



# **Diatreme Resources Limited**

ABN 33 061 267 061

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## **NOTICE OF ANNUAL GENERAL MEETING**

### **EXPLANATORY MEMORANDUM**

### **PROXY FORM**

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Date of Meeting: Wednesday 30 May 2018

Time of Meeting: 2.00 pm (Brisbane time)

Place of Meeting: Unit 8  
61 Holdsworth Street  
Coorparoo QLD 4151

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is given that the Annual General Meeting of Shareholders of Diatreme Resources Limited (**Company**) will be held at **2.00 pm (Brisbane time) on Wednesday 30 May 2018** at the office of the Company, Unit 8, 61 Holdsworth Street, Coorparoo, Queensland.

### **AGENDA**

#### ORDINARY BUSINESS

- a) Financial Statements and Reports
- b) Resolution 1: Remuneration Report
- c) Resolution 2: Re-election of Mr. Yufeng Zhuang
- d) Resolution 3: Re-election of Mr. Cheng Wang
- e) Resolution 4: Confirmation of election of Mr. Gregory Starr
- f) Resolution 5: Appointment of Auditor
- g) Resolution 6: Adoption of Performance Rights Plan

#### SPECIAL RESOLUTION

- h) Resolution 7: Approval to issue 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A

## ORDINARY BUSINESS

### Financial Statements and Reports

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To receive and consider the Financial Statements and the Reports of the Directors and the Auditor in respect of the year ended 31 December 2017 (**Reports**).

Neither the Corporations Act nor the Company's Constitution requires Shareholders to vote on such reports. However Shareholders will be given ample opportunity to raise questions about the Reports at the meeting.

#### Resolution 1: Adoption of Remuneration Report

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

*"That for the purpose of section 250R (2) of the Corporations Act 2001 (Cth), the Company be authorised to adopt the Remuneration Report for the year ended 31 December 2017".*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

#### Voting Prohibition Statement:

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

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

#### Resolution 2: Re-Election of Director – Mr. Yufeng Zhuang

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

*"That Mr. Yufeng Zhuang, 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. Cheng Wang

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

*"That Mr. Cheng Wang, 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 4: Ratification of appointment of Director – Mr. Gregory Starr**

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

*“That, in accordance with the Company’s Constitution and for all other purposes, Mr. Gregory Barry Starr, who having been appointed on 12 October 2017 under section 19.4 of the Company’s constitution retires and, being eligible, offers himself for re-election, is re-elected as a Director of the Company”.*”

**Resolution 5: Appointment of Auditor**

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

*“That, William Buck (QLD), having been nominated by a shareholder and being qualified to act as auditor of the Company and having consented to act as auditor of the Company, be appointed Auditor of the Company.”*

**Resolution 6: Adoption of Performance Rights Plan**

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

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Performance Rights Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:**

In accordance with the requirements of Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by any Director except one who is ineligible to participate in any performance rights plan in relation to the Company, and any associates of those Directors. 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## **SPECIAL RESOLUTION**

### **Resolution 7: Approval of 10% placement facility**

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To consider and if thought fit, pass the following as a Special Resolution:

*“That for the purposes of Listing Rule 7.1A and for all other purposes, shareholders approve the issue of Equity Securities up to 10% 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 and on the terms and conditions set out in the Explanatory Memorandum.”*

#### **Voting Exclusion:**

In accordance with the requirements of Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 7 by or on behalf of

- (a) a person who may participate in any proposed issue associated with this Resolution 7 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, and
- (b) any associate of that person

However, the Company need not disregard a vote if the vote

- (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, on this Resolution, and the proxy form expressly authorises the Chairman to exercise the undirected proxy as the Chairman decides

As at the date of this Notice of AGM, the Company has not invited any existing Shareholder to participate in an issue of equity securities under Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

## **Voting entitlements**

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that for the purpose of voting at the Meeting, Shareholders eligible to vote at the Meeting are those persons who are the registered holders of Shares at 7.00pm (Sydney time) on Monday 28 May 2018.

If you are not the registered holder of a relevant share at that time, you will not be entitled to vote at the Meeting.

## **Corporate Representatives**

In order to vote at the Annual General Meeting (other than by proxy or under power of attorney), a corporation that is a shareholder must appoint a person to act as its representative. The appointment must comply with section 253B of the Corporations Act. The representative must bring to the Annual General Meeting evidence of his or her appointment, including any authority under which it was signed.

## **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 above.

## **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 7, are ordinary resolutions. Resolution 7 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 this 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 form of proxy 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).

Pursuant to section 250BC of the Corporations Act, if:

- an appointment of a proxy specifies the way the proxy is to vote on a resolution at the Annual General Meeting;
- the appointed proxy is not the Chairman of the Annual General Meeting;
- at the Annual General Meeting, a poll is duly demanded on the resolution; and
- either the proxy is not recorded as attending the Annual General Meeting or the proxy does not vote on the resolution,


the Chairman of the Annual General Meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the Annual General Meeting.

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 1 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on any of Resolutions 1 to 7 by marking the appropriate box on the Proxy Form.

### **Voting Intention of the Chair for all Resolutions**

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair 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 27 April 2018

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is provided to Shareholders of Diatreme Resources Limited (Company) to explain the Resolutions to be put to Shareholders at the Annual General Meeting to be held at 2:00 pm on Wednesday 30 May 2018 at Unit 8, 61 Holdsworth Street, QLD 4151.

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

### **Financial Statements and Reports**

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In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the Financial Statements together with the declaration of the directors, the directors' report, the Remuneration Report and the auditors' report.

The Company will not provide a hard copy of the Company's Annual Report to Shareholders unless specifically requested to do so. The Company's Annual Report can be found on its website at [www.diatreme.com.au](http://www.diatreme.com.au).

### **Resolution 1: Remuneration Report**

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Section 300A of the Corporations Act requires the Directors' Report to include a separately identified Remuneration Report. Listed entities are further required to submit the Remuneration Report for adoption by way of a non-binding advisory resolution at the Company's Annual General Meeting (AGM), in accordance with Section 250R(2) of the Corporations Act.

The Remuneration Report is set out in the Directors' Report section of the Annual Report for the year ended 31 December 2017.

#### *"Two Strikes"*

*The Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2001 (Cth)* which came into effect on 1 July 2011, amended the Corporations Act to provide that Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (Strike) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution (Spill Resolution) on whether another meeting should be held (within 90 Days) (Spill Meeting), at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report, must cease to hold office immediately before the end of the Spill Meeting and must stand for re-election, unless the Company put to Shareholders a Spill Resolution at the first annual general meeting.

The Company did not receive a Strike at its 2017 Annual General Meeting and as a result, if the Remuneration Report receives a Strike at this Meeting, the Company will not be required to put a Spill Resolution. However, if the Remuneration Report receives a Strike at this Meeting and a second Strike at the 2019 Annual General Meeting, the Company is then required to put a Spill Resolution.

### **Proxies**

Resolution 1 is an ordinary resolution.

The Corporations Act places certain restrictions on the ability of "Key Management Personnel" (including the Chairman of the Meeting) and their "Closely Related Parties" to vote on Resolution 1 and places restrictions on "Key Management Personnel" and their "Closely Related Parties" where they are voting as proxy for another shareholder on resolutions connected with the remuneration of Key Management Personnel.



To ensure that your vote is counted on Resolution 1, you are encouraged to direct your proxy how to vote on that item by indicating your preference by completing the “For”, “Against” or “Abstain” boxes on the Proxy Form. If you provide an undirected proxy in relation to Resolution 1 to a director (other than the Chairman of the Meeting) or other Key Management Personnel or their Closely Related Parties, such a proxy will not vote on Resolution 1. To allow such a proxy to vote on Resolution 1, you must direct the proxy how to vote by completing the “For”, “Against” or “Abstain” boxes on the Proxy Form.

If you appoint the Chairman of the Meeting as your proxy in relation to Resolution 1, but do not complete the “For”, “Against” or “Abstain” boxes on the Proxy Form for Resolution 1, the Chairman will exercise your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel. The Chairman intends to vote all available proxies in favour of Resolution 1. If you wish to appoint the Chairman as proxy with a direction to vote against, or to abstain from voting on, Resolution 1 you must specify this by completing the “Against” or “Abstain” box on the Proxy Form.

***Recommendation: 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.***

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**Resolution 2: Re-Election of Mr. Yufeng Zhuang as a Director**

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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. Zhuang was appointed as a director of the Company on 1 August 2013 and in accordance with the Constitution of the Company, Mr. Zhuang will retire at the Annual General Meeting and being eligible, offers himself for election.

Details of Mr. Zhuang's experience and qualifications are set out in the section “Directors' Report” within the Annual Report.

***Recommendation: The Directors recommend that the resolution be passed.***

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**Resolution 3: Re-Election of Mr. Cheng Wang as a Director**

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Mr. Wang has been a director of the Company since May 2011. He retires by rotation in accordance with the Constitution of the Company, but being eligible, offers himself for re-election.

Details of Mr. Wang's experience and qualifications are set out in the section “Directors' Report” within the Annual Report.

***Recommendation: The Directors recommend that the resolution be passed.***

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**Resolution 4: Ratification of appointment of Director – Mr. Gregory Starr**

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Under clause 19.4 of the Constitution, the Directors at any time may appoint a director to the board of the Company as a casual vacancy until the next annual general meeting where that director is then eligible for re-election.

Accordingly, Mr. Gregory Starr having been appointed on 12 October 2017 and without prior shareholder approval retires at the Annual General Meeting and, being eligible, he offers himself for re-election as a Director.

Details of Mr. Starr's experience and qualifications are set out in the section “Directors' Report” within the Annual Report.

***Recommendation: The Directors, other than Mr. Starr, recommend that the resolution be passed.***

## **Resolution 5: Appointment of Auditor**

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The Board appointed William Buck (QLD) (“**William Buck**”) as the Company’s new Auditor with effect on 10 August 2017. This appointment followed the resignation of BDO Audit Pty Ltd (“**BDO**”) as the Company’s Auditor and ASIC’s consent to BDO’s resignation, in accordance with the Corporations Act.

Following a review of the size of the Company’s operations and discussions with BDO, the Company made a commercial decision that it would be more appropriately serviced by a firm which would align with the Company’s size and scale. The Company underwent a competitive tender process and the Board of Directors subsequently resolved to appoint William Buck as auditor of Diatreme Resources Limited.

In accordance with the Corporations Act:

- William Buck holds office as Auditor until this AGM of the Company and is standing for re-appointment as Auditor pursuant to Resolution 5; and
- the Company has sought and obtained a nomination from a shareholder for William Buck to be appointed as the Company’s Auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure A.

William Buck have given their written consent to act as the Company’s Auditor subject to shareholder approval of this Resolution 5.

***Recommendation: The Board supports the re-appointment and continuation of William Buck as the Company’s Auditor and recommends that the resolution be passed.***

## **Resolution 6: Adoption of Performance Rights Plan**

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Resolution 6 seeks Shareholders approval for the adoption of the employee incentive scheme titled Performance Rights Plan (“**Plan**”) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

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 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 6 is passed, the Company will be able to issue Performance Rights under the Plan to eligible participants over a period of 3 years without impacting on the Company’s ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Performance Rights have previously been issued under the Plan.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Performance Rights under the Plan will provide selected employees, and consultants with the opportunity to participate in the future growth of the Company.

A summary of the key terms and conditions of the Plan is set out in Annexure B. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. Shareholders are invited to contact the Company if they have any queries or concerns.

## **Resolution 7: Approval of 10% placement facility**

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### **Introduction and purpose of resolution**

Under Resolution 7 the Company is seeking shareholder approval to create an ability to issue up to 10% of the issued share capital of the Company under ASX Listing Rule 7.1A during the 12-month period following this Meeting (**10% Placement Facility**), without subsequent Shareholder approval and without using the Company’s 15% placement capacity under Listing Rule 7.1.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

***The Board recommends that Shareholders vote in favour of Resolution 7.***

### **Eligibility criteria**

Under Listing Rule 7.1A an “eligible entity” may, subject to shareholder approval by way of Special Resolution, issue Equity Securities comprising up to 10% of its issued share capital in addition to the normal 15% new issue 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. The Company is an “eligible entity”.

### **Placement capacity under Listing Rule 7.1 and 7.1A**

The 10% Placement is for a period of 12 months from the date of the AGM and is in addition to a listed entity’s usual 15% placement capacity under Listing Rule 7.1.

As at the date of finalisation of this Notice of Meeting, the Company has 1,054,732,679 Shares on issue and therefore, in addition to any other Equity Securities which it can issue under the permitted exceptions to Listing Rules 7.1 and 7.1A, it has the capacity to issue:

- 131,509,902 Equity Securities under Listing Rule 7.1; and
- subject to shareholder approval being obtained under Resolution 7, 87,673,268 Equity Securities under Listing Rule 7.1A.

The actual number of Shares that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula in Listing Rule 7.1A.2

### **Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities that have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the ‘placement period’ (see section 3.6 below), a number of Equity Securities calculated in accordance with the following formula:

**(A x D) – E**

Where:

**A** is the number of ordinary securities on issue 12 months before the date of issue or agreement to issue:

- plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rules 7.1 or 7.4 (but note that this does not include an issue of fully paid ordinary securities under the entity’s 15% placement capacity without Shareholder approval); and
- less the number of fully paid ordinary securities cancelled in the 12 months

**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 Rules 7.1 or 7.4.

### **Minimum issue price**

In accordance with Listing Rule 7.1A, Equity Securities issued by the Company under a 10% Placement Facility can only be issued at a price that is not less than 75% of the VWAP (volume weighted average price) of the Shares calculated over the 15 trading days on which trades in its Shares were recorded immediately before:

- the date on which the issue price of the Equity Securities is agreed; or
- the issue date (if the Equity Securities are not issued within five trading days of the date on which the issue price is agreed).

### **Placement period**

Shareholder approval under Listing Rule 7.1A is valid from the date of this AGM until the earlier to occur of:

- 12 months after the date of the AGM; and
- the date of approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking), or such longer period if allowed by ASX.

### **Dilution to existing shareholdings**

If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, there is a risk of economic and voting dilution to existing Shareholders as a result.

There is a risk that:

- a) 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 Meeting; and
- b) 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 influence the amount of funds raised by the issue of the Equity Securities.

As required by Listing Rule 7.3A.2, the table below shows a number of hypothetical scenarios for a 10% Placement where variable "A" in the formula in Listing Rule 7.1A.2 (representing the Company's share capital) has increased by either 50% or 100%, and the share price has decreased by 50% or increased by 100% from the approximate share price as at the date of finalisation of this Notice of Meeting.

Variable "A" In Listing Rule 7.1A.2		10% Voting Dilution		
		\$0.010 50% decrease in Market Price	\$0.020 Market Price	\$0.030 50% increase in Market Price
<b>Current Variable "A"</b>  1,074,309,591 Shares	Shares issued	107,430,959 New Shares	107,430,959 New Shares	107,430,959 New Shares
	Funds raised	\$1,074,310	\$2,148,619	\$3,222,929
<b>50 % increase in current Variable "A"</b>  1,611,464,387 Shares	Shares issued	161,146,439 New Shares	161,146,439 New Shares	161,146,439 New Shares
	Funds raised	\$1,611,464	\$3,222,929	\$4,834,393
<b>100% increase in current Variable "A"</b>  2,148,619,182 Shares	Shares issued	214,861,918 New Shares	214,861,918 New Shares	214,861,918 New Shares
	Funds Raised	\$2,148,619	\$4,297,238	\$6,445,858

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement.
- 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 10% Placement, 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 2.0 cents, being the closing price of the Shares on ASX on 16 April 2018.

### **Purpose of the 10% Placement Facility**

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.

**Allocation under the 10% Placement Facility**

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 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 10% Placement Facility will be the vendors of the new assets or investments.

**Previous approval**

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at the Annual General Meeting held on 30 May 2017.

As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, the following information is provided to Shareholders, in accordance with Listing Rule 7.3A.6, regarding the Equity Securities issued in the previous 12 months preceding the date of the AGM (that is, since 30 May 2017):

Number of equity securities on issue at commencement of 12 month period	876,732,679 Shares 8,000,000 Unlisted Options 884,732,679 Equity Securities Total
Number of equity securities issued in the prior 12 month period	197,576,912
Percentage previous issues of total number of equity securities on issue at commencement of 12 month period	22.33%

Details of equity securities issued in previous 12 months:

Date	Number of equity securities	Type of equity security	Summary of terms	Recipients	Issue price and discount to Market Price (if applicable)	If issued for cash – the total consideration received, and what it was spent on	Amount of cash consideration spent	Intended use for remaining amount of cash	If issued for non-cash consideration – a description of the consideration and the current value of the consideration
22 Sep 2017	75,000,000	Fully paid ordinary shares	Placement of shares to sophisticated investors	Various	1.0 cent Nil discount	\$750,000 Funding of the Company's project activities and for working capital	\$750,000	N/A	N/A
3 Nov 2017	28,076,912	Fully paid ordinary shares	Share Purchase Plan	Various	1.3 cents 20% discount to 5-day VWAP	\$365,000 Funding of the Company's project activities and for working capital	\$365,000	N/A	N/A
23 Nov 2017	15,000,000	Fully paid ordinary shares	Exercise unlisted options	VW Pty Ltd	1.2 cents	\$180,000 Funding of the Company's project activities and for working capital	\$180,000	N/A	N/A
30 Jan 2018	10,000,000	Fully paid ordinary shares	Exercise unlisted options	NG Sovereign Pty Ltd	1.2 cents	\$120,000 Funding of the Company's project activities and for working capital	\$120,000	N/A	N/A
31 Jan 2018	24,500,000	Fully paid ordinary shares	Placement of shares to sophisticated investors	Various	2.0 cents 7% discount to 5-day VWAP	\$490,000 Funding of the Company's project activities and for working capital	\$490,000	N/A	N/A

Date	Number of equity securities	Type of equity security	Summary of terms	Recipients	Issue price and discount to Market Price (if applicable)	If issued for cash – the total consideration received, and what it was spent on	Amount of cash consideration spent	Intended use for remaining amount of cash	If issued for non-cash consideration – a description of the consideration and the current value of the consideration
13 Feb 2018	20,000,000	Fully paid ordinary shares	Exercise unlisted options	Hongming Zhang	1.2 cents	\$240,000 Funding of the Company's project activities and for working capital	\$240,000	N/A	N/A
1 Mar 2018	5,000,000	Fully paid ordinary shares	Exercise unlisted options	Thuugaar Mining and Resources Pty Ltd	1.2 cents	\$60,000 Funding of the Company's project activities and for working capital	\$60,000	N/A	N/A
11 Apr 2018	20,000,000	Fully paid ordinary shares	Exercise unlisted options	Director, Yufeng Zhuang	1.2 cents	\$240,000 Funding of the Company's project activities and for working capital	\$100,000	Funding of the Company's project activities and for working capital	N/A



## **Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

### ***Recommendation:***

***The Directors believe that the 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 recommends that Shareholders approve Resolution 7.***

**ANNEXURE A**

**Nomination from a shareholder for the appointment of William Buck (QLD) as the Company's Auditor the subject of Resolution 5**

17 April 2018

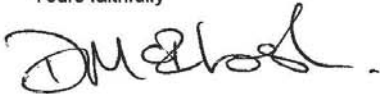
The Company Secretary  
Diatreme Resources Ltd  
Unit 8, 61 Holdsworth Street  
Coorparoo  
QLD 4151

Dear Sir,

**NOMINATION OF WILLIAM BUCK (QLD) AS AUDITOR OF DIATREME RESOURCES LTD**

I, Donald Cameron McIntosh, being a shareholder of Diatreme Resources Limited ("**Company**"), nominates William Buck (QLD) for appointment as Auditor of the Company at the forthcoming annual general meeting.

Yours faithfully



Donald Cameron McIntosh  
Shareholder

## ANNEXURE B

### TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

The following is a summary of the key terms and conditions of the Performance Rights:

- (a) **Eligible Participant:** The plan is open to full time employees or consultants of the Company.
- (b) **Performance Rights:** Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one fully paid ordinary share in the capital of the Company (Share).
- (c) **Not transferrable:** Performance Rights are only transferrable with the prior written consent of the Board of the Company.
- (d) **Vesting Conditions:** The Board will determine the vesting conditions (if any) that must be satisfied before a Performance Right vests, and the date by which a vesting condition must be satisfied (Vesting Condition).
- (e) **Vesting:** A Performance Right will vest where the Vesting Conditions are satisfied or waived by the Board
- (f) **Exercise of vested Performance Right:** Unless the Board decides otherwise, any vested Performance Right automatically vests, following which the Company will issue the holder with the applicable number of Shares.
- (g) **Shares:** Shares resulting from the vesting of the Performance Rights shall, from the date of issue, rank on equal terms with all other Shares on issue.
- (h) **Quotation of Shares:** the Company will apply to the ASX for those Shares issued on the exercise of a Performance Right to be quoted on ASX.
- (i) **Lapse of a Performance Right:** a Performance Right will lapse upon the earlier to occur of:
  - (i) a Vesting Condition in relation to the Performance Right not being satisfied by the due date, or becoming incapable of satisfaction, as determined by the Board in its absolute discretion;
  - (ii) a vested Performance Right is not exercised where required;
  - (iii) the Company undergoes a change in control or winding up, and the Board does not exercise its discretion to vest the Performance Right; and
- (j) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (k) **Offer of Rights:** The Board may offer any number of Performance Rights to an Eligible Participant on the terms the Board decides by giving the Eligible Participant an Offer, subject to the Performance Rights Plan and any applicable law or the Listing Rules.

## Glossary

<b>Annual Report</b>	the Company's 2017 Annual Report
<b>ASX</b>	ASX Limited (ACN 008 624 691)
<b>Board</b>	the board of Directors
<b>Business Day</b>	a trading day on the financial market operated by ASX
<b>Company</b>	Diatreme Resources Limited (ABN 33 061 267 061)
<b>Constitution</b>	the constitution of the Company
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Closely Related Party</b>	in respect of a member of Key Management Personnel, certain family members and dependents of the member and companies controlled by the member, as defined in section 9 of the Corporations Act
<b>Director</b>	a Non-executive director of the Company
<b>Explanatory Statement</b>	this explanatory statement
<b>Key Management Personnel</b>	has the meaning given to that term in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise)
<b>Listing Rules</b>	the Listing Rules of ASX
<b>Meeting</b>	the Annual General Meeting of the Company to be held on 30th May at 2pm (Brisbane time)
<b>Notice</b>	the Notice of Annual General Meeting accompanying this Explanatory Statement
<b>Remuneration Report</b>	contained in the Director's Report section of the Annual Report
<b>Resolution</b>	a resolution contained in the Notice
<b>Share</b>	a fully paid ordinary share in the capital of the Company
<b>Shareholder (or member)</b>	a registered member of the Company



# Diatreme Resources Limited

ABN 33 061 267 061

## LODGE YOUR VOTE

**ONLINE**  
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

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 Annual General Meeting of the Company to be held at **2:00pm on Wednesday, 30 May 2018 at Unit 8, 61 Holdsworth Street, Coorparoo QLD 4151** (the Meeting) and at any postponement or adjournment of the Meeting.

**Important for Resolution 1:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

**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 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr. Yufeng Zhuang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Adoption of Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr. Cheng Wang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Approval to issue 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Confirmation of election of Mr. Gregory Starr	<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).

**DRX PRX1802C**



## 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, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

### 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:

- (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; and
- (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 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 **2:00pm on Monday, 28 May 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 MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### 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 ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**