



DIATREME RESOURCES LIMITED

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ASX : DRX

6 August 2009

Ms Frances Finucan
Senior Adviser, Issuers (Brisbane)
ASX Limited
Brisbane Qld 4000

Email: frances.finucan@asx.com.au

Dear Frances

RESPONSE TO ASX QUERY DATED 5 AUGUST 2009

We refer to your letter dated 5 August 2009 and the questions contained therein.

In response, we submit the following answers:

Question 1: Please explain why the Director Notice was lodged late?

Answer: The Company only became aware on 4 August 2009 that a transaction of securities on 8 July 2009, involving the Director concerned, had not been included in the original Appendix 3Y released on 13 July 2009 which included transactions over a period from 7 to 10 July 2009.

Question 2: What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?

Answer: All directors are advised and expected to maintain an understanding of their fiduciary duties, including the actions required to report changes in their notifiable interests to the Company. It is the responsibility of each director, or their professional advisor/broker, to advise the Company Secretary in a timely manner of all transactions involving the Company's securities.

Question 3: If the current arrangements are inadequate or not being enforced, what additional steps do the Company intend to take to ensure compliance with listing rule 3.19B?

Answer: The Company has a number of existing systems in place to monitor required notifications from directors and associates, including the "flagging" of their interests by the Company's Share Registry and timely reporting of security movements. Additional internal monitoring processes and systems have now been instigated to ensure compliance with listing rule 3.19B.

Yours faithfully

LAWRENCE J LITZOW
Company Secretary



5 August 2009

Mr David Hall
Director
Diatreme Resources Limited
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SPRING HILL QLD 4000

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Email transmission: david.hall@diatreme.com.au

Dear Mr Hall

**Diatreme Resources Limited (the "Company")
Appendix 3Y Change of Director's Interest Notice**

We refer to the following;

1. The Appendix 3Y lodged by the Company with ASX on Wednesday, 5 August 2009 for Andrew Tsang (the "Director Notice");
2. Listing rule 3.19A which requires an entity to tell ASX the following:
 - 3.19A.1 The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the following times.
 - On the date that the entity is admitted to the official list.
 - On the date that a director is appointed.The entity must complete Appendix 3X and give it to ASX no more than 5 business days after the entity's admission or a director's appointment.
 - 3.19A.2 A change to a notifiable interest of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust). The entity must complete Appendix 3Y and give it to ASX no more than 5 business days after the change occurs.
 - 3.19A.3 The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the date that the director ceases to be a director. The entity must complete Appendix 3Z and give it to ASX no more than 5 business days after the director ceases to be a director.

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Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

3. Listing rule 3.19B which states as follows.

An entity must make such arrangements as are necessary with a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) to ensure that the director discloses to the entity all the information required by the entity to give ASX completed Appendices 3X, 3Y and 3Z within the time period allowed by listing rule 3.19.A. The entity must enforce the arrangements with the director.

4. The Companies Update dated 27 June 2008, reminding listed entities of their obligation to notify ASX within 5 business days of the notifiable interests in securities held by each director and outlining the action that ASX would take in relation to breaches of listings rules 3.19A and 3.19B.

The Director Notice indicates that the change in Andrew Tang's notifiable interest occurred on Wednesday, 8 July 2009. It appears that Andrew Tsang should have lodged a Director's Notice with ASX by Wednesday, 15 July 2009. Consequently, the Company may be in breach of listing rules 3.19A and/or 3.19B. It also appears that the director concerned may have breached section 205G of the Corporations Act.

Please note that ASX is required to record details of breaches of the listing rules by listed companies for its reporting requirements.

ASX reminds the Company of its contract with ASX to comply with the listing rules. In the circumstances, ASX considers that it is appropriate that the Company make necessary arrangements to ensure there is not a reoccurrence of a breach of the listing rules.

Having regard to listing rules 3.19A and 3.19B and Guidance Note 22: "Director Disclosure of Interests and Transactions in Securities - Obligations of Listed Entities", we ask that you answer each of the following questions:

1. Please explain why the Director Notice was lodged late.
2. What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?
3. If the current arrangements are inadequate or not being enforced, what additional steps do the Company intend to take to ensure compliance with listing rule 3.19B?

Your response should be sent to Frances Finucan by email at frances.finucan@asx.com.au or facsimile on facsimile number (07) 3832 4114. It should **not** be sent to the Company Announcements Office.

A response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (i.e. **before 9.30am EST) on Monday, 10 August 2009.**

Under listing rule 18.7A, a copy of this query and your response **will** be released to the market, so your response should be in a form suitable for release and should separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Yours sincerely



Frances Finucan
Senior Adviser, Issuers (Brisbane)