and thereafter to the extent that any tenement is taken to have been acquired as a result of the use of the GCD.

The Company is obliged to maintain the confidentiality of the information provided by BHPM, and to return all information on termination of the agreement. The Company acknowledged BHPM's ownership of all intellectual property rights in relation to the GCD, and cannot sell, transfer, or grant interests or licences in any part of the GCD.

Under the agreement, if the Company acquired a tenement in the defined Georgetown area if it applied for the tenement during the term of the agreement or during one year after the termination of the agreement (and could not demonstrate to BHPM's reasonable satisfaction that the acquisition was unconnected with the use of the GCC) or during one year after the termination of the agreement (and could not demonstrate to BHPM's reasonable satisfaction that access to the GCD was wholly irrelevant to the decision to acquire the tenement), BHPM has the right:

to earn a 75% interest in the tenement by payment to the Company of an amount equal to three times the amount directly expended by the Company on exploration carried out on the tenement from the date of acquisition by the Company, and by paying the whole of the cost of exploration of the tenement until a feasibility study has been completed. Further costs will be contributed to in proportion to the respective holdings, with dilution if contributions are not made. BHPM will be the manager of the resultant joint venture, with a joint venture agreement to be negotiated in good faith; or

to receive a net profit royalty of 5% (of gross revenue less operating expenses and costs properly incurred in connection with the provision of services for the purposes of conducting operations on the relevant tenement including services relating to accounting, purchasing, marketing, engineering, mining, legal and geological. The net profit royalty is payable within two months of the end of each financial year ending 30 June. The consent of the net profit royalty interest holder is required to an assignment, transfer or disposal of the tenement, and can require the assignee, transferee or recipient to covenant to pay the net royalty as a condition of the consent.

The agreement is stated to be governed by the laws of Queensland.

9.9.5 Indigenous Land Use Agreement with the Tagalaka People

On 13 November 2001 the Company entered into an Indigenous Land Use Agreement (ILUA) with the Tagalaka People ("Tagalaka"). The Tagalaka are the registered native title claimants of the land which is the subject of the agreement (being the individual claim areas incorporated under Native Title Claim QG 6109/98), in the vicinity of Normanton, Queensland. Under the terms of the agreement the Tagalaka have consented to the grant and renewal of Exploration Permits for Minerals ("EPM's") 11849, 12868, 12888 and 13126 on the terms and conditions set out in the agreement. At the date of this Prospectus the ILUA was yet to be lodged for registration.

Once registered, the ILUA permits the Company to carry out exploration work on the EPMs without reference to the "right to negotiate" process as prescribed under the Native Title Act.

The ILUA has a duration of 10 years. Exploration by the Company must not disturb sites of special significance to the Tagalaka without the prior written consent of the Tagalaka. Artefacts that are discovered by the Company in the course of mineral exploration remain the property of the Tagalaka. The Company must report to the Tagalaka people and comply with laws relating to the protection of the environment and rehabilitation of land disturbed during the course of its exploration activities.

When the Company decides to apply to convert one or more of the EPMs to one or more mining leases or mineral development licences, it must give notice to the Tagalaka of its intention to initiate a change of scope process. The parties will then negotiate provisions governing any change of scope process within 90 days of notification.

The Company may assign its rights under the agreement provided that the assignee agrees to be bound by the terms of the agreement. Before any contractor is engaged the Company must obtain the contractor's agreement to comply with the ILUA.

Costs to be borne by the Company pursuant to the agreement are:

1. $1 000 towards the Tagalaka's costs associated with the making of the agreement;

2. $1 000 representing a contribution to the development of other initiatives of the Tagalaka People;
3. $250 per day for a maximum of five days per representative for the Tagalaka inspecting the site to identify special sites. In addition, a sum of $500 is payable as an advance towards the travel time costs of the representatives in undertaking each site clearance exercise. The representatives may be accompanied by an archaeologist or anthropologist at the election of the Company or the Tagalaka People at a rate that does not exceed $700 per day for a maximum of seven days.

The Company is to use its best endeavours to provide first opportunity for casual employment to the Tagalaka People and/or indigenous contractors.

The ILUA includes dispute resolution provisions including seeking to resolve the dispute by appropriate means or in the absence of agreement, referring the dispute to arbitration under the Commercial Arbitration Act 1985 (Qld).

9.9.6 Sponsoring Broker Agreement with Pritchard & Partners Pty Limited

The Company has appointed Pritchard & Partners Pty Limited (“the Sponsoring Broker”) as its Sponsoring Broker in accordance with the Listing Rules of the NSX, and has entered a Sponsorship Agreement dated 16 July 2003. The Sponsorship Agreement provides for the payment to the Sponsoring Broker of a fee of $15 000 plus GST, payable upon NSX advising the date the Company’s securities will commence quotation, at which time the Sponsorship Agreement ends.

Pursuant to the Sponsorship Agreement, the Sponsoring Broker is to provide the Company with guidance and advice as to the application of the Listing Rules, ensure all necessary documents supporting an application for listing on NSX are lodged with NSX, and be responsible for communicating with NSX during the application period. The Sponsoring Broker is to submit a Sponsorship Declaration to NSX before trading in the Company's securities commence on NSX. The agreement does not oblige the Sponsoring Broker to sell, acquire, underwrite or subunderwrite any investments or to lend monies. The Company is to make an application for listing through the Sponsoring Broker at the Company's expense, use reasonable endeavours to obtain approval for listing, supply all information and documents, give all undertakings, execute all documents, pay all fees and generally do everything that may be necessary or required by NSX or the Sponsoring Broker for the purpose of or in connection with the application for listing, and do everything else reasonably required of it (such as roadshows and broker presentations) by the Sponsoring Broker in order to obtain listing and to allow the Sponsoring Broker to fulfil its obligations to the Company. The Company warrants that all information or statements of opinion or intention provided by the Company to the Sponsoring Broker are true accurate and complete, not misleading and do not contain any material omissions. The Company acknowledges that the Sponsoring Broker does not represent that listing will be achieved. The Company indemnifies the Sponsoring Broker under the agreement. The agreement may be terminated by either party on ten days notice, or if after five business day's notice to remedy a breach the breach is not remedied. The agreement is governed by the laws of New South Wales.

9.10 Consents and Disclaimers of Responsibility

Oakley Thompson & Co Pty Ltd has given and before lodgement of this Prospectus has not withdrawn its written consent to be named in this Prospectus as Solicitors to the Offer in the form and context in which it is named.

Oakley Thompson & Co Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents other than the references to being named as Solicitors to the Offer.

Tenement Administration Services Pty Ltd has given and, before lodgement of this Prospectus, has not withdrawn its written consent to be named in the Prospectus as Independent Tenement Experts to the Offer in the form and context in which it is named and to the inclusion of the Tenement Report in this Prospectus in the form and context in which it appears and reference to that report in this Prospectus.

Tenement Administration Services Pty Ltd has only been involved in the preparation of the Tenement Report set out in Section 8 of this Prospectus. Tenement Administration Services Pty Ltd specifically disclaims liability to any person in the event of any omission from or any false or misleading statement included elsewhere in this Prospectus.

Tenement Administration Services Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents other than to the Tenement Report in Section 8.

Veronica Webster Pty Limited and Mr. Leslie W Davis have given and, before lodgement of this Prospectus, have not withdrawn their written consent to be named in the Prospectus as Independent Geologists and Mineral Exploration Consultants to the Company in the form and context in which they are named and to the inclusion of the Independent Geological Report in Section 6 of this Prospectus in the form and context in which it appears and reference to that report in this Prospectus.

Veronica Webster Pty Limited and Mr. Leslie W Davis have only been involved in the preparation of the Independent Geological Report set out in Section 6 of this Prospectus and references to that report in this Prospectus. Veronica Webster Pty Limited and Mr. Leslie W Davis specifically disclaim liability to any person in the event of any omission from or any false or misleading statement included elsewhere in this Prospectus.

Veronica Webster Pty Limited and Mr. Leslie W Davis have not authorised or caused the issue of this Prospectus and take no responsibility for its contents other than the references to being named as Independent Geologists and Minerals Exploration Consultant, to the Independent Geological Report set out in Section 6 of this Prospectus, and references to that Report in this Prospectus.

Douglas Heck & Burrell has given, and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as Independent Accountant and Auditor, in the form and context in which it is named and for the inclusion of its Independent Accountants' Report in Section 7 being included in the form and context in which it is included.

Douglas Heck & Burrell takes no responsibility for any other part of this Prospectus. Douglas Heck & Burrell has not caused or authorised the issue of this Prospectus.

Douglas Heck & Burrell Registries has given, and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as Share Registry in the form and context in which it is named.

Douglas Heck & Burrell Registries has not caused or authorised the issue of this Prospectus and takes no responsibility for any part of this Prospectus.

Pritchard & Partners Pty Limited has given and before lodgement of this Prospectus has not withdrawn its written consent to being named as sponsoring broker in this Prospectus in the form and context in which it is named.

Pritchard & Partners Pty Limited has had no involvement in the preparation of any part of this Prospectus and expressely disclaims and takes no responsibility for any part of this Prospectus.

W.H.I. Securities Pty Limited has given and before lodgement of this Prospectus has not withdrawn its written consent to being named as Underwriters to the Issue and Nominated Advisers to the Company in this Prospectus in the form and context in which it is named.

W.H.I. Securities Pty Limited has had no involvement in the preparation of any part of this Prospectus and expressely disclaims and takes no responsibility for any part of this Prospectus.

Peregrine Corporate Ltd has given and before lodgement of this Prospectus has not withdrawn its written consent to being named as Corporate Adviser to the Company and sub-underwriter to the Issue in this Prospectus in the form and context in which it is named.

Peregrine Corporate Ltd has had no involvement in the preparation of any part of this Prospectus and expressely disclaims and takes no responsibility for any part of this Prospectus.

9.11 Restriction (Escrow) of Existing Securities

Existing shares of the Company may be subject to various escrow conditions imposed by NSX. The Company anticipates that 1 600 000 existing shares will be subject to escrow for one year from the Company listing, and 4 853 824 existing shares will be subject to escrow for two years. The holders of the shares will be required to enter Restriction Agreements to satisfy NSX requirements before the Company is admitted to the Official List of NSX.

Bellfield Base Metal Project - New Water Swamp

9.12 Shareholding Summary

Top 20 Shareholders Table - Prior to the Offer

No.	Shareholder	Number	Percentage
1	Anthony John Fawdon	3 067 293	12.25
2	Select-Tel Limited	1 933 314	7.72
3	Australian Rural Group Limited	1 500 000	5.99
4	Explorers and Prospectors Finance Limited	1 496 165	5.98
5	Cardinal Financial Securities Limited	1 496 165	5.98
6	Prue Hannon	1 168 879	4.67
7	Lawrence James Litzow	1 000 000	3.99
8	David Hugh Hall	980 765	3.92
9	Advanced Project Management Pty Ltd	748 083	2.99
10	Terra Search Pty Ltd	711 054	2.84
11	Richard James Nettleton	701 327	2.80
12	Kytron Pty Ltd	600 000	2.40
13	Farcam Pty Ltd	600 000	2.40
14	Donald Cameron McIntosh	588 459	2.35
15	Elinora Investments Pty Ltd	500 000	2.00
16	Privilege Holdings Pty Ltd	500 000	2.00
17	Peter Singer	499 627	2.00
18	Depacorp Pty Ltd	467 551	1.87
19	Robinson Family Superannuation Pty Ltd	467 551	1.87
20	Kenneth James Harvey	420 000	1.68

Shareholding Distribution Table - Prior to the Offer

Range	Number of Holdings	Number of Shares	Percentage of Capital
1 to 1000	797	215 516	0.86
1001 to 5000	302	718 538	2.87
5001 to 8000	17	111 145	0.44
8001 to 10000	38	322 426	1.29
10001 and above	71	23 665 769	94.54
Totals	**1225**	**25 033 394**	**100.00**

The Company is required to issue a further 331 260 Shares to the Base Metal Exploration and Prospecting Project upon receiving an application for the Shares. This may be received before or after the Closing Date. The Shares will be issued in connection with past exploration expenditure on tenements held by the Company or its subsidiaries, and will not result in additional cash being received. The total number of Shares on issue following the Offer when the additional Shares are issued will be 50 364 654 and the Market Capitalisation at the Offer Price of 10 cents will increase to $5 036 465.

10. Directors' Statement

The Directors report that after due enquiry by them, they have not become aware of any circumstances which in their opinion, will materially affect the assets and liabilities, financial position and performance, profits and losses or the prospects of DRL other than as disclosed in this Prospectus. The Directors have authorised the issue of this Prospectus.

Dated 1 August 2003

Anthony John Fawdon

Lawrence James Litzow

David Hugh Hall

11. Definitions

ABN	Australian Business Number.
ACN	Australian Company Number.
Applicant	a person or entity who submits an Application Form.
Application	A lodged Application Form (with Application Monies, where applicable).
Application Form	an application form attached to this Prospectus or this Prospectus available electronically.
Application Money	the money received by the Company pursuant to the Offer, being the Offer Price for each Share multiplied by the number of Shares applied for, respectively.
ASIC	Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Limited.
ASX	Australian Stock Exchange Limited, ABN 98 008 624 691.
AusIMM	Australasian Institute of Mining and Metallurgy.
Board	the board of Directors of Diatreme Resources Limited (DRL).
CHESS	Clearing House Electronic Subregister System, which provides for electronic share transfers in Australia.
Closing Date	the date on which the IPO Offer closes. This date may be varied by DRL without notice.
Constitution	the Constitution of Diatreme Resources Limited adopted at the General Meeting on 21 July 2003.
Company	Diatreme Resources Limited, ABN 33 061 267 061.
Corporations Act	the Corporations Act 2001.
DRL	Diatreme Resources Limited, ABN 33 061 267 061.
Director	a Director of Diatreme Resources Limited.
EL	Exploration Licence (New South Wales).
EPM	Exploration Permit Minerals (Queensland).
EPMA	Exploration Permit Minerals Application (Queensland).
Existing Holding	Shares held by an Existing Shareholder as recorded on the Register of Members.
Existing Shareholders	Shareholders of the Company recorded on the Register of Members.
g/t gold	grams of gold per tonne of rock.
GST	Goods and Services Tax.
ILUA	Indigenous Land Use Agreement.
IPO	Initial Public Offering.
Listing Rules	the listing rules of the NSX.

Minimum Subscription	Application Forms and accompanying payments received by the Company for 5 000 000 Shares.
ML	Mining Lease.
MLA	Mining Lease Application.
Mt	million tonnes.
NNTT	National Native Title Tribunal.
Nominated Adviser	W.H.I. Securities Pty Limited, ABN 30 094 927 947.
NSX	Stock Exchange of Newcastle Limited, ABN 11 000 902 063.
Offer	the offer of Shares under this Prospectus.
Offer Price	10 cents per Share.
Opening Date	26 August 2003. This date is indicative only and may change.
Option	an option over an unissued share in DRL, a summary of the terms and conditions of issue of which are set out in Section 9.2.
Optionholder	a holder of Options in DRL.
Priority Allocation Application Form	The personalised Application Form sent to Existing Shareholders with a copy of this prospectus.
Priority Offer	The offer of “round up” Shares to Existing Shareholders described in Section 2.1.
Priority Period	26 August 2003 to 12 September 2003. These dates are indicative only and may change.
Prospectus	this prospectus.
“round up”	to apply for Shares under the IPO Offer to increase an Existing Holder’s shareholding of fewer than 10 000 Shares to 10 000 Shares in aggregate.
SCH	the securities clearing house, the body which administers the CHESS system in Australia.
SCH Business Rules	the business rules of SCH.
Seed capital	capital contributed to establish the company.
Securities	Shares of the Company offered pursuant to this Prospectus.
Shareholder	A holder of Shares in DRL.
Share	a fully paid ordinary share in DRL.
Sponsoring Broker	Pritchard Partners Pty Limited, ABN 84 073 393 049.
TFN	Australian tax file number.
Underwriter	W.H.I. Securities Pty Limited, ABN 30 094 927 947.
VALMIN Code	the VALMIN Code of the AusIMM.
WHIS	W.H.I. Securities Pty Limited, ABN 30 094 927 947.
you or your	Applicant.

APPLICATION FORM

Diatreme Resources Limited
ABN 33 061 267 061

FOR REGISTRY USE ONLY

For the Offer of Shares at an issue price of 10 cents per Share in Diatreme Resources Limited.

All Application Forms must be accompanied by payment of 10 cents per Share.

Please use BLOCK LETTERS and refer to the guide overleaf for the correct forms of registrable names. Instructions A to K are set out on the reverse side of this form.

BROKER'S STAMP

Broker's Code	Adviser's Code

A I/We apply for [ ] Shares in Diatreme Resources Limited at 10 cents per Share. (Minimum of 20 000 Shares and then in multiples of 5000 Shares)

B I/We lodge in full the Application Money of A$

C Title | Given Names or Company Name | Surname / ACN / ABN — Applicant # 1

D Title | Joint Applicants or Designated Account - e.g. <Super Fund Account> — Applicant # 3

Applicant # 2

E Full Postal Address
Number / Street or PO Box Number

Suburb / Town | State | Postcode

F Contact Name | Telephone Number - Business Hours

G Chess Details HIN - Existing Chess Participants Only

H Cheque Details Cheques should be made payable to "**Diatreme Resources Limited Share Offer Account**" and crossed "**Not Negotiable**"

Drawer	Bank	BSB No.	Amount of Cheque
			A$
			A$

I Credit Card Payment Details

Please debit my credit card: [ ] Mastercard [ ] Bankcard [ ] Visa [ ] Amex. [ ] Diners Club

Credit No.:

Name | Expiry Date | Signature

J [ ] I/We do not wish to be sent additional material other than material relating to Diatreme Resources Limited.

K **Declarations**

This Application Form does not have to be signed unless payment is by Credit Card. By lodging this Application Form and the Application Money I/We hereby:

(1) declare that I/We have received a copy of the Prospectus accompanied by or attached to this Application Form
(2) declare that I/We have read the Prospectus to which this Application Form relates
(3) declare that this Application Form has been completed in accordance with the instructions on the reverse side of this Application Form
(4) apply for the number of Shares shown in this Application Form
(5) agree to be bound by the terms and conditions in the Prospectus and by the Constitution of Diatreme Resources Limited
(6) authorises the Directors to complete or amend this Application Form where necessary to correct any errors or omissions.

How to Complete the Application Form

Forward your completed application together with the Application Money to:

By mail: **Diatreme Resources Limited Share Offer**
c/- Douglas Heck & Burrell Registries
GPO Box 35
Brisbane Qld 4001 PH:(07) 3228 4219

By delivery: **Diatreme Resources Limited Share Offer**
c/- Douglas Heck & Burrell Registries
Level 22, 300 Queen Street
Brisbane Qld 4000 PH:(07) 3228 4219

Applications must be received by the Closing Date.

Please complete all relevant sections of the Application Form using BLOCK LETTERS.

A Enter the NUMBER OF SHARES you wish to apply for. Applications must be for the minimum of 20 000 shares and thereafter multiples of 5 000 as set down in Section 2 of the Prospectus.

B Enter the TOTAL AMOUNT of Application Money payable. To calculate the amount, multiply the number of shares applied for by the amount per share.

C Enter the FULL NAME(S) and TITLES(S) of all legal entities that are to be recorded as the registered holder(s). Refer to the name standards below for guidance on valid registration.

D If JOINT APPLICANTS are applying or an ACCOUNT DESIGNATION is required, complete boxes C **and** D.

E Enter the POSTAL ADDRESS for all communications from the Company. Only one address can be recorded.

F Enter the NAME and TELEPHONE NUMBER for a contact person that the registry can speak to if they have any queries regarding this application.

G If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN).

H Complete cheque details as requested. Payments must be made in Australian Currency and cheques must be drawn on an Australian Bank. Cheques or bank drafts must be made payable to "**Diatreme Resources Limited Share Offer Account**" and crossed "**Not Negotiable**". Cheques not properly drawn will be rejected. Cheques will generally be deposited on the day of receipt. If cheques are dishonoured the application will be rejected.

I Pay by your credit card by completing and signing the credit card payment authorisation.

J Tick this box if you do not wish to receive additional material other than material relating to Diatreme Resources Limited as set out in this Prospectus in Section 9.6.

K Before completing the Application Form the applicant(s) declares that he or she has read the Prospectus to which this application relates. The applicant(s) agree(s) that this application is for shares in Diatreme Resources Limited upon and subject to the terms of the Prospectus, agree(s) to take any number of shares equal to or less than the number of shares indicated in box A that may be issued to the applicant(s) pursuant to the Prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the application form unless you wish to pay for your shares by way of credit card.

Ready Reckoner

This ready reckoner will help you calculate the money you need to pay at 10 cents per Share									
Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
20 000	$2 000	**25 000**	$2 500	**30 000**	$ 3 000	**35 000**	$ 3 500	**40 000**	$ 4 000
50 000	$5 000	**60 000**	$6 000	**70 000**	$ 7 000	**80 000**	$ 8 000	**100 000**	$10 000

Correct Forms of Registrable Names

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Company. At least one name given in full and the surname is required for each natural person. Application Forms cannot be completed by persons under 18 years of age. Examples of the correct forms of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full not initials	Mr John Alfred Smith	JA Smith
Company Use the Company's full title not abbreviations	Ace Business Company Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Willams Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee (s) personal names(s)	Mrs Susan Jane Smith <Sue Smith Family Account>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Jane Mary Smith Mr Frank William Smith <Estate John Smith Account>	Estate of late John Smith or John Smith deceased
Partnerships Use the partners personal names Use the Partnership Tax File Number	Mr John Robert Smith Mr Michael John Smith <John Smith and Son Account>	John Smith and Son
Clubs/ Unincorporated Bodies/ Business Names Use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association Account>	ABC Tennis Association
Superannuation Funds Use the names of the trustee(s) of the fund	Jane Smith Pty Ltd <Super Fund Account>	Jane Smith Pty Ltd Superannuation Fund

Corporate Directory

Company

Diatreme Resources Limited
ABN 33 061 267 061

Registered Office
Level 10, Travel House
243 Edward Street
Brisbane QUEENSLAND 4000

Principal Office
Level 10, Travel House
243 Edward Street
Brisbane QUEENSLAND 4000

Telephone 07 3229 9927
(International 61 7 3229 9927)
Facsimile 07 3229 6627
(International 61 7 3229 6627)
Email address *manager@diatreme.com.au*

Internet address
www.diatreme.com.au

Postal Address
PO Box 295
Brisbane Albert Street BC
QUEENSLAND 4002

Directors

Anthony John Fawdon
David Hugh Hall
Lawrence James Litzow

Corporate Secretary

Lawrence James Litzow

Underwriter to the Issue and Nominated Adviser

W.H.I. Securities Pty Limited
Level 3, 14 Martin Place
Sydney NEW SOUTH WALES 2000

Telephone 02 8200 4082
(International 61 2 8200 4082)
Facsimile 02 9221 9680
(International 61 2 9221 9680)
Email address *dsutton@whisecurities.com.au*

Share Registry

Douglas Heck & Burrell Registries
Level 22, 300 Queen Street
Brisbane QUEENSLAND 4000

Telephone 07 3228 4219
(International 61 7 3228 4219)
Facsimile 07 3221 3149
(International 61 7 3221 3149)
Email address *registries@dhb.com.au*

Independent Accountant and Auditor

Douglas Heck & Burrell
Level 21, 300 Queen Street
Brisbane QUEENSLAND 4000

Telephone 07 3228 4000
(International 61 7 3228 4000)
Facsimile 07 3221 6420
(International 61 7 3221 6420)
Email address *info@dhb.com.au*

Solicitors to the Offer

Oakley Thompson and Co Pty Ltd
Level 17, 500 Collins Street
Melbourne VICTORIA 3000

Telephone 03 9614 3771
(International 61 3 9614 3771)
Facsimile 03 9629 2883
(International 61 3 9629 2883)
Email address *frontdesk@otlawyers.com*

Independent Geologist

Veronica Webster Pty Limited
7 O'Quinn Street
Nudgee Beach QUEENSLAND 4014

Postal Address
P O Box 619
Hamilton QUEENSLAND 4007

Telephone 07 3267 3355
(International 61 7 3267 3355)

Sponsoring Broker

Pritchard & Partners Pty Limited
10 Murray Street
Hamilton NEW SOUTH WALES 2303

Telephone 02 4920 2877
(International 61 2 4920 2877)
Facsimile 02 4962 2701
(International 61 2 4962 2701)
Email address *broking@reespritchard.com.au*

Diatreme Resources Limited

ABN 33 061 267 061

Diatreme Resources Limited

Registered Office:
Level 10, Travel House, 243 Edward Street, Brisbane QUEENSLAND 4000
PO Box 295, Brisbane Albert Street BC, QUEENSLAND 4002
Telephone 07 3229 9927
Facsimile 07 3229 6627
Email: manager@diatreme.com.au
Website: www.diatreme.com.au