ASX ANNOUNCEMENT

6 August 2018

ROLLOVER OF CONVERTIBLE NOTE

Diatreme Resources Limited (ASX: DRX) ("Diatreme" or "Company") is pleased to advise it has reached a highly satisfactory arrangement with the holder of the convertible note facility that was due for repayment on the 31st of July 2018 ("maturity date").

The original convertible note commenced on the 30th of July 2015 ("commencement date") and the key terms were:

- $3 million total facility, drawn in lots of $500,000.
- Interest rate of 5.20% per annum payable by half yearly instalments in arrears.
- Term of 36 months from commencement date.
- 50% ($1.5 million) to be converted to ordinary shares of Diatreme at $0.020 at maturity date.
- 50% ($1.5 million) to be repaid by Diatreme at maturity date.

(Note: original convertible note facility was fully drawn by 2 May 2017).

The terms of the new (rollover) convertible note facility are as follows:

- $1,500,000 will be converted to shares of Diatreme at $0.020 per share after the maturity date of 31 July 2018.

The Company will seek shareholder approval for the issue of these shares at a specially convened General Meeting. Timing for this General Meeting will be advised as soon as practicable by the Company.

- All accrued interest, which totals $372,299 as at 31 July 2018, shall be converted to ordinary shares in Diatreme at the prevailing share price at the date of actual conversion.
• The remaining balance of $1,500,000 shall be extended from the maturity date for a further period of 24 months ("new maturity date"), with the remaining balance to be repaid in full at the new maturity date subject to negotiation between the parties, and

• Interest shall accrue at the rate of 5.20% per annum payable quarterly in arrears on the remaining balance of $1,500,000.

The directors wish to thank the convertible noteholder for their continued support and the favourable extension terms provided to the Company.

For further information:

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