# DIATREME RESOURCES LIMITED

**ABN 33 061 267 061**


Level 2, 87 Wickham Terrace, Spring Hill, Qld, 4000
PO Box 10288
Brisbane Adelaide Street
Queensland 4000

Telephone : 61 7 3832 5666
Facsimile : 61 7 3832 5300
Email : manager@diatreme.com.au
Website : www.diatreme.com.au


**ASX Code: DRX**

---

Company Announcement Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

7 September 2007

**PROPOSED IN SPECIE DISTRIBUTION (XTREME RESOURCES LIMITED) AND ITS EFFECT UPON COMPANY OPTION EXERCISE PRICES - NOTICE UNDER ASX LISTING RULE 7.20**

On 17 April 2007, Diatreme Resource Limited (DRX) announced a proposed in specie distribution of shares in its wholly owned subsidiary, Xtreme Resources Limited (Xtreme), and acquisition of Garimperos Limited. Both proposals are subject to DRX shareholders approval at a general meeting ("Meeting") of its members on 4 October 2007.

If approved, the Xtreme proposal will involve an in specie distribution of shares held by DRX in Xtreme to DRX shareholders which will amount to an equal capital reduction by way of a return of capital. As disclosed in the Notice of Meeting that was forwarded to shareholders on 3 September 2007, the Company's assets and equity will be reduced by $4 million, which is the dollar amount of the fair value of the Company's interest in Xtreme.

On 31 August 2007, a letter was mailed to all option holders providing important information relating to the proposals. Instructions were provided to option holders as to what action was necessary for them to take if they wished to participate in the proposed in specie distribution. However, if

a) option holders do not exercise their options in time prior to the Meeting; and
b) the in specie distribution is approved by DRX shareholders

then

c) the total number of options held by individual option holders that have not been exercised will remain the same; and
d) the exercise price per remaining option will be reduced in accordance with requirements of ASX Listing Rule 7.22.3.

ASX Listing Rule 7.22.3 requires that each option be reduced by the same amount as the amount of capital returned in relation to each ordinary share.

The exact amount of the reduction of each option will depend upon the number of DRX shares on issue as at the date of Meeting, being 4 October 2007. The number of shares on issue at that date will depend upon the number of options exercised before that date. Although the precise amount of the reduction cannot be determined until the date of the Meeting, the directors estimate that the reduction in the exercise price of all options will be three cents per option.

**Lawrie Litzow**
Corporate Secretary