



DIATREME RESOURCES LIMITED

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ANNUAL GENERAL MEETING - 31 May 2004

CHAIRMAN'S ADDRESS

Dear Shareholders

Since listing on the NSX in October 2003, the last six months have been a busy time for the Company, which has been very active in its exploration programs. Drilling programs have been conducted on its Nymbool gold project in north Queensland, on the Clermont South gold copper project at Clermont and the Gwydir diamond project in northern New South Wales.

The drilling at Nymbool resulted in significant intersections of east-dipping gold mineralisation being discovered, which has the potential to host a low grade porphyry style gold deposit. A program of drilling to 200 metres depth is planned to test this wide gold bearing zone.

Though the drilling at Clermont South was disappointing, it did extend the known copper and gold mineralisation and the Company's knowledge of the prospective chert horizon. The prospective chert horizon has an intermittent strike length of approximately 30 kilometres and the exploration that the Company will conduct along this unit will incrementally enhance the copper resources currently held in the region by the Company.

The exciting part of the last six months for the Company has been the success in its diamond search. Drilling of magnetic anomalies identified deep seated intrusives below shallow cover rocks. The presence of these intrusives is perceived by the Company as being highly encouraging for diamonds as these are the possible source of the northern N.S.W. alluvial diamond fields. The Company has conducted extensive research into sites for possible diamond bearing intrusive pipes, and has applied for exploration licences in the region and now has a major tenement holding over the most prospective areas.

The Company is also holding several negotiations on substantial project acquisitions, which if successful will further increase the prospectivity of the Company's project portfolio. Shareholders will be informed of developments once negotiations are finalised.

As all Shareholders are aware, the Company is in the process of capital raising with its share purchase plan for the purposes of exploration and advancing a listing on the Australian Stock Exchange. Negotiations with mid-sized miners for placements of capital in the Company are presently being conducted.

The next few years will offer a very productive time for the Australian exploration industry as the world economy will need more raw commodities to drive it, and the Company is very well positioned to take advantage of a strengthening exploration industry sector.

Anthony J Fawdon