

## DIATREME RESOURCES LIMITED

ABN 33 061 267 061

### NOTICE OF GENERAL MEETING

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Notice is hereby given that a General Meeting of Diatreme Resources Limited (ABN 33 061 267 061) (**Company**) will be convened at 11.00 am on Thursday 5 April 2018 at the offices of the Company, Unit 8, 61 Holdsworth Street, Coorparoo, Brisbane.

Attached to, and forming part of, this Notice of Meeting is an Explanatory Statement that provides Shareholders with background information and further details on the Resolutions to be considered at the Meeting.

Capitalised terms and abbreviations used in this Notice of Meeting and the Explanatory Statement are defined in the glossary, appearing after the Explanatory Statement below.

#### AGENDA

##### 1. Resolution 1 - Approval of selective buy-back of shares

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

*That for the purposes of section 257D(1)(a) of the Corporations Act and for all other purposes, approval is given for the Company to buy-back a total of 20,000,000 Placement Shares held by Yufeng Zhuang, a Director, and 5,000,000 Placement Shares held by Hua Rong Holding Pty Ltd, an entity associated with Director Andrew Tsang, a Director, on the terms and conditions and for the purpose set out in the Explanatory Statement accompanying this Notice."*

##### Voting exclusion statement

In accordance with section 257D(1)(a) of the Corporations Act, no votes may be cast in favour of Resolution 1 by Yufeng Zhuang or Hua Rong Holding Pty Ltd, or any of their associates. Such persons may, however, vote against Resolution 1 if they wish.

##### 2. Resolution 2 - Ratification of prior issue of equity securities

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

*That, for the purposes of Listing Rule 7.4, and for all other purposes, the issue of 75,000,000 Shares and 75,000,000 unlisted options pursuant to the placement announced on 21 September 2017 as further detailed in the Explanatory Statement is approved and ratified.*

##### Voting exclusion statement

The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of any person who participated in the issue, or any associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

### 3. Resolution 3 - Ratification of prior issue of equity securities

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

*That, for the purposes of Listing Rule 7.4, and for all other purposes, the issue of 24,500,000 Shares pursuant to the placement announced on 31 January 2018 as further detailed in the Explanatory Statement is approved and ratified.*

#### **Voting exclusion statement**

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of any person who participated in the issue, or any associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

### 4. Resolution 4 - Approval for the issue of Shares and options to Director, Mr Yufeng Zhuang

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

*That, subject to the passing of Resolution 1 and for the purposes of section 208(1) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 20,000,000 Shares and 20,000,000 unlisted options to Yufeng Zhuang, a Director, on the terms and conditions set out in the Explanatory Statement.*

#### **Voting exclusion statement**

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Yufeng Zhuang, or any associate of Mr Zhuang.

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

For the purposes of Chapter 2E of the Corporations Act, no votes must be cast on Resolution 4 by or on behalf of Mr Zhuang or any associate of Mr Zhuang.

However, this does not prevent the casting of a vote if it is cast by a person as a proxy in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of Mr Zhuang or any associate of Mr Zhuang.

**5. Resolution 5 - Approval for the issue of Shares and options to an entity associated with Director, Mr Andrew Tsang**

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

*That, subject to the passing of Resolution 1 and for the purposes of section 208(1) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 5,000,000 Shares and 5,000,000 unlisted options to Hua Rong Holding Pty Ltd, an entity associated with Andrew Tsang, a Director, on the terms and conditions set out in the Explanatory Statement.*

**Voting exclusion statement**

The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Hua Rong Holding Pty Ltd or Andrew Tsang, or any associate of Hua Rong Holding Pty Ltd or Mr Tsang.

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

For the purposes of Chapter 2E of the Corporations Act, no votes must be cast on Resolution 5 by or on behalf of Hua Rong Holding Pty Ltd or Mr Tsang or any associate of Hua Rong Holding Pty Ltd or Mr Tsang.

However, this does not prevent the casting of a vote if it is cast by a person as a proxy in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of Hua Rong Holding Pty Ltd or Mr Tsang or any associate of Hua Rong Holding Pty Ltd or Mr Tsang.

## Voting entitlements

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) and ASX Settlement Operating Rule 5.6.1, the Board has determined that for the purpose of voting at the Meeting, the persons eligible to vote at the Meeting are those who are registered Shareholders at 7.00pm (Sydney time) on Tuesday 3 April 2018.

If you are not a registered Shareholder at that time, you will not be entitled to vote at the Meeting.

## How to vote

You may vote by attending the Meeting in person, by proxy or authorised representative. Registration will commence just prior to the Meeting. To vote in person, attend the Meeting on the date and at the place set out on the front page of this Notice.

## Voting at the Meeting

Ordinary resolutions require the support of more than 50% of the votes cast. Special resolutions require the support of at least 75% of the votes cast. All the Resolutions at this Meeting, other than Resolution 1, are ordinary resolutions. Resolution 1 is a special resolution.

Every question arising at this Meeting will be decided in the first instance by a show of hands. A poll may be demanded in accordance with the Company's Constitution. On a show of hands, every Shareholder who is present in person or by proxy, representative or attorney, will have one vote. Upon a poll, every person who is present in person or by proxy, representative or attorney will have one vote for each Share held by that person.

## Proxy votes

A Shareholder who is entitled to attend the Meeting and vote is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A Proxy Form accompanies this Notice.

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 48 hours before the commencement of the meeting.

Proxy Forms can be submitted by the below methods:

By posting:	Diatreme Resources Limited Share Registry C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235
By 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 ( <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a> ) 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).

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the Chairman to exercise your proxy on Resolutions 1, 2, 3, 4 and 5 and even if they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the Chairman. If you appoint the Chairman as your proxy you can direct the Chairman to vote for or against or abstain from voting on any of Resolutions 1, 2, 3, 4 and 5 by marking the appropriate box on the Proxy Form.

**Voting Intention of the Chairman for all Resolutions**

Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the Resolutions the subject of this Meeting, subject to compliance with the Corporations Act.

**BY ORDER OF THE BOARD**



Tuan Do  
Company Secretary

Dated this 28th day of February 2018

**DIATREME RESOURCES LIMITED**  
**ABN 33 061 815 796**

**EXPLANATORY STATEMENT**

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The purpose of the Explanatory Statement is to provide Shareholders with information concerning the Agenda Items in the Notice of General Meeting.

**Information relating to Resolution 1 – approval for selective buy-back**

On 21 September 2017, the Company announced the completion of a capital raising program pursuant to which the Company issued 75,000,000 Shares and 75,000,000 unlisted options. These securities were issued to various sophisticated and professional investors and Shareholders, including 20,000,000 Shares and unlisted options which were issued to Mr Yufeng Zhuang (a Director) and 5,000,000 Shares and unlisted options which were issued to Hua Rong Holding Pty Ltd in its capacity as trustee for the Hua Rong Holding Family Trust (**Hua Rong Holding Pty Ltd**), an entity associated with Mr Andrew Tsang (a Director). The Company lodged, with ASX, Appendix 3Y Change in Directors Interest Notices for each of Mr Zhuang and Mr Tsang notifying the changes in their interests on 21 September 2017 and 25 September 2017 respectively.

The issue, in aggregate, of the 25,000,000 Shares (**Placement Shares**) and 25,000,000 unlisted options (**Placement Options**) to Mr Zhuang and Hua Rong Holding Pty Ltd (together, the **Director Shareholders**) occurred without prior Shareholder approval, resulting in an inadvertent breach of ASX Listing Rule 10.11 (**Breach**). This was the subject of the Company's announcement dated 7 February 2018.

Following consultations with ASX, the Company is addressing this issue by:

- (a) cancelling, for no consideration, the Placement Options. This cancellation has taken place, and was announced by the Company on 9 February 2018; and
- (b) seeking Shareholder approval under Resolution 1 for the buy-back and cancellation of the Placement Shares at their issue price of \$0.01 per share.

At the Meeting, the Company will also seek Shareholder approval, in accordance with the requirements of the ASX Listing Rules and the Corporations Act, for the issue to Mr Zhuang and Hua Rong Holding Pty Ltd of the same number of Shares and unlisted options on the same terms as the Placement Shares and Placement Options except that the expiry date of the new options will be 12 April 2018 (see below, Resolutions 4 and 5 respectively).

The purpose of Resolution 1 is to seek the requisite approval of Shareholders required under the Corporations Act for the buy-back of the Placement Shares held by the Director Shareholders (**Share Buy-Back**).

The effect of Resolution 1 will be a selective buy-back of 25,000,000 Shares held by a Director and by an entity associated with a Director. Immediately after the registration of the transfer to the Company of the Placement Shares bought back, those Shares will be cancelled in accordance with the Corporations Act.

Resolution 1 is a special resolution, and therefore requires not less than 75% of all votes cast on the Resolution, by Shareholders entitled to vote, to be in favour of the Resolution for it to be passed.

**Corporations Act**

Given that the Share Buy-Back only applies selectively to Shares held by the Director Shareholders, the Share Buy-Back must be approved by a special resolution with no votes being cast in favour by any person whose Shares are proposed to be brought back or by their associates under section 257D of the Corporations Act.

Section 257A of the Corporations Act provides that a company may buy-back its own shares if:

- (a) the buy-back does not materially prejudice the company's ability to pay its creditors; and
- (b) the company follows the procedures laid down in Part 2J.1 Division 2 of the Corporations Act.

The Share Buy-Back is a selective buy-back. Accordingly, section 257D(2) of the Corporations Act requires that the Company include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the Resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to Shareholders.

In accordance with the requirements of section 257D(2) of the Corporations Act and ASIC Regulatory Guide 110, the following information is provided to Shareholders to assist them to make a decision on how to vote on Resolution 1:

- (a) as at the date of this Notice, the Company has 1,049,309,591 Shares on issue;
- (b) 25,000,000 Shares are proposed to be bought back. The percentage of Shares proposed to be bought back is 2.38% of the total Shares on issue immediately prior to the Share Buy-Back (assuming there is no change in the number of shares between the date of this Notice and completion of the Share Buy-Back (**Completion**));
- (c) the terms of the Share Buy-Back are described below (see section headed "Share Buy-Back Agreements");
- (d) the primary purpose of the Share Buy-Back is to cure the Breach (as described above);
- (e) the overall effect of the Share Buy-Back would be to reduce the number of Shares currently on issue from 1,049,309,591 to 1,024,309,591. However, the Company is seeking Shareholder approval for the issue of an equivalent number of Shares pursuant to Resolutions 4 and 5. If Resolution 1 is passed there will be no net change to the number of Shares currently on issue, assuming Resolutions 4 and 5 are also passed;
- (f) as at the date of this Notice, the Director Shareholders or their associates hold the following securities in the Company representing the following percentages of the issued capital of the Company on a fully diluted basis:

Director	Number of Shares held	Number of unlisted options held	Percentage of issued capital
Yufeng Zhuang	140,983,890	-	13.27%
Andrew Tsang (directly and indirectly)	116,536,110 For further particulars of these holdings see Resolutions 4 and 5 below.	1,000,000	11.06%

- (g) if Shareholders approve all Resolutions contained in this Notice, the Share Buy-Back Completes and all Shares and unlisted options are issued as contemplated by this Notice, the Director Shareholders or their associates will hold the following securities in the Company (representing the following percentages of the issued capital of the Company on a fully diluted basis and the following percentages assuming none of the unlisted options are exercised and assuming no change in the number of Shares between the date of this Notice and Completion):

<b>Director</b>	<b>Number of Shares held</b>	<b>Number of unlisted options held</b>	<b>Percentage of issued capital (fully diluted)</b>	<b>Percentage of issued capital (assuming no options exercised)</b>
Yufeng Zhuang	140,983,890	20,000,000	14.81%	13.44%
Andrew Tsang (directly and indirectly)	116,536,110	6,000,000	11.27%	11.11%

- (h) if Shareholders approve Resolution 1, the Share Buy-Back completes and Resolutions 4 and 5 are not approved, the Director Shareholders or their associates will hold the following securities in the Company (representing the following percentages of the issued capital of the Company on a fully diluted basis and the following percentages assuming none of the unlisted options are exercised and assuming no change in the number of Shares between the date of this Notice and Completion):

<b>Director</b>	<b>Number of Shares held</b>	<b>Number of unlisted options held</b>	<b>Percentage of issued capital (fully diluted)</b>	<b>Percentage of issued capital (assuming no options exercised)</b>
Yufeng Zhuang	120,983,890	-	11.66%	11.81%
Andrew Tsang (directly and indirectly)	111,536,110	1,000,000	10.85%	10.89%

- (i) the purchase price for the Share Buy-Back will be funded from the proceeds of the re-issue of securities (assuming Resolutions 4 and 5 are also passed). If Resolution 1 is passed and Resolutions 4 or 5 are not passed, the funds for the purchase will be sourced from working capital.
- (j) the advantages and disadvantages of the Share Buy-Back are described below (see section headed "Advantages and disadvantages of the Share Buy-Back");
- (k) the Share Buy-back is not expected to have any effect on the control of the Company other than the effect on the holdings of each of the Director Shareholders (or their associates) described above. For the sake of clarity, the Director Shareholders are not associated with each other;
- (l) the selling Shareholders are the Director Shareholders;
- (m) the Company will incur no liabilities or costs in respect of the proposed Share Buy-Back other than the purchase price for the Share Buy-Back and costs in connection with preparation of this Notice and the Meeting. Costs in connection with the Notice and the Meeting are expected to be incurred whether or not the Share Buy-Back is approved. If Resolution 1 is passed and Resolutions 4 or 5 are not passed, the Company's working capital will be reduced by the amount of the purchase price for the Share Buy-Back. The Share Buy-Back is not expected to have any other financial effect on the Company. The Company's most recent audited financial statements, which were for the half year ended 30 June 2017 were released to ASX on 12 September 2017; and



- (n) during the last 12 months before the date of lodgement of this Notice with ASIC, the highest trading price of the Shares was \$0.030 on 11 January 2018 and the lowest trading price of the Shares was \$0.007 on 23 June 2017. The market price of the Shares over the 5 days of trading on ASX up to and including 27 February 2018 (the last trading day before this Notice of Meeting was lodged with the ASIC) has been between a minimum of \$0.019 per Share to a maximum of \$0.020 per Share. On 27 February 2018, the last trading day before this Notice of Meeting was lodged with the ASIC, the Shares closed at a price of \$0.020 per Share.

### **Share Buy-Back Agreements**

The Company and the Director Shareholders have entered into, or will shortly and before despatch of this Notice, enter into Share Buy-Back Agreements under which, subject to Resolution 1 being approved (**Shareholder Approval Condition**), the Company will agree to buy back 20,000,000 Placement Shares held by Mr Zhuang and 5,000,000 Placement Shares held by Hua Rong Holding Pty Ltd, for \$0.01 per Share (or \$250,000 in total).

Completion under the Share Buy-Back Agreements is expected to occur two business days following the passing of Resolution 1 and is expected to occur at the same time as the new issue of securities under Resolutions 4 and 5 (assuming Resolutions 4 and 5 are also approved). If the Shareholder Approval Condition is not satisfied by the date that is two months from the date of execution of the Share Buy-Back Agreements, all rights and obligations under the Share Buy-Back Agreements will terminate, other than rights accrued before that date. In these circumstances, the Placement Shares will not be bought back or terminated.

The Share Buy-Back Agreements also include various mechanical provisions to give effect to the Share Buy-Back, and customary warranties as to incorporation, title, authority and solvency.

### **Advantages and disadvantages of the Share Buy-Back**

The Non-Associated Directors believe that the Share Buy-Back is in the best interests of Shareholders and the Company and Mr Wang recommends that Shareholders vote in favour of Resolution 1 for the following reasons:

- (a) the Share Buy-Back will only result in the cancellation of the Placement Shares issued to the Director Shareholders;
- (b) the Share Buy-Back will not materially prejudice the Company's ability to pay its creditors and will have minimal financial effect on the Company;
- (c) the financial effect on cash reserves of the Share Buy-Back on the Company is expected to be minimal or nil as the purchase price is equivalent to the funds expected to be raised from the re-issue of securities the subject of Resolutions 4 and 5 and the purchase price is otherwise able to be funded from working capital. If Resolution 1 is passed and Resolutions 4 or 5 are not passed, the Company's working capital will be reduced by the amount of the purchase price for the Share Buy-Back. No franking credits will be used pursuant to the Share Buy-Back;
- (d) if Shareholder approval is not obtained, the Placement Shares would not be cancelled but would instead be sold and any profit from such sale donated to a registered charity;
- (e) the Company is also seeking Shareholder approval for the issue of the Director Shares and Director Options (which are equivalent in number to the Placement Shares and Placement Options and upon the same terms as originally issued except that the expiry date for the Director Options will be 12 April 2018);
- (f) the Company's shares are illiquid and (were the Share Buy-back not to proceed) a sale of the 25,000,000 Placement Shares by Mr Zhuang and Hua Rong Holding Pty Ltd could have a material adverse effect on the Share price, which is not in Shareholders' interests;

- (g) a corollary of this is that although the Share price is currently above the issue price for the replacement Director Shares of \$0.01, the relevant Director (Mr Zhuang) and Director associated entity (Hua Rong Holding Pty Ltd) may suffer a financial loss if they are required to dispose of their Shares in the circumstances. This would be punitive in circumstances where the Breach was inadvertent and the Shares were subscribed for at the prevailing market price when they were issued (and otherwise on terms consistent with all other shares issues as part of that placement); and
- (h) Shareholders will, in any event, have an opportunity to approve the issue of new securities (being the Director Shares and Director Options the subject of Resolutions 4 and 5) based on all relevant information, consistent with the purpose of Listing Rule 10.11.

However, the Share Buy-Back will have the consequence that the Company will be required to fund the purchase price for the Share Buy-Back. The purchase price is expected to be funded from the proceeds of the issue of securities under Resolutions 4 and 5. If Resolutions 4 and 5 are not approved, the Share Buy-Back will be funded from working capital. Shareholders may take the view that this consequence outweighs the advantages of the Share Buy-Back.

The Company does not consider that there are any other material disadvantages to the Company undertaking the Share Buy-Back.

### **Interests of Directors**

Mr Zhang and Mr Tsang have a material personal interest in the outcome of Resolution 1 as the owner of (or as an associate of the owner) of the Placement Shares proposed to be bought back.

Mr Zhang and Mr Tsang do not wish to make any recommendation about Resolution 1 because each has an interest in the outcome of the Resolution.

The Non-Associated Directors believe that the Share Buy-Back will not materially prejudice the Company's ability to pay its creditors because the purchase price for the Share Buy-Back is expected to be offset by the proceeds of the Share issue the subject of Resolutions 4 and 5 (if approved) and otherwise able to be funded from working capital. The Company is seeking to raise further capital to further bolster its working capital position and is seeking Shareholder approval to refresh its placement capacity under ASX Listing Rules 7.1 and 7.1A (see Resolution 2 and 3).

Accordingly, the Non-Associated Directors recommend that Shareholders vote in favour of Resolution 1 as he considers the proposed Share Buy-Back to be in the best interests of Shareholders.

### **Other Material Information**

There is no information material to the making of a decision by a Shareholder whether or not to approve Resolution 1, being information that is known to any of the Directors and which has not been previously disclosed to Shareholders, other than as disclosed in this Explanatory Statement. Additional information that may be relevant to a consideration of Resolution 1 is set out throughout this Explanatory Statement. Shareholders should therefore read the Explanatory Statement in its entirety before making a decision on how to vote on Resolution 1.

### **Information relating to Resolution 2 - Ratification of prior issue of equity securities – Share placement**

As detailed above, under the capital raising program completed on 21 September 2017, the Company issued 75,000,000 Shares and 75,000,000 unlisted options to various sophisticated and professional investors and Shareholders without prior Shareholder approval. A total of 56,509,902 Shares and 75,000,000 unlisted options were issued out of its 15% annual placement capacity under ASX Listing Rule 7.1 and 18,490,098 Shares were issued pursuant to the further 10% capacity available under Listing Rule 7.1A.

### **Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that where a company in a general meeting approves an issue of securities without approval under ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By approving this issue, the Company will retain the flexibility to issue equity securities in the future within its 15% annual placement capacity set out in ASX Listing Rule 7.1, thus enhancing its ability to take advantage of any capital raising opportunities in the near future.

In addition to the above, Listing rule 7.1A permits listed entities that:

- (a) meet the threshold eligibility criteria; and
- (b) have obtained the approval of their ordinary security holders by special resolution at the annual general meeting,

to issue an additional 10% of issued capital by way of placements over a 12 month period.

The Company is an "eligible entity" and has obtained Shareholder approval by special resolution to issue an additional 10% of issued capital by way of placements over a 12 month period at its annual general meeting.

Issues of securities made in reliance on Listing Rule 7.1A can be approved under Listing Rule 7.4. This has the effect of refreshing the entity's placement capacity under Listing Rule 7.1 and 7.1A to the extent that the previous issues are ratified.

#### **Technical information required by ASX Listing Rule 7.4**

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4 in relation to the placement completed on 21 September 2017:

- (a) a total of 56,509,902 Shares and 75,000,000 unlisted options were issued pursuant to ASX Listing Rule 7.1 and 18,490,098 Shares were issued pursuant to Listing Rule 7.1A;
- (b) the Shares were issued at a placement price of \$0.01 per Share. The unlisted options were issued for nil consideration;
- (c) the Shares issued rank equally with an existing class of securities on issue. The unlisted options are exercisable at \$0.012 per unlisted option and expire on 28 February 2018. Further terms and conditions of the unlisted options are set out in Schedule 1;
- (d) the Shares and unlisted options were issued to professional and sophisticated investors (including the Director Shareholders as further described in relation to Resolution 1), none of whom are related parties of the Company other than the Director Shareholders;
- (e) the funds raised from the placement are to be used for commencement of an exploration and drilling program at the Cape Bedford tenement, further advancement of the Cyclone Zircon Project DFS and working capital; and
- (f) a voting exclusion statement is included in the Notice.

### **Information relating to Resolution 3 - Ratification of prior issue of equity securities – further Share placement**

On 31 January 2018, the Company announced a further placement of 24.5 million Shares at \$0.02 per Share to raise \$490,000.

As noted above, ASX Listing Rule 7.4 provides that where a company in a general meeting approves an issue of securities made without approval under ASX Listing Rule 7.1 or Listing Rule 7.1A those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1 or 7.1A.

By approving the issue under this further placement (and subject to the approval of Resolution 2), the Company will retain the flexibility to issue equity securities in the future up to the full 15% annual placement capacity set out in ASX Listing Rule 7.1, and the further 10% capacity available under Listing Rule 7.1A, thus enhancing its ability to take advantage of any capital raising opportunities in the near future.

#### **Technical information required by ASX Listing Rule 7.4**

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4 in relation to the further placement announced on 31 January 2018:

- (a) a total of 7,961,537 Shares were issued pursuant to ASX Listing Rule 7.1 and 16,538,463 Shares were issued pursuant to Listing Rule 7.1A;
- (b) the Shares were issued at a placement price of \$0.02 per share;
- (c) the Shares issued rank equally with an existing class of securities on issue;
- (d) the Shares were issued to professional and sophisticated investors, none of whom are related parties of the Company;
- (e) the funds raised from the placement are to be used to further advance the Cyclone Zircon Project DFS and working capital; and
- (f) a voting exclusion statement is included in the Notice.

### **Resolutions 4 and 5 – Approval for the issue of Shares and Options to Director and Director associated entity**

Resolutions 4 and 5 seek shareholder approval for the issue of Shares (**Director Shares**) and grant of unlisted options (**Director Options**) to the Director Shareholders as follows:

<b>Name of Director</b>	<b>Number of Director Shares</b>	<b>Number of Director Options</b>
Yufeng Zhuang	20,000,000	20,000,000
Hua Rang Holding Pty Ltd	5,000,000	5,000,000

The issue price of the Director Shares is \$0.01 and the exercise price of the Director Options is \$0.012. This is equivalent to the issue price of the Placement Shares (proposed to be bought back under Resolution 1) and the exercise price of the Placement Options (previously cancelled) referred to earlier in this Notice.

#### **Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each Director Shareholder is a related party and the issue of the Director Shares and grant of Director Options to the Director Shareholders constitutes the giving of a financial benefit. Accordingly, Shareholder approval is being sought. Specifically, Mr Yufeng Zhuang is a Director and therefore a related party of the Company pursuant to section 228(2)(a) of the Corporations Act. Hua Rong Holding Pty Ltd is associated with, and may be considered to be acting in concert with, Director Andrew Tsang on the understanding that Mr Tsang will receive a financial benefit if the Company gives Hua Rong Holding Pty Ltd a benefit, and may therefore be a related party pursuant to section 228(7) of the Corporations Act. Hua Rong Holding Pty Ltd holds Shares in its capacity as trustee for the Hua Rong Holding Family Trust, one of the beneficiaries of which is Mr Andrew Tsang.

The Non-Associated Directors consider, including having regard to the facts that:

- (a) the Director Shares will be issued on the same terms and for the same issue price as those Shares placed by the Company under the capital raising program announced on 21 September 2017;
- (b) the Director Options will be issued on the same terms and conditions as the unlisted options placed by the Company under the capital raising program announced on 21 September 2017 except that (given the lapse of time) the expiry date will be 12 April 2018; and
- (c) the Company's recent capital raising activities,

that the 'arm's length terms' exception in section 210 of the Corporations Act applies to the issue under Resolutions 4 and 5 and Shareholder approval under section 208 of the Corporations Act is therefore not required. However, for the avoidance of doubt, and given the need for the Company to seek Shareholder approval under the Listing Rules and in respect of the Share Buy-Back, the Company is seeking Shareholder approval under section 208(1) of the Corporations Act out of an abundance of caution.

In accordance with the requirements of Chapter 2E, and in particular with section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to Shareholders to allow them to assess the proposed issue of Director Shares and grant of Director Options to the Director Shareholders:

- (a) Yufeng Zhuang, Hua Rong Holding Pty Ltd and Andrew Tsang, being Directors of the Company and an entity associated with a Director, are (for the reasons set out above) the related parties to whom proposed Resolutions 4 and 5 would permit the financial benefits to be given;
- (b) the nature of the financial benefit to be given to Mr Zhuang is the issue of 20,000,000 Director Shares at an issue price of \$0.01 per share and 20,000,000 Director Options, exercisable at \$0.012 per Director Option expiring on 12 April 2018, for nil consideration. These Director Shares represent the same number of Shares as the Placement Shares issued to Mr Zhuang (which are proposed to be bought back pursuant to Resolution 1) and will be issued on the same terms and for the same issue price as those Shares placed by the Company under the capital raising program announced on 21 September 2017 to unrelated investors. The Director Options represent the same number and will be issued on the same terms and conditions as the unlisted options issued on 21 September 2017 to unrelated investors except that the expiry date of the options will be 12 April 2018. An expiry date of 12 April 2018 was chosen as the exercise price of the Director Options is now less than the market price of Shares (as at the date of this Notice) and a short exercise period is therefore considered appropriate. The reasons that the Company is proposing to issue Director Shares and Director Options on the same terms as the Placement Shares and Placement Options (other than the expiry date of the options) are further described in paragraph (v) below;
- (c) the nature of the financial benefit to be given to Andrew Tsang and Hua Rong Holdings Pty Ltd (collectively) is the issue of 5,000,000 Director Shares at an issue price of \$0.01 per share and 5,000,000 Director Options, exercisable at \$0.012 per Director Option expiring on 12 April 2018, for nil consideration. The Director Shares represent the same number of Shares as the Placement Shares issued to Hua Rong Holdings Pty Ltd (which are proposed to be bought back pursuant to Resolution 1) and will be issued on

the same terms and for the same issue price as those Shares placed by the Company under the capital raising program announced on 21 September to unrelated investors. The Director Options represent the same number of unlisted options as the Placement Options and will be issued on the same terms and conditions as the unlisted options issued on 21 September 2017 to unrelated investors except that the expiry date of the options will be 12 April 2018. An expiry date of 12 April 2018 was chosen as the exercise price of the Director Options is now less than the market price of Shares (as at the date of this Notice) and a short exercise period is therefore considered appropriate. The reasons that the Company is proposing to issue Director Shares and Director Options on the same terms as the Placement Shares and Placement Options (other than the expiry date of the options) are further described in paragraph (v) below;

- (d) it is proposed that the Director Shares and Director Options will be issued as soon as practicable, but in any event, no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (e) the Director Shares will be fully paid ordinary shares in the Company ranking equally in all respects with the Company's existing Shares on issue. Further terms and conditions of the Director Options are set out in Schedule 1;
- (f) the Company will receive \$250,000 from the issue of the Director Shares. The issue price is equivalent to, and expected to be set off against, the purchase price payable by the Company for the Share Buy-Back the subject of Resolution 1;
- (g) if all the Director Options proposed to be granted are validly exercised, the Company will receive \$300,000 in fresh equity capital. The funds raised from time to time due to the issue of Shares upon the exercise of Options will be used for working capital purposes, as the Board thinks fit;
- (h) as at the date of this Notice, the capital structure of the Company is as follows:

Capital	Number
Fully paid ordinary shares	1,049,309,591
Unlisted options exercisable at 1.2 cents expiring 28 February 2018	5,000,000
Unlisted options exercisable at 10 cents expiring 30 April 2019	8,000,000

- (i) If Shareholders approve all Resolutions contained in this Notice and all Options are granted and all Shares are issued as contemplated by this Notice (but no options are exercised), the issued capital of the Company would be as follows (as at the date of this Notice):

Capital	Number
Fully paid ordinary shares	1,049,309,591
Unlisted options exercisable at 1.2 cents expiring 28 February 2018	5,000,000
Unlisted options exercisable at 1.2 cents expiring 12 April 2018	25,000,000
Unlisted options exercisable at 10 cents expiring 30 April 2019	8,000,000

- (j) if Shareholders approve the issue of 20,000,000 Shares and 20,000,000 unlisted options to Mr Zhuang under Resolution 4 (and do not approve Resolution 5), the effect will be to dilute the shareholding of

existing members by approximately 1.05%, based on the existing number of Shares as at the date of this Notice (and assuming all Options are exercised). This assumes Resolution 1 (which Resolution 4 is conditional on) is also passed;

- (k) if Shareholders approve the issue of 5,000,000 Shares and 5,000,000 unlisted options to Hua Rong Holding Pty Ltd, the Director associated entity under Resolution 5 (and do not approve Resolution 4), the effect will be to increase the shareholding of existing members by approximately 1.56% based on the existing number of Shares as at the date of this Notice (and assuming all Options are exercised). This assumes Resolution 1 (which Resolution 5 is conditional on) is also passed.
- (l) as at the date of this Notice, the Director Shareholders (or their associates) hold the following securities in the Company representing the following percentage of the issued capital of the Company on a fully diluted basis:

<b>Director</b>	<b>Number of Shares held directly</b>	<b>Number of Shares held indirectly</b>	<b>Number of unlisted options held directly</b>	<b>Number of unlisted options held indirectly</b>	<b>Percentage of issued capital</b>
Yufeng Zhuang	140,983,890	-	-	-	13.27%
Andrew Tsang	38,895,600	5,000,000 (Hua Rong Holding Pty Ltd), 14,862,763 (Xiang Rong (Australia) Construction Group Pty Ltd <Xiang Rong Management A/C>, 4,600,000 (Chunxiang Zeng) 53,177,747 (Lai You)	1,000,000		11.06%

- (m) if Shareholders approve all Resolutions contained in this Notice, the Share Buy-Back Completes and all Director Shares are issued and Director Options are granted as contemplated by this Notice, the Director Shareholders (or their associates) will hold the following securities in the Company, representing the following percentages of the issued capital of the Company on a fully diluted basis and the following percentages assuming none of the unlisted options are exercised and assuming no change in the number of Shares between the date of this Notice and Completion:

Director	Number of Shares held directly	Number of Shares held indirectly	Number of unlisted options held directly	Number of unlisted options held indirectly	Percentage of issued capital (fully diluted)	Percentage of issued capital (assuming no options exercised)
Yufeng Zhuang	140,983,890	-	20,000,000	-	14.81%	13.44%
Andrew Tsang	38,895,600	5,000,000 (Hua Rong Holding Pty Ltd), 14,862,763 (Xiang Rong (Australia) Construction Group Pty Ltd <Xiang Rong Management A/C>, 4,600,000 (Chunxiang Zeng) 53,177,747 (Lai You)	6,000,000		11.27%	11.11%

- (n) the market price for the underlying Shares during the term of the Director Options would normally determine whether or not Mr Zhuang and Hua Rong Holding Pty Ltd would exercise the Director Options. If, at the time any of the Director Options are exercised, the price of the underlying Shares is higher than the exercise price of the Director Options, there may be a perceived cost to the Company. As at the date of this Notice, the last trading price of Shares is above the exercise price (see paragraph (o) below);
- (o) during the last 12 months before the date of lodgement of this Notice with ASIC, the highest trading price of the Shares was \$0.030 on 11 January 2018 and the lowest trading price of the Shares was \$0.007 on 23 June 2017. The market price of the Company's Shares over the 5 days of trading on ASX up to and including 27 February 2018 (the last trading day before this Notice of Meeting was lodged with the ASIC) has been between a minimum of \$0.019 per Share to a maximum of \$0.020 per Share. On 27 February 2018, the last trading day before this Notice of Meeting was lodged with the ASIC, the Shares closed at a price of \$0.020 per Share;
- (p) Mr Zhuang has a material personal interest in the outcome of Resolution 4 and Mr Tsang has a material personal interest in the outcome of Resolution 5 as the recipients (or an associate of the recipient) of the Director Shares proposed to be issued and the Director Options proposed to be granted;
- (q) Mr Yunfen Zhuang and Mr Andrew Tsang do not wish to make a recommendation to Shareholders about Resolutions 4 or 5 because each has an interest in the outcome of those Resolutions. The Non-Associated Directors recommend that Shareholders vote in favour of the Resolution as he considers the proposed issue of Director Shares and Director Options to be in the best interests of Shareholders and the Company. The primary purpose of the issue of the Director Shares and grant of the Director Options to the Director Shareholders is to issue securities on terms similar to those cancelled in order to cure the Breach, to put the Company in as near a position to that it would have been in but for the Breach, and to avoid a sale of the Placement Shares by the Director Shareholders. The opportunity cost to, and benefit foregone by, the Company issuing the Director Shares and Director Options is the potentially dilutionary impact on the issued Share capital of the Company (noting that such dilution would have arisen (but for the Breach) as a result of the Placement Shares and Placement Options in any event). To the extent that the dilutionary impact caused by the issue of the Director Shares and Director Options will be detrimental to the Company,



this is considered to be more than offset by the advantages accruing from the Company issuing securities on the terms and conditions proposed; and

(r) a valuation of the Director Options proposed to be issued to Mr Zhuang and Hua Rong Holding Pty Ltd has been calculated by FSA Partners using the Cox, Ross & Rubinstein Binomial Tree option pricing model in accordance with AASB 2 Share Based Payments and based upon the following assumptions:

- exercise price of \$0.012;
- current price of the underlying Shares at the time of issue of \$0.025 (based on the closing Share price of \$0.025 as at 13 February 2018 being the date FSA Partners prepared the valuation);
- expected life of the option of 7 days (based on a grant date of 5 April 2018 and expiry date of 12 April 2018);
- expected volatility of 37.4% (7 days) (based on the historical volatility of the Share price over the same period as the expected life of the Director Options, the long-term average level of volatility, the length of time the Shares have been traded and the appropriate interval for price observations);
- expected dividend yield of 0% (based on the fact the Company has not declared dividends in the past and does not expect to declare dividends in the future); and
- risk free interest rate of 2.24% (based on implied yield currently available on zero-coupon government issues denominated in Australian dollars. The interest rates were taken from historical data available from [http://au.milliman.com/G100\\_Discount\\_Rates/](http://au.milliman.com/G100_Discount_Rates/) ).

FSA Partners has calculated an estimated fair value of the Director Options of 1.3 cents. The reason for FSA using a binomial valuation rather than a Black-Scholes-Merton value is due to the condition that exists where the options can vest anytime on or before the expiry date rendering it inapplicable

The table below summarises the values attributed to the Director Options:

<b>Allottee</b>	<b>Estimated fair value per option (cents)</b>	<b>Number of options issued to Allottee</b>	<b>Total estimated fair value (\$)</b>
Yufeng Zhuang	1.3	20,000,000	\$260,000
Hua Rong Holding Pty Ltd	1.3	5,000,000	\$65,000
<b>Total</b>		<b>25,000,000</b>	<b>\$325,000</b>

- (s) no stamp duty will be payable in respect of the grant of the Director Shares and Director Options. No GST will be payable by the Company in respect of the grant of the Director Options;
- (t) additional information that may be relevant to a consideration of Resolutions 4 and 5 is set out throughout this Explanatory Statement. Shareholders should therefore read the Explanatory Statement in its entirety before making a decision on how to vote on Resolutions 4 and 5;
- (u) the Company will incur no liabilities or costs in respect of the proposed issue of the Director Shares and Director Options to the Director Shareholders other than the fees payable to ASX for quotation of the shares and costs and expenses in connection with this Notice and the Meeting. At the rates applying at the date of this notice, these fees would be approximately \$7,000. The costs and expenses are expected to be incurred whether or not Resolutions 4 and 5 are approved;
- (v) the Non-Associated Directors have considered, in particular, the proposed issue price and consider that it is appropriate for the Director Shares and Director Options to be issued on the same terms as the Placement Shares and Placement Options (other than the expiry date of the options) notwithstanding that the Company's share price has increased since the date of the original capital raising because:
- the Director Shareholders paid for the Placement Shares at the time of the capital raising in good faith along with (and on the same terms as) other sophisticated investors and their investment

contributed to the Company being able to successfully raise the amount it sought in circumstances where it was not otherwise able to access these funds;

- the capital raising was undertaken at an issue price reflective of market value at that particular point in time;
- the funds have already been provided to the Company, and the Company has had the use of them over this period;
- the Director Shareholders have been consistent contributors of capital;
- the Non-Associated Directors are satisfied that while the current share price is higher than the proposed issue price, this is not necessarily reflective of the average share price over the period since the capital raising (which has until January 2018 fluctuated in a range between \$0.01 and \$0.02 and has recently fallen back within this range) and does not necessarily mean capital is now available on better terms; and
- Resolutions 4 and 5 (in conjunction with Resolution 1) seek in effect to re-instate a historic transaction without disadvantaging any participants based on circumstances relevant to that particular point in time; and

(w) neither the Directors nor the Company are aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 4 and 5, other than as stated in this Explanatory Statement.

#### **ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that, subject to specified exceptions, a listed company must not issue shares to a related party without shareholder approval.

Under Resolution 4, the Company seeks Shareholder approval under ASX Listing Rule 10.11 to issue 20,000,000 Director Shares at an issue price of \$0.01 per Share, and 20,000,000 Director Options, with exercise price of \$0.012 and expiry date of 12 April 2018, to Director Mr Yufeng Zhuang.

Mr Zhuang, a Director of the Company since 2013, is an existing Shareholder of the Company and subject to the passing of Resolution 1 (upon which Resolution 4 is conditional) will hold 120,983,890 Shares in the Company. If Resolution 4 is approved, Mr Zhuang will hold 140,983,890 Shares, representing 13.44% of the Company's issued Share capital (assuming Resolution 5 is also approved).

Under Resolution 5, the Company seeks Shareholder approval under ASX Listing Rule 10.11 to issue 5,000,000 Director Shares at an issue price of \$0.01 per Share, and 5,000,000 Director Options, with exercise price of \$0.012 and expiry date of 12 April 2018, to Hua Rong Holding Pty Ltd, an entity associated with Director Mr Andrew Tsang.

Mr Tsang was appointed a non-executive Director of the Company on 23 January 2009. He has supported the Company over the years, both through his services as a Director and in his strong support financially through a number of fund raising exercises. His investment in the Company is deemed long term and he has exhibited his intention to support the Company over time by maintaining his level of shareholding and, subject to Australian law, increasing that shareholding when circumstances permit.

Subject to the passing of Resolution 1, Mr Tsang will (together with his associates) hold 111,536,110 Shares in the Company representing 10.89% of the issued Share capital of the Company. If Resolution 5 is approved, Mr Tsang (together with his associates) will hold 116,536,110 Shares, representing 11.11% of the Company's issued Share capital (assuming resolution 4 is also approved).

If approval is given by Shareholders under ASX Listing Rule 10.11, then approval is not required under ASX Listing Rule 7.1. This means that neither the Director Shares nor the Director Options issued to Mr Yufeng Zhuang and Hua Rong Holding Pty Ltd will be included in calculating the 15% threshold for the purposes of ASX Listing Rule 7.1 (or the additional 10% threshold for Listing Rule 7.1A).

### **Technical Information required by Listing Rule 10.13**

Listing Rule 10.13 requires that the following information is provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11:

- (a) the maximum number of securities to be issued to Mr Zhuang is under Resolution 4 is 20,000,000 Shares and 20,000,000 unlisted options and the maximum number of securities to be issued to Hua Rong Holding Pty Ltd under Resolution 5 is 5,000,000 Shares and 5,000,000 unlisted options;
- (b) the Company will issue the securities no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules), and it is intended that all of the securities will be issued on the same date, being the date of Completion;
- (c) the Director Shares will be issued at an issue price of \$0.01 per Director Share and the Director Options will be issued for nil consideration;
- (d) the Director Shares will be fully paid ordinary shares in the Company ranking equally in all respects with the Company's existing Shares on issue. The Director Options will be issued on the same terms and conditions as the unlisted options issued on 21 September 2017 except that the expiry date of the Director Options will be 12 April 2018. Further terms and conditions of the options are set out in Schedule 1;
- (e) the funds raised from the issue of the Director Shares will be equivalent to and are expected to be set off against the purchase price paid by the Company for the Placement Shares bought back (as contemplated by Resolution 1). Accordingly, no net funds are expected to be raised from the issue. The Director Options will be issued for nil consideration. Accordingly, no funds will be raised from the grant of the Director Options;
- (f) if all the Director Options proposed to be granted to the Director Shareholders are validly exercised, the Company will receive \$300,000 in fresh equity capital. The funds raised from time to time due to the issue of Shares upon exercise of the Director Options will be used for working capital purposes, as the Board thinks fit; and
- (g) a voting exclusion statement is included in the Notice.

## Glossary

**\$** means Australian dollars unless otherwise specified.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

**ASX Listing Rules** means the official Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Breach** means the issues of the Placement Shares and Placement Options without prior Shareholder approval, resulting in an inadvertent breach of ASX Listing Rule 10.11, as further described in the Explanatory Statement.

**Chairman** means the chair of the Meeting.

**Company** means Diatreme Resources Limited (ABN 33 061 267 061).

**Completion** means completion of the Share Buy-Back Agreements.

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Director Options** means the unlisted options proposed to be issued to the Director Shareholders upon the approval of Resolutions 4 and 5.

**Director Shares** means the Shares proposed to be issued to the Director Shareholders upon the approval of Resolutions 4 and 5.

**Director Shareholders** means Mr Yufeng Zhuang and Hua Rong Holding Pty Ltd.

**Explanatory Statement** means the explanatory statement accompanying and forming part of the Notice of Meeting.

**Hua Rong Holding Pty Ltd** means Hua Rong Holding Pty Ltd in its capacity as trustee for the Hua Rong Holding Family Trust.

**Key Management Personnel** has the same meaning as in the Corporations Act.

**Meeting or General Meeting** means the general meeting of the Company convened by this Notice.

**Non-Associated Directors** means Mr Cheng Wang and Mr Gregory Starr, being Directors who are not a Director Shareholder or associate of a Director Shareholder.

**Notice or Notice of Meeting** means this document, including the notice of general meeting, the Explanatory Statement and the Proxy Form.

**Placement Options** means the unlisted options issued to the Director Shareholders pursuant to a capital raising program announced by the Company on 21 September 2017, as further described in the Explanatory Statement.

**Placement Shares** means the Shares issued to the Director Shareholders pursuant to a capital raising program announced by the Company on 21 September 2017, as further described in the Explanatory Statement.

**Proxy Form** means the proxy form accompanying, and forming part of, the Notice.

**Resolution** means a resolution set out in the Notice of Meeting.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Buy-Back** means the buy-back of the Placement Shares held by the Director Shareholders.

**Share Buy-Back Agreements** means the share buy-back agreements between the Company and the Director Shareholders, to buy-back the Placement Shares.

**Shareholder** means a holder of Shares.

## Schedule 1 – Terms and Conditions of Unlisted Options

### (1.2 CENTS UNLISTED OPTIONS EXPIRING 28 FEBRUARY 2018 AND DIRECTOR OPTIONS)

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The terms and conditions of the unlisted options are set out below.

(a) **Entitlement**

Each unlisted option entitles the holder to subscribe for one Share upon exercise of the unlisted option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each unlisted option will be 1.2 cents (**Exercise Price**).

(c) **Expiry Date**

Each unlisted option will expire at 5:00 pm (Brisbane time) on 28 February 2018 or 12 April 2018 (as applicable) (**Expiry Date**). An unlisted option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The unlisted options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

An unlisted option holder may exercise their unlisted options by lodging with the Company, before the Expiry Date:

- (i) a written notice of exercise of unlisted options specifying the number of unlisted options being exercised; and
- (ii) a cheque or electronic funds transfer for the exercise price for the number of unlisted options being exercised.

(f) **Number of unlisted options on Notice of Exercise**

The unlisted options held by each unlisted option holder may be exercised in whole or in part, and if exercised in part, multiples of 50,000 options must be exercised on each occasion.

(g) **Exercise Date**

A Notice of Exercise is only effective on and from the later of:

- (i) the date of receipt of the Notice of Exercise and,
- (ii) the date of receipt of the payment of the Exercise Price for each unlisted option being exercised in cleared funds (**Exercise Date**).

(h) **Shares issued on exercise**

All ordinary fully paid shares issued upon exercise of unlisted options will rank pari passu in any respects with the Company's then issued ordinary fully paid shares.

(i) **Participation in new issues**

There are no participating rights and entitlements inherent in the unlisted options and unlisted option-holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the unlisted options without exercising their unlisted options. However, the Company will ensure that unlisted option-holders will be allowed 7 business days' notice to convert their unlisted options to Shares to participate in an entitlement issue on the same basis as Shareholders.

**(j) Reconstruction of capital**

In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of unlisted options or the exercise price of the unlisted options or both shall be reconstructed in accordance with the ASX Listing Rules.

**(k) Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an unlisted option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the unlisted option.

E = the number of underlying Shares into which one unlisted option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

**(l) Transferability**

The unlisted options are not transferable and application will not be made to ASX for official quotation of the unlisted options.



# Diatreme Resources Limited

ABN 33 061 267 061

## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



### 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

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



### ALL ENQUIRIES TO

Telephone: 1300 554 474

Overseas: +61 1300 554 474



X99999999999

## PROXY FORM

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

### 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 you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am on Thursday, 5 April 2018 at the offices of the Company, Unit 8, 61 Holdsworth Street, Coorparoo, Brisbane** (the Meeting) and at any postponement or adjournment of the Meeting.

If the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the Chairman to exercise the proxy on Resolutions 1, 2, 3, 4 and 5 even if they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the Chairman.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

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

#### Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Approval of selective buy-back of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval for the issue of Shares and options to an entity associated with Director, Mr Andrew Tsang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Ratification of prior issue of equity securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Ratification of prior issue of equity securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval for the issue of Shares and options to Director, Mr Yufeng Zhuang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



\* 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.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

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).

STEP 3

DRX PRX1801A





## HOW TO COMPLETE THIS SHAREHOLDER 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 PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### 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.

To appoint a second proxy you must:

- 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; and
- 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 or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### 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 **11:00am on Tuesday, 3 April 2018**, 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](http://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

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**