



DIATREME RESOURCES LIMITED

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ASX : DRX

Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

26 April 2013

Amended Notice of Annual General Meeting

Further to lodgment of the Company's Notice of Annual General Meeting earlier today, an amended Notice of Annual General Meeting is attached.

A number of minor amendments have been made to the original notice:

Page 6:

The important information concerning proxy votes for resolutions now reads "Resolutions 1, 7, 8, 9, 10 and 11". Resolution 7 was omitted from the original notice.

Page 13:

The value of ESOP 2012 Options now reads "\$0.007 per option", not "\$0.006 cents per option".

Page 17:

Under the fourth dot point at top of page, the market price of the Shares on ASX on 18 April 2013 now reads "1.4 cents" not "2.0 cents".

Leni Stanley
Company Secretary

Attach:

Diatreme Resources Limited

Notice of 2013 Annual General Meeting

Notice is given that the Annual General Meeting of the shareholders of **DIATREME RESOURCES Limited ABN 33 061 267 061** ('Company' or 'DIATREME') will be held at 2.00 pm (Brisbane time) on Wednesday 29 May 2013 at the office of the Company, Level 2, 87 Wickham Terrace, Spring Hill, Queensland.

The details of the resolutions contained in the Explanatory Notes accompanying this Notice of Annual General Meeting should be read together with and form part of this Notice of Annual General Meeting.

AGENDA

ORDINARY BUSINESS

Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report, Auditors' Report, Directors' Declaration, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to and forming part of the Financial Statements for the Company for the financial year ended 31 December 2012.

Resolution 1: Remuneration Report

To consider and, if thought fit, pass the following advisory resolution:

"That the Remuneration Report for the year ended 31 December 2012 (as set out in the Directors' Report) be adopted."

NB: The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

Voting exclusion statement

A vote on this resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- *a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or*
- *a Closely Related Party of such member, whether as a shareholder or as a proxy of Key Management Personnel; or*
- *as a proxy by a member of the Key Management Personnel or a Closely Related Party of such a member.*

However, a person described above may cast a vote on Resolution 1 if:

- *the person does so as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolutions; and*
- *the vote is not cast on behalf of a person described above.*

Resolution 2: Re-Election of Director – Mr. David Hall

To consider and, if thought fit, pass the following ordinary resolution:

"That Mr. David Hall, who retires by rotation in accordance with the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

Resolution 3: Re-Election of Director – Mr. Andrew Tsang

To consider and, if thought fit, pass the following ordinary resolution:

"That Mr. Andrew Tsang, who retires by rotation in accordance with the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

SPECIAL BUSINESS

Resolution 4: Ratification of prior issue of shares

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, the issue of 57,600,000 fully paid ordinary shares in the capital of the Company to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin, for the purpose and otherwise on the terms described in the Explanatory Notes, be ratified.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 4 by:

- *a person who participated in the issue;*
- *Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin; and*
- *an associate of that person (or those persons).*

However, the Company need not disregard a vote if:

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

Resolution 5: Ratification of prior issue of shares

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, the issue of 4,797,363 fully paid ordinary shares in the capital of the Company to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin, for the purpose and otherwise on the terms described in the Explanatory Notes, be ratified.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 5 by:

- *a person who participated in the issue;*
- *Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin; and*
- *an associate of that person (or those persons).*

However, the Company need not disregard a vote if:

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

Resolution 6: Approval for issue of shares

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes, the issue of 29,202,637 fully paid ordinary shares in the capital of the Company to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin, for the purpose and otherwise on the terms described in the Explanatory Notes, be ratified.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 6 by:

- *a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed;*
- *Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin; and*
- *an associate of that person (or those persons).*

However, the Company need not disregard a vote if:

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

Resolution 7: Approval of issue of options to Executive Directors under the ESOP 2012

To consider and, if thought fit, pass the following ordinary resolution

“That pursuant to and in accordance with ASX Listing Rule 10.14 and all other purposes, approval is given to the grant by the Company of 2,000,000 options to the Directors of the Company (or their respective nominees) on the same terms and conditions as set out under the Company’s ESOP 2012, for the purpose and otherwise on the terms described in the Explanatory Notes, be approved.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 7 by:

- any Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and
- an associate of that person (or those persons).

However, the Company need not disregard a vote if:

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

Resolution 8: Approval of issue of options to Non-Executive Director – Mr George White

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the proposed issue of 1,000,000 options at an exercise price of \$0.1 (ten cents) and expiring on 30 April 2019 to Mr. George White, a Director, or to his nominee(s), for the purpose and otherwise on the terms described in the Explanatory Notes, be approved.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 8 by:

- a person who is to receive securities in relation to the Company;
- Mr George White;
- an associate of that person (or those persons); and
- as a proxy by a Restricted Voter.

However, the Company need not disregard a vote if:

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

Resolution 9: Approval of issue of options to Non-Executive Director – Mr Andrew Tsang

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the proposed issue of 1,000,000 options at an exercise price of \$0.1 (ten cents) and expiring on 30 April 2019 to Mr. Andrew Tsang, a Director, or to his nominee(s), for the purpose and otherwise on the terms described in the Explanatory Notes, be approved.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 9 by:

- a person who is to receive securities in relation to the Company;

- Mr Andrew Tsang;
- an associate of that person (or those persons); and
- as a proxy by a Restricted Voter.

However, the Company need not disregard a vote if:

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

Resolution 10: Approval of issue of options to Non-Executive Director – Mr William Wang

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the proposed issue of 1,000,000 options at an exercise price of \$0.1 (ten cents) and expiring on 30 April 2019 to Mr. William Wang, a Director, or to his nominee(s), for the purpose and otherwise on the terms described in the Explanatory Notes, be approved.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 10 by:

- a person who is to receive securities in relation to the Company;
- Mr William Wang;
- an associate of that person (or those persons); and
- as a proxy by a Restricted Voter.

However, the Company need not disregard a vote if:

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

Resolution 11: Approval of issue of options to Non-Executive Director – Mr Neil McIntyre

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the proposed issue of 1,000,000 options at an exercise price of \$0.1 (ten cents) and expiring on 30 April 2019 to Mr. Neil McIntyre, a Director, or to his nominee(s), for the purpose and otherwise on the terms described in the Explanatory Notes, be approved.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 11 by:

- a person who is to receive securities in relation to the Company;
- Mr Neil McIntyre;
- an associate of that person (or those persons); and
- as a proxy by a Restricted Voter.

However, the Company need not disregard a vote if:

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

Resolution 12: Approval of additional 10% placement facility

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

“That pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes approval is given for the Company to issue equity securities up to 10.00% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 over a 12 month period, for the purpose and otherwise on the terms described in the

Explanatory Notes, be approved.”

Voting Note:

If as at the time of the Annual General Meeting, the Company:

- *is included in the S&P/ASX 300 Index; and/or*
- *has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of greater than AU\$300 million,*

then this Resolution will be withdrawn.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the issue of the Shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed. However, the Company need not disregard a vote if:

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

Please refer to the important information about the appointment of proxies below.

By Order of the Board

Leni Stanley
Company Secretary
Dated 26 April 2013

Voting and Proxies

1. Voting

Diatreme Resources Limited (DRX) has determined in accordance with Regulation 7.11.37 of the Corporations Regulations 2001 that for the purposes of voting at the Meeting securities will be taken to be held by those persons recorded on the Company's share register as at 7:00pm (Sydney time) on 27 May 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

If you have any queries on how to cast your votes then telephone Mr Tuan Do on 07 3832 5666 or Ms Leni Stanley on 07 3221 6022 during business hours.

2. Proxies

(a) Any member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote in his or her stead.

(b) If a shareholder appoints more than one proxy, the appointment of the proxy may specify the proportion or number of that shareholder's votes that each proxy may exercise. If the appointment does not specify the proportion or the number of the shareholder's votes each proxy may exercise, each proxy may exercise one half of the votes.

(c) Where a shareholder appoints more than one proxy neither proxy is entitled to vote on a show of hands.

(d) A proxy need not be a shareholder of DRX.

(e) To be effective, DRX must receive the completed Proxy Form and, if the form is signed by the shareholder's attorney, the authority under which the Proxy Form is signed (or a certified copy of the authority) by no later than 48 hours before the commencement of the meeting. Proxy Forms and other documentation may be lodged at the registered office of the Company or as follows:

By posting, delivery or facsimile: Diatreme Resources Limited Share Registry
C/- Link Market Services Limited
Locked Bag A14 Sydney South NSW 1235
Facsimile: (02) 9287 0309

By delivery: Link Market Services Limited
either 1A Homebush Bay Drive Rhodes NSW 2138 or Level 12, 680
George Street Sydney NSW 2000

Online: Lodging it online at Link's website (www.linkmarketservices.com.au) in accordance with the instructions given there (you will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website).

(f) Proxies given by corporate shareholders must be executed in accordance with their constitutions, or under the hand of a duly authorised officer or attorney.

(g) If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting as he or she thinks fit.

Important information concerning proxy votes for Resolutions 1, 7, 8, 9, 10 and 11

The Corporations Act now places certain restrictions on the ability of Key Management Personnel (including the chairman of the Meeting) and their Closely Related Parties to vote on resolutions connected with the remuneration of those persons (being resolutions 1, 7, 8, 9, 10 and 11) including where they are voting as proxy for another Member.

To ensure that your votes are counted, you are encouraged to direct your proxy as to how to vote on Resolutions 1, 7, 8, 9, 10 and 11 by indicating your preference on the proxy form. If you appoint a member of the Company's Key Management Personnel (including the chairman of the Meeting) or their Closely Related Parties as your proxy and do not direct them how to vote, your votes will not be cast on Resolutions 1, 7, 8, 9, 10 and 11.

If you appoint the chairman of the meeting as your proxy, to ensure your votes are counted in

respect of Resolutions 1, 7, 8, 9, 10 and 11, you must **direct the chairman how to vote on the proxy form.**

NOTE: APPOINTMENT OF PROXY FORM IS ENCLOSED

Special Resolution

Resolution 12 is a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution.

DIATREME RESOURCES LIMITED (ACN 061 267 061)

Explanatory Notes

These Explanatory Notes have been prepared for the information of members in connection with the business to be conducted at the Annual General meeting of Diatreme Resources Limited to be held at the Registered Office of the Company, Level 2, 87 Wickham Terrace, Spring Hill, Qld, on 29 May 2013 at 2.00 pm.

These Explanatory Notes form part of and should be read in conjunction with the accompanying Notice of Annual General Meeting.

Consider the Company's Annual Report

The Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 31 December 2012 is placed before Shareholders for discussion. No voting is required for this item.

Resolution 1: Remuneration Report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding advisory resolution.

The Remuneration Report is set out in the Directors' Report section of the 2012 Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for the Executive Chairman/CEO, Executive Director, executives and non-executive directors. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

Section 250R(2) of the Corporations Act requires the Company to propose a resolution that the Remuneration Report be adopted. The vote on this resolution is advisory only and does not bind the Directors or the Company. The Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGM's, shareholders will be required to vote at the second of those AGM's on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director and CEO as applicable) must be put up for re-election. The vote on the Remuneration Report contained in the Company's 2011 Annual Financial Statements was passed with the support of more than 75% of votes thus a spill resolution will not be required in the event that 25% or more of votes that are cast are against the adoption of the 2012 Remuneration Report. However, in the event that 25% or more of votes that are cast are against the adoption of the 2012 Remuneration Report, shareholders should be aware that if there is a 'no' vote of 25% or more at the same resolution at the following year's Annual General Meeting the consequences are that it may result in the re-election of the Board.

Key Management Personnel (including all Directors and executives) whose remuneration details are included in the Remuneration Report and their closely related parties are prohibited from voting on the advisory resolution.

Proxy Restriction

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member, as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel on how to vote on this resolution, proxy is prevented by the Corporation Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this resolution is advisory only and does not bind the Directors or the Company.

Resolution 2: Re-Election of Mr. David Hall as a Director

Pursuant to the Constitution of the Company, one-third of the Directors or, if their number is not a multiple of three, the number nearest to one-third, except the Managing Director, are required to retire by rotation at each Annual General Meeting. Additionally, under ASX Listing Rule 14.4, a Director must not hold office without re-election past the third annual general meeting following the director's appointment, or three years whichever is longer. A Director who retires in accordance with these provisions is eligible for re-election.

Mr. Hall has been a director of the Company since January 2001. He retires by rotation in accordance with the Constitution of the Company, but being eligible, offers himself for re-election.

Details of Mr Hall's experience and qualifications are set out in the section "Directors' Report" within the Annual Report.

The Directors recommend that the resolution be passed.

Resolution 3: Re-Election of Mr. Andrew Tsang as a Director

Pursuant to the Constitution of the Company, one-third of the Directors or, if their number is not a multiple of three, the number nearest to one-third, except the Managing Director, are required to retire by rotation at each Annual General Meeting. Additionally, under ASX Listing Rule 14.4, a Director must not hold office without re-election past the third annual general meeting following the director's appointment, or three years whichever is longer. A Director who retires in accordance with these provisions is eligible for re-election.

Mr. Tsang has been a director of the Company since January 2009. He retires by rotation in accordance with the Constitution of the Company, but being eligible, offers himself for re-election.

Details of Mr. Tsang's experience and qualifications are set out in the section "Directors' Report" within the Annual Report.

The Directors recommend that the resolution be passed.

Resolution 4: Ratification of prior issue of shares

This Resolution seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of a total of 57,600,000 Shares to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin (who are exempt investors that are not related parties of the Company).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the previous issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1.

By ratifying the prior issue of 57,600,000 Shares to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity without the requirement to obtain prior shareholder approval.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- (a) The number of securities previously issued was 57,600,000 Shares;
- (b) The issue price of the Shares was \$0.025 (2.5 cents) per Share;
- (c) The securities issued were fully paid ordinary Shares in the Company having the same terms and rights as, and ranking equally with, the Company's existing listed fully paid ordinary Shares;
- (d) The Shares were issued to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and

Mr Qi Lin who are exempt investors that are not related parties of the Company;

- (e) Funds raised by the issue of the shares were used to fund the Company's ongoing Cyclone Zircon Project definitive feasibility study, exploration works and for working capital purposes;
- (f) A voting exclusion statement is contained in the Notice of General Meeting.

The Directors recommend that the resolution be passed.

Background to Resolutions 5 and 6

As disclosed to the ASX on 15 March 2013, the Company received signed agreements to subscribe for placements totaling 34,000,000 ordinary fully paid shares (to rank equally in all respects with existing shares) at \$0.025 (2.5 cents) per share to raise gross proceeds of \$850,000.

The placement applications were received by sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin who are all existing shareholders of the Company. Pursuant to the terms of the placement agreements, the issue price of the placement shares was agreed at a premium to the Company's 30 day VWAP and share price as at 15 March 2013. Under the placement agreements the Applicants are required to lodge all subscription funds for shares by the due date of 30 April 2013. If all placement funds are not remitted by the due date, the placement price increases to A\$0.03 per share and the gross proceeds of the placement will be \$1,020,000.

The Company does not have the ability under its 15% placement capacity to issue the whole of the 34,000,000 Shares to the sophisticated investors and therefore proposes to make the issue of the Shares in two tranches (the subject of resolutions 5 and 6). Assuming all subscription funds are received by the due date of 30 April 2013, the Company will issue 4,797,363 of the 34,000,000 placement shares on or about 1 May 2013 under its 15% placement capacity. The remaining 29,202,637 shares will be issued subject to shareholder approval following the meeting.

Resolution 5: Ratification of prior issue of shares

This Resolution seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of a total of 4,797,363 Shares to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin (who are exempt investors that are not related parties of the Company).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the previous issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1.

By ratifying the prior issue of 4,797,363 Shares to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity without the requirement to obtain prior shareholder approval.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- (a) The number of securities previously issued was 4,797,363 Shares;
- (b) The issue price of the Shares was \$0.025 (2.5 cents) per Share;
- (c) The securities issued were fully paid ordinary Shares in the Company having the same terms and rights as, and ranking equally with, the Company's existing listed fully paid ordinary Shares;
- (d) The Shares were issued to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin who are exempt investors that are not related parties of the Company;
- (e) Funds raised by the issue of the shares were used in the continued development of the Cyclone Zircon Project in the Eucla Basin, other projects, and for working capital;
- (f) A voting exclusion statement is contained in the Notice of General Meeting.

The Directors recommend that the resolution be passed.

Resolution 6: Approval for issue of shares

This Resolution seeks shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of a total of 29,202,637 Shares to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin (who are exempt investors that are not related parties of the Company).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period. One circumstance where an action or an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- (a) The maximum number of securities to be issued will be 29,202,637 Shares;
- (b) The Shares will be issued no later than three (3) months after the date of the Annual General Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission);
- (c) The issue price of the Shares will be \$0.025 (2.5 cents) per Share;
- (d) The securities will be issued to sophisticated investors Mr Zhensheng Zhuang, Mr Chenfei Zhuang and Mr Qi Lin;
- (e) The securities will rank equally with the Company's existing listed fully paid ordinary Shares. The Company will apply to ASX for admission of the Shares issued for quotation on ASX; and
- (f) Funds raised by the issue of the shares will be used in the continued development of the Cyclone Zircon Project in the Eucla Basin, other projects, and for working capital.

The Directors recommend that the resolution be passed.

Resolution 7: Approval of issue of options to Executive Directors under the ESOP 2012

ASX Listing Rule 10.14 provides that a company may not issue options to a Director under an employee incentive scheme without the approval of holders of ordinary shares.

Resolution 7 is proposed to obtain approval for the allotment of options under the Employee Share Option Plan (ESOP) 2012 to the Company's two Executive Directors. The Company ESOP was approved by shareholders at the 2012 Annual General Meeting on 24 May 2012. A copy of the terms and conditions of the ESOP is available from the Company, at no cost, on request.

The table below describes the maximum number and the terms upon which the options that are to be issued to each recipient for which approval is sought under Resolution 6.

Director	No of Options	Expiry Date	Exercise Price
Anthony Fawdon	1,000,000	30 April 2019	\$0.10
David Hall	1,000,000	30 April 2019	\$0.10

The following information is provided in accordance with ASX Listing Rule 10.15:

- (a) This Resolution seeks shareholder approval for the issue of options to the Company's two executive directors, Mr Anthony Fawdon and Mr David Hall;
- (b) The maximum number of options to be issued to Mr Fawdon and Mr Hall pursuant to this Resolution are 1,000,000 options each;
- (c) The options to be issued to Mr Fawdon and Mr Hall will be issued for no consideration and will have an exercise price of \$0.10 (ten cents) and will expire on 30 April 2019;

- (d) The terms of the options to be issued to Mr Fawdon and Hall are described in Schedule One to this Explanatory Memorandum;
- (e) There have been no options issued to executive directors of the Company since the ESOP was approved by shareholders on 24 May 2012;
- (f) Only Mr Fawdon and Mr Hall are entitled to participate in the ESOP pursuant to ASX Listing Rule 10.14 as they are the Company's only executive directors;
- (g) No loan will be provided to Mr Fawdon or Mr Hall in connection with the acquisition of the options;
- (h) The options will be issued to Mr Fawdon and Mr Hall as soon as practicable after the Meeting, but in any event, no later than one (1) year after the date of the Meeting.

Resolutions 8 – 11: Issue of Options to Non-Executive Directors

Resolutions 8 to 11 seek shareholder approval for the issue of options to Non-Executive Directors of the Company as follows:

Director	No of Options	Expiry Date	Exercise Price
George White	1,000,000	30 April 2019	\$0.10
Andrew Tsang	1,000,000	30 April 2019	\$0.10
William Wang	1,000,000	30 April 2019	\$0.10
Neil McIntyre	1,000,000	30 April 2019	\$0.10

None of the Non-Executive Directors have received any increases to their salaries or directors fees for the years ended 31 December 2011 and 2012. As such, the granting of options to Non-Executive Directors (Director Options) is considered to be a cost effective mechanism to assist in the reward and retention of the non-executive directors of the Company. The Board does not consider that there are any significant opportunity costs to the Company, or benefits foregone by the Company, in issuing the Director Options upon the terms proposed. The grant of the Director Options forms part of the Company's long-term incentive objectives to encourage the relevant Non-Executive Directors to have a greater involvement in the achievement of the Company's objectives and to provide them with the opportunity to participate in the future growth and prosperity of the Company through share ownership.

The options that are the subject of Resolutions 8 – 11 are expected to be issued on or about 20 June 2013, and in any case, no later than one month from the date of the meeting.

Shareholders are directed to the analysis below relating to the effect that the issue of options under resolutions 8 – 11 will have upon the directors' individual remuneration, including a valuation of the options determined using the Black-Scholes option-pricing Method.

The options will have a zero issue price and no funds will be raised from the issue of the options. Funds raised from the exercise of the options will be applied towards the working capital requirements of the Company at the time.

Approval under ASX Listing Rule 7.1 is not required if the same issue is approved by Shareholders pursuant to Listing Rule 10.11 (as provided for by Listing Rule 7.2, exception 14).

EFFECT OF ISSUE OF OPTIONS ON DIRECTORS REMUNERATION

The table below provides information relating to the effect that the issue of options as contemplated by Resolutions 8 – 11 will have upon the Non-Executive Directors individual remuneration, including a valuation of the options determined under the Black-Scholes option-pricing Method.

Director	George White	Andrew Tsang	William Wang	Neil McIntyre
Number of Shares (ASX code DRX) currently held	216,667 NOTE 1	94,869,443 NOTE 1	2,577,822 NOTE 1	-
Number of Options (ASX code DRXO) currently held	516,667 NOTE 1	35,832,933 NOTE 1	804,903 NOTE 1	-
No of ESOP 2012 Options (\$0.10) proposed to be granted	1,000,000	1,000,000	1,000,000	1,000,000
Current annual remuneration including superannuation	\$49,050	\$49,050	\$49,050	\$49,050
Consideration for ESOP 2012 Options to be granted	Nil	Nil	Nil	Nil
Value of ESOP 2012 Options at \$0.007 per option NOTE 2	\$7,000	\$7,000	\$7,000	\$7,000
Total Annual Remuneration Package (incl. ESOP 2012 Options)	\$56,050	\$56,050	\$56,050	\$56,050

NOTE 1 Number of securities includes securities held by associates of the director.

NOTE 2 The valuation of the options to be issued to the Directors under these resolutions has been based upon the Black-Scholes option-pricing Method using the following parameters:

Share Price	2.2 cents	Interest Rate	3.28%
Strike Price	10 cents	Volatility	103%
Time to maturity	74 months		

This equates to a valuation of \$0.014 per option. However, as the Options will be unlisted and they will lack negotiability to realise a value, a discount of 50% has been applied resulting in a value per Option of \$0.007.

Over the 15 day ASX trading period from 19 March 2013 to 18 April 2013, and on a volume of 3,059,034 shares, the Company's closing share price has ranged from a low of 1.2 cents to a high of 2.2 cents, averaging 1.8 cents.

ASX Listing Rules

In respect of the options proposed to be issued to Non-Executive Directors of the Company, ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company. Resolutions 7 – 10 seek shareholder approval for the issue of options to Non-Executive Directors, who are considered related parties of the Company. ASX Listing Rule 7.2 states that approval pursuant to ASX Listing Rule 7.1 is not required if approval is being obtained pursuant to ASX Listing Rule 10.11.

The following information is provided in accordance with the requirements of ASX Listing Rule 10.13:

- (a) The maximum total number of options to be issued to Directors (or their nominees) is 4,000,000, as described in the table above;
- (b) The options are to be issued to Non-Executive Directors for incentive and remuneration purposes;
- (c) The options will be issued no later than one (1) month after the date of the general meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission);
- (d) The terms of the options to be issued to Messrs White, Tsang, Wang and McIntyre are described in Schedule One to this Explanatory Memorandum;
- (e) The exercise price of the options will be \$0.10 (ten cents) and the options will expire on 30 April 2019; and
- (f) There will be no funds raised by the issue of the options. Any funds raised from the exercise of the options will be applied towards the Company's working capital requirements at that time.

Corporations Act 2001 (Cth)

Under Chapter 2E of the Corporations Act, a public company cannot give a 'financial benefit' to a 'related party' unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

In the case of Resolutions 8 - 11, the issue of the relevant options to the Non-Executive Directors constitutes a 'financial benefit' as defined in the Corporations Act. The options the subject of Resolutions 8 - 11 have been valued by the Company's internal management using a Black & Scholes option pricing model and ascribed a value (as described above).

If the options the subject of Resolutions 8 - 11 were issued, the Non-Executive Directors' respective (direct and indirect) share and/or option holdings would be as follows:

Director	Shares ⁽ⁱ⁾	Options		
		Existing ⁽ⁱⁱ⁾	Proposed to be issued	Total
George White	216,667	516,667	1,000,000	1,516,667
Andrew Tsang	94,869,443	35,832,933	1,000,000	36,832,933
William Wang	2,577,822	804,903	1,000,000	1,804,903
Neil McIntyre	-	-	1,000,000	1,000,000

(i) Assumes that no existing options are exercised by the Directors prior to the issue of the options the subject of Resolutions 8 - 11.

(ii) Existing options relate to listed options acquired from the Company's April 2011 Rights Issue.

Section 211 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given to the related party as an officer of the Company and to give the remuneration would be reasonable given:

- the circumstances of the company; and
- the related party's circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue of the options the subject of Resolutions 8 – 11 is reasonable remuneration and, as such, falls within the exception set out in section 211 of the Corporations Act. In reaching this view, the Company has considered the respective positions and responsibilities of each of the Non-Executive Directors, the Company's reliance on a limited number of executive personnel, the need for the Company to effectively incentivise each of the Non-Executive Directors while aligning the incentive with increasing shareholder value, the desirability of preserving cash resources within the Company, and the terms of the options. The Board believes that options are an effective remuneration tool which preserves the cash reserves of the Company and its group entities whilst providing valuable remuneration. In addition and as described above, none of the Non-Executive Directors have received any increases to their salaries or directors fees for the years ended 31 December 2011 and 2012.

Resolution 12: Approval of additional 10% placement facility

Listing Rule 7.1A enables eligible entities to issue Equity Securities of up to 10% of its issued ordinary share capital through placements over a 12 month period following the entity's annual general meeting (**Additional 10% Placement Facility**). The Additional 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less, as at the time of the entity's annual general meeting. The Company is an eligible entity as at the time of this Notice of Annual General Meeting and is expected to be an eligible entity as at the time of the Annual General Meeting.

Resolution 12 seeks Shareholder approval to enable the Company to issue Equity Securities under the Additional 10% Placement Facility throughout the 12 months after the Annual General Meeting. The effect of Resolution 8 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the period set out below.

Resolution 12 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the Annual General Meeting (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The exact number of Equity Securities that the Company may issue under the Additional 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (set out below).

The Company is seeking a mandate to issue securities under the Additional 10% Placement Facility to enable the Company to pursue its growth strategy with the flexibility to act quickly as potential business opportunities arise.

Regulatory Requirements

In compliance with the information requirements of Listing Rule 7.3A, Shareholders are advised of the following information:

a) Minimum Issue Price

Equity Securities issued under the Additional 10% Placement Facility must be in the same class as an existing class of quoted Equity Securities of the Company. As at the date of this Notice of Annual General Meeting, the Company has on issue one class of quoted Equity Securities, namely Shares.

The issue price of Equity Securities issued under the Additional 10% Placement Facility must not be lower than 75% of the volume weighted average price for securities in the same class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the Equity Securities are issued; or
- the date on which the price of Equity Securities is agreed, provided that the issue is thereafter completed within 5 business days.

b) Dilution

As at the date of this Notice of Annual General Meeting, the Company has 473,582,422 Shares on issue. If Shareholders approve Resolution 12, the Company will have the capacity to issue approximately 47,358,242 Equity Securities under the Additional 10% Placement Facility in accordance with Listing Rule 7.1A.

The precise number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the following formula:

(A x D) – E

A is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement:

- 1) plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- 2) plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- 3) plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4;
- 4) less the number of fully paid ordinary shares cancelled in the 12 months.

Note that “A” has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

If Resolution 12 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Facility, existing Shareholders' voting power in the Company will be diluted as shown in the table below (in the case of Options, only if the Options are exercised) to the extent Shareholders do not receive any Equity Securities under such issues. There is a risk that:

- the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice of Annual General Meeting.

The below table also shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of fully paid ordinary securities the Company has on issue. The number of fully paid ordinary securities on issue may increase as a result of issues of fully paid ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a Shareholders' meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable "A" In Listing Rule 7.1A.2		10% Voting Dilution		
		\$0.007 50% decrease in Market Price	\$0.014 Market Price	\$0.021 50% increase in Market Price
Current Variable "A" 473,582,422 Shares	Shares issued	47,358,242 New Shares	47,358,242 New Shares	47,358,242 New Shares
	Funds raised	\$331,508	\$663,015	\$994,523
50 % increase in current Variable "A" 710,373,633 Shares	Shares issued	71,037,363 New Shares	71,037,363 New Shares	71,037,363 New Shares
	Funds raised	\$497,262	\$994,523	\$1,491,785
100% increase in current Variable "A" 947,164,844 Shares	Shares issued	94,716,484 New Shares	94,716,484 New Shares	94,716,484 New Shares
	Funds Raised	\$663,015	\$1,326,031	\$1,989,046

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the Additional 10% Placement Facility.
- No Options are exercised into Shares before the date of issue of the Equity Securities.

- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- The market price is 1.4 cents, being the closing price of the Shares on ASX on 18 April 2013.

c) Issue Period

If Shareholders approve Resolution 12, the Company will have a mandate to issue Equity Securities under the Additional 10% Placement Facility under Listing Rule 7.1A from the date of the Annual General Meeting until the earlier of the following to occur:

- the date that is 12 months after the date of the Annual General Meeting; and
- the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the **Additional 10% Placement Period**).

The Company will only issue and allot Equity Securities under the Additional 10% Placement Facility during the Additional 10% Placement Period. Accordingly, the approval given if this Resolution is passed will cease to be valid on the earlier of 29 May 2014 or the date on which holders of the Company's ordinary securities approve a transaction under Listing Rule 11.1.2 or 11.2.

d) Purpose of Issues

The Company may seek to issue the Equity Securities for the following purposes:

- non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued and increased production, exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will provide further information at the time of issue of any Equity Securities under the Additional 10% Placement Facility in compliance with its disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A.

e) Allocation Policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the Additional 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issues in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the Additional 10% Placement Facility have not been determined as at the date of this Notice of Annual General Meeting but may include existing Shareholders and/or new Shareholders, who are not Related Parties or associates of a Related Party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the Additional 10% Placement Facility will be the vendors of the new assets or investments.

f) Previous issues of Equity Securities under Listing Rule 7.1A

The Company has not previously obtained Shareholder approval under Listing Rule 7.1A and accordingly has not issued any Equity Securities pursuant to Listing Rule 7.1A in the 12 months preceding the date of the Annual General Meeting.

Voting Exclusion

The Company will disregard any votes cast on Resolution 8 by any person who may participate in the issue of Equity Securities under the Additional 10% Placement Facility and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any person associated with those persons. However, the Company will not disregard any votes cast on Resolution 12 by such person if:

- a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) the person is the chairman of the Annual General Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

At the date of this Notice of Annual General Meeting, the Company has not approached any particular existing security holder or an identifiable class of existing security holders to participate in the issue of the Equity Securities. Accordingly, the proposed allottees of any Equity Securities under the Additional 10% Placement Facility are not as yet known or identified.

In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the Additional 10% Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

No existing Shareholder's votes will therefore be excluded.

Recommendation

The Directors believe that the Additional 10% Placement Facility is beneficial for the Company as it will give the Company the flexibility to issue further Equity Securities representing up to 10% of the Company's share capital during the next 12 months. Accordingly, the Board unanimously recommend that Shareholders approve Resolution 12.

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SCHEDULE ONE

Option Terms – Resolutions 7 – 11

1 Options

1.1 Entitlement to Shares

Each Option entitles the holder to subscribe for and be issued, credited as fully paid, the number of Shares specified in the Option.

1.2 Exercise Price

The Exercise Price of each Option shall be 10 cents.

1.3 Delivery of Shares upon Exercise

Upon the Exercise of an Option in accordance with **clause 2** of this **schedule**, the Shares in respect of that Option may, at the discretion of the Board, be delivered to the participant by being:

- (a) issued to the Participant; or
- (b) purchased and transferred to the Participant.

The Company shall issue (or cause to be issued) a holding statement or other appropriate evidence of title for the Shares within 10 Business Days (or such other period as is required by the Listing Rules) after the date of exercise of the relevant Option.

1.4 Ranking of Shares issued on the exercise of Options

Shares issued on the exercise of Options will rank pari passu with all existing Shares in the capital of the Company from the date of issue of those Shares.

2 Exercise of Options

2.1 Procedure for exercise

Subject to **clause 2.2** of this **schedule**, an Option is exercisable by the holder lodging with the Company:

- (a) a notice of exercise of that Option in the form attached to this **schedule**;
- (b) a cheque for the Exercise Price for each Share to be issued on the exercise of that Option; and
- (c) if one has been issued, the certificate for that Option.

2.2 Conditions relating to exercise of an Option

- (a) An Option must be exercised (if at all) not later than its Expiry Date and, subject to this **clause 2**, may only be exercised at any time after the option has been vested and before its Expiry Date.
- (b) Options must be exercised in accordance with any determination by the Board as to minimum parcels in which Options may be exercised.
- (c) The Board may determine (in its absolute discretion) any further conditions of exercise consistent with these Rules that apply to an Option.
- (d) The exercise of some Options only does not affect the Participant's right to exercise other Options at a later time.
- (e) If the Participant exercises less than all Options represented by the certificate then the Company will cancel the certificate and issue a new certificate for the balance.

2.3 Lapse of Options

An Option held by a Participant will immediately lapse upon the first to occur of:

- (a) its Expiry Date;
- (b) the making by the Board of a determination that:
 - (i) the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company or an Associated Body Corporate; and
 - (ii) the Option is on that account to be forfeited;
- (c) subject to **clause 2.3(d)** of this **schedule**, the Participant ceasing to be employed or engaged by the Company or an Associated Body Corporate for any reason except where the Participant ceases to be employed or engaged as a direct result of the disposal or sale of the Company or Associated Body Corporate (in which case, for the avoidance of doubt, such Options shall not lapse by virtue of that event alone) or at such later date that the Board determines;
- (d) 30 days (or such later date that the Board determines) following the Participant ceasing to be employed or engaged by the Company or an Associated Body Corporate where the Participant ceases to be employed or engaged by virtue of:
 - (i) the Participant's death;
 - (ii) the Participant being retrenched or made redundant by the Company or an Associated Body Corporate (other than as a direct result of the disposal or sale of the Company or Associated Body Corporate);
 - (iii) the Participant retiring; or
 - (iv) the Participant's permanent illness or permanent physical or mental incapacity (as certified by a medical practitioner who is approved by the Company);
- (e) the day which is 30 days following any person or corporation having a relevant interest in not less than 90% of the Shares; or
- (f) at the discretion of the Board and notified in writing to the Participants, the day which is 10 days following the Company issuing a notice of meeting convening a meeting of shareholders in order to enter into a scheme of arrangement (pursuant to the provisions of the Corporations Act) which, if implemented would result in a person or corporation having a relevant interest in not less than 90% of the Shares.

2.4 Change of control

If, in the opinion of the Board, a Change of Control Event has occurred, or is likely to occur, the Board may declare an Option to be free of any conditions of exercise and Options which are so declared may, subject to **clause 2.3** of this **schedule**, be exercised at any time on or before the Expiry Date and in any number.

3 Transfer

An Option is personal to the Participant to whom it was granted, and the Participant may not sell, transfer, mortgage, charge, encumber or otherwise dispose of, or make a declaration of trust in respect of the Option except as otherwise determined by the Board (in its absolute discretion).

4 Quotation of Options and Shares

Options will not be listed for quotation on ASX.

5 Future issues of Shares

5.1 New issues

- (a) There are no participating rights or entitlements inherent in the Options and Participants will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options.

(b) The Company shall ensure that the record date for determining entitlements to such issue will be at least the minimum number of days after the issue is announced that is required by the Listing Rules (if any).

5.2 Bonus issues

If the Company makes an issue of Shares to the holders of Shares in the Company by way of capitalisation of profits or reserves (**Bonus Issue**), each Participant holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall not be entitled to have issued to them upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue.

6 Reorganisation of capital

In the event of any reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

7 Advice

7.1 Company to notify Participants of any adjustment

The Company shall give notice to each Participant of any adjustment to the number of Shares which the Participant is entitled to subscribe for or be issued on exercise of an Option or the exercise price per Share.

7.2 Company to provide details of current market price of Shares

The Company will provide to a Participant upon request, within a reasonable time, either verbally or in writing, details of the current market price (in Australian dollars) of the Shares in the Company and details of the Exercise Price in relation to Options held by that Participant.

8 Right to accounts

Participants will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members but will not have any right to attend or vote at those meetings.

9 Assignment of Options

Subject to **clause 3** of this **schedule**, a Participant may not assign or transfer an Option except during a Takeover Period, in which case the Options may only be transferred by the Participant to the bidder or its nominees in accordance with the Corporations Act.



By mail:
Diatreme Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1300 554 474



X99999999999

SHAREHOLDER PROXY FORM

I/We being a member(s) of Diatreme Resources Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

**the Chairman
of the Meeting
(mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at **2:00pm on Wednesday, 29 May 2013, at Level 2, 87 Wickham Terrace, Spring Hill, Queensland** and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than **48 hours** before the meeting. Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2

VOTING DIRECTIONS

Items of Business

	For	Against	Abstain*		For	Against	Abstain*
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Approval of issue of options to Executive Directors under the ESOP 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-Election of Director - Mr. David Hall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Approval of issue of options to Non-Executive Director - Mr George White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-Election of Director - Mr. Andrew Tsang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Approval of issue of options to Non-Executive Director - Mr Andrew Tsang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of prior issue of 57,600,000 shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Approval of issue of options to Non-Executive Director - Mr William Wang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Ratification of prior issue of 4,797,363 shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Approval of issue of options to Non-Executive Director - Mr Neil McIntyre	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval for issue of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Approval of additional 10% placement facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Items 1, 7, 8, 9, 10 and 11 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of these Items and that votes cast by him/her for these Items, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 1, 7, 8, 9, 10 and 11 and your votes will not be counted in calculating the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 1, 7, 8, 9, 10 and 11.

STEP 4

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

DRX PRX302R



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm on Monday, 27 May 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

Diatreme Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**