DIATREME Resources

ASX ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 December 2021

31 January 2022

Quarterly Highlights

Galalar Silica Project, Qld

- Exceptional Pre-Feasibility Study (PFS) shows positive outcomes for Galalar Silica Project, including net present value (NPV8) of A$358 million, IRR of 66%, life of mine net revenues of A$2.5 billion and mine life of 23.5 years
- Maiden Mineral Reserve estimate of 32 million tonnes (Mt), sufficient for 18 years of initial operations
- Total JORC Mineral Resource estimate increases by 22% to 75.5 Mt, highlighting continuity of its high purity, low iron silica resource

Clermont Copper/Gold Project, Qld

- Farm-out partner Metallica Minerals (ASX: MLM) to undertake exploration drilling in Q1 2022, subject to weather conditions; MLM to invest minimum of A$300,000 by 29 April 2022 to earn 25% interest

Corporate

- Former Australian Deputy Prime Minister and Treasurer, Wayne Swan appointed Chairman and Non-Executive Director
- Successful $10M placement to strategic, sophisticated, and professional investors boosts funding for development of flagship Galalar Silica Project.

Post-Quarter:

- New high-grade silica deposit confirmed for northern tenement area near Cape Flattery (Si 2 North Project), with maiden Inferred Mineral Resource of estimated 53 Mt @ 99.32% silica

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COMING MARCH 2022 QUARTER ACTIVITIES

Diatreme's operational focus for the March quarter 2022 comprises the following:

- **Galalar Silica Project**

  - Public lodgement for comment of EIS studies for regulatory environmental approvals progression (EIS);
  - Further engagement with project partners, Hopevale Congress, affected native title holders and relevant regulatory/government agencies to advance project approvals and preferred logistics solution;
  - Further progression towards formalised offtake or marketing agreements
  - Further bulk sampling and testing for inputs into project DFS studies
  - Detailed tendering and project costs analysis for use in DFS studies
  - Finalisation of mining project agreement (MPA) with native title holders
  - Further market engagement on silica product diversification including "value add" market development and downstream product development.

- **Si 2 North Silica Project**

  - Progressive release of results from northern tenement area resource drilling and further metallurgical testing
  - Assessing the potential for further significant resource upgrades, dependent on testing results
  - Ongoing drilling (subject to wet season delays) to assess additional resource discovery north-west of Si 2 North silica deposit.

ACTIVITIES DURING DECEMBER QUARTER 2021

GALALAR SILICA PROJECT, QLD

Diatreme's flagship Galalar Silica Project further advanced during the December quarter 2021, boosted by the release of an exceptional pre-feasibility study and maiden Ore Reserve together with positive results from exploration near Cape Flattery.

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Silica Resource Expands 22% to 75.5 Mt

The Galalar project's potential to become a long-term mining operation received another boost, with the announcement on 20 September 2021 of a further significant expansion to the estimated JORC Mineral Resource. The Mineral Resource increased by 22% to 75.5 Mt from the previous 61.9 Mt, highlighting the continuity of the project's world-class, high purity silica.

The total resource covers an area of around 486 ha (up from 335 ha previously), with an average thickness of 15.5m, comprising 92.9% of the MLA.

Table 1: Resource Estimate, September 2021*

JORC Resource Category	Silica sand (Mt)	Silica sand (Mm^3)	Cut-off SiO_2 (%)	SiO_2 %	Fe_2O_3 %	TiO_2 %	LOI %	Al_2O_3 %	Density (t/m^3)
Measured	43.12	26.95	98.5	99.21	0.09	0.11	0.16	0.13	1.60
Indicated	23.12	14.45	98.5	99.16	0.09	0.13	0.24	0.10	1.60
Inferred	9.22	5.76	98.5	99.10	0.11	0.16	0.27	0.11	1.60
Total**	**75.46**	**47.16**	**98.5**	**99.18**	**0.09**	**0.12**	**0.20**	**0.12**	**1.60**

** Resource Estimate current as of 13 September 2021*

*** Total inferred, indicated and measured*

Galalar PFS and Maiden Ore Reserve

A major milestone was achieved for the Galalar project with the announcement on 9 November 2021 of a pre-feasibility study (PFS) and maiden Mineral Reserve estimate (JORC 2012).

The PFS showed positive financial outcomes for the project, including a post-tax net present value (NPV8) of A$358 million (compared to the Scoping Study's estimated A$158 million), an Internal Rate of Return (IRR) of 66% and Life of Mine (LOM) net revenue of A$2.5 billion. Low initial capex of A$60.1 million was estimated, with a payback period of just 1.4 years.

Other improvements on the project's original Scoping Study (refer ASX announcement 9 September 2019) include an increase in targeted production (exported product) from 750,000 tonnes to 1.32 million tonnes per annum and a reduction in total costs (C1 costs – mining, processing and domestic barging). This delivers final product to export

point (Cape Flattery Port) reducing C1 costs from A$58/t to A$34/t, facilitating a greatly improved project viability and delivering long-term sustainable economics.

In addition, the maiden Mineral Reserve estimate was 32 Mt, sufficient for an estimated 18 years of initial operations at 1.65 Mt ore processed per annum. A mine life of 23.5 years has been scheduled.

Significantly, the project is expected to become a significant employer in the Hope Vale/Cooktown region, employing 80-85 people directly, with more than 40% of workers expected to be sourced from the local community.

Table 2: Key LOM financial and production outcomes (expressed in AUD)

Financials		Mining and processing metrics	
Post-tax ungeared NPV_8 ($m)	**358**	Mineral resources (Mt)	**75**
Post-tax ungeared IRR (%)	**66**	Ore reserve (Mt)	**32**
Pre-tax NPV ($m)	**495**	Tonnes mined (Mt)	**39***
Pre-tax IRR (%)	**74**	Tonnes processed (Mt)	**31**
Payback period (year)	**1.4**	Average mined (Mtpa)	**1.59**
Exchange rate US$/A$	**0.72**	Plant operating capacity (Mtpa)	**1.65**
Capex ($m – incl $7.8m contingency)	**67.9**	Recovery (%)	**80**
Sustaining capital LOM ($m)	**35**	Silica product (Mtpa)	**1.26**
LOM FOB costs to port (C1 - $/t)	**33.9**	Life of mine (yr)	**23.5**
Ocean freight and insurance ($/t)	**25.2**	Ore grade SiO_2%	**99.2**
CIF costs ($/t – China market)	**59.1**	Product grade SiO_2%	**99.9**
LOM opex ($m)	**1,051**	Ore Fe_2O_3%	**0.03**
LOM opex shipping (A$m)	**783**	Product Fe_2O_3%	**0.01**
FOB net revenue ($m)	**2,493**	Product sales price (FOB – A$/t)	**81.0**

Notes:

- Model is ungeared on an equity basis
- All figures are presented in Australian dollars, unadjusted for inflation
- Assumed exchange rates US$/A$0.72

**Based on reasonable expectation to exploit resources identified in the Galalar Dune and extending form the western boundary to current Mineral Resources*

- Engineered process plant maximum capacity is 1.65 Mtpa
- 11% contingency included in Capex estimate

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▪ Mining commences 3 months prior to commissioning at 0.95 Mtpa and ramps up to 1.65 Mtpa at month 3 in operations (initial 6 months at reduced production)
▪ Processing commences at 0.75 Mtpa output and ramps up to 1.32 Mtpa at month 3 Operations
▪ DRX is reviewing the commercial justification for constructing an on-site accommodation facility in early mine life at an estimated $3.5-4 million (excluded from PFS Capital)
▪ The Probable Ore Reserve and Measured, Indicated and Inferred Mineral Resource underpinning the above production assumptions targets has been prepared by a Competent Person in accordance with the requirements of the JORC Code 2012

Note: Refer full ASX release dated 9th November 2021 regarding the PFS for all relevant detail underpinning the above project financial and production material assumptions.

Maiden Ore Reserve

The maiden Ore Reserve estimate was undertaken by independent consultants Ausrocks Pty Ltd, applying updated inputs on the basis of the PFS financial model. Approximately 43% of the previously defined Mineral Resources (75 Mt) have been converted to Ore Reserves (refer below).

There have been 10 exploration and drilling campaigns since September 2017 and data from 191 drillholes and 24 hand-auger holes was used to define the Measured, Indicated and Inferred Mineral Resources in accordance with the JORC Code (2012) at Galalar. The most recent campaign included infill holes in Galalar Main and Galalar East specifically for the Ore Reserve Estimate, as well as exploration holes in Galalar Extended.

Table 3: Ore reserves summary at 98.5% SiO_2 cut-off grade

JORC Resource Category	Silica sand (Mt)	Silica sand (Mm^3)	Sand waste (Mt)	SiO_2 %	Fe_2O_3 %	TiO_2 %	LOI %	Al_2O_3 %
Probable ore reserves	**32.5**	20.3	.04	99.20	0.08	0.11	0.16	0.13

PFS Metallurgical Bulk Testing

Diatreme engaged Mineral Technologies (MT) to complete a Feasibility Study for the GSSP, with the objective of developing a mineral process flowsheet enabling engineering plant design to produce high purity silica sand suitable for photovoltaic glass manufacturing. A primary bulk sample was composited from drill samples that had been completed at that time in the area forecast for the first five years of the ore reserve.

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Previous process test work by IHC Robbins and Bengbu Design & Research Institute demonstrated that a silica sand product that achieved the specifications for photovoltaic glass manufacture could be produced from selected samples across the mineral resource.

Metallurgical testing on bulk samples containing 99.6% SiO_2 and 300 ppm Fe_2O_3, produced a silica product containing 99.9% SiO_2 and 105 ppm Fe_2O_3. Additional testing on the spiral middling stream resulted in potential for up to 8% additional yield (total 80%), with a grade of 99.9% SiO_2 and <110 ppm Fe_2O_3. Sizing range for the product is 125-700 microns.

Hot acid leach (HAL) tests conducted on silica product indicated it was possible to further reduce the Fe_2O_3 level to ~70ppm. The test method used was a standard Hepworth method involving leaching silica with sulphuric acid at elevated temperature.

Metallurgical studies on final product indicate clean silica grains with minor internal Fe oxide, silicate and rutile-ilmenite inclusions.

Table 4: PFS Bulk sample testing results and final silica product assays ICP assay (%)

ICP assay (%)	SiO_2	Al_2O_3	CaO	Fe_2O_3	K2O	MgO	TiO_2	CR_2O_3	LOI
Bulk sample	99.6	0.069	0.002	0.030	0.007	0.003	0.061	<0.001	0.13
Silica product	99.9	0.042	0.004	0.0105	0.004	0.002	0.018	0.0001	0.04

Notes:
- Bulk testing undertaken by independent firm, Mineral Technologies
- Assays undertaken by ALS Labs

MINING

Mining will utilise a loader feeding to trommel, then slurry pumping to processing plant using a process to minimise iron contamination to the exceptionally low-iron silica product(refer to **Figure 1**) . The PFS considered a number of options with an owner managed fleet being the most suitable, cost-effective option. The proposed equipment is considered common for sand mining operations and similar to plant operated by local earthworks contractors and quarry operators.

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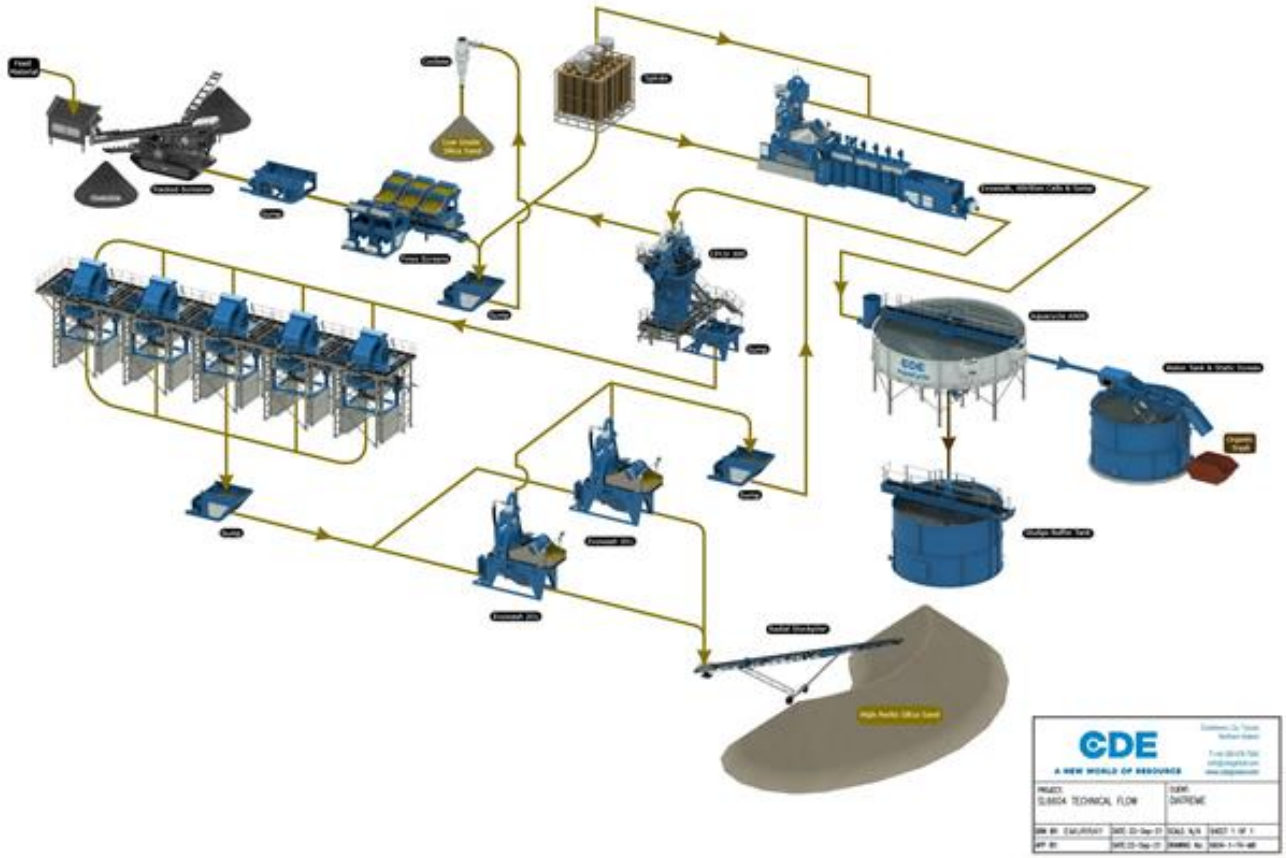

Figure 1: Stylised flowsheet for processing plant

The mining schedule has been developed to prioritise <950 ppm Fe_2O_3 silica sand in the first 10 years, exploiting sand containing 490 ppm-930 ppm Fe_2O_3 with an average of 620 ppm Fe_2O_3. This provides certainty that the proposed plant will operate as designed and deliver product within specification. Year 10 onwards contains on average a higher Fe_2O_3 content, though below 1200 ppm.

Metallurgical testing indicates that material with >1200 ppm Fe_2O_3 can be processed into high grade product at a reduced plant throughput. Rehabilitation requirements will be in line with production, with 20% of material mined returned to the pits.

Silica Product Marketing

Galalar has the capability to become a significant near-term, low-cost and premium quality silica producer required for high-end, solar photovoltaic panel (PV grade) and specialty glass markets. The demand for high quality glass (including PV solar cell covers) is driving increased demand at a time when traditional supply resources are waning.

China now imports approximately 50% of its supply from Australia, up from circa 25% in 2018 and is increasingly looking to offshore suppliers for premium supplies. Japan imports around 70% from Australia and South Korea imports a total of 68%.

Wogen Ltd and other specialist market consultants completed an extensive market investigation for the Company. Extensive engagement with various potential offtake partners and suppliers in China and other markets has been undertaken, including a number of major Asian based commodity trading houses.

The indicative price range for a premium PV grade silica product into China market (=> 99.8% Si and =< 120ppm Fe_2O_3) is in the range of RMB 500-600 CIF (Cost insurance and freight free out) per tonne delivered (China), or approximately US$77-$93 per tonne (as at 23 September 2021).

Diatreme has taken a conservative view on market pricing and has used for its analysis an equivalent product price achieved at a further discount to the "low case" product sales price of 490 RMB delivered CIF China. For the PFS financial model, the Company has also assumed an equivalent FOB onshore price of AUD$81 (USD$58 equivalent) net of costs to transport (ship) to market.

DRX notes shipping costs are abnormally high in the current market but has used 5-year forward projections from independent shipping consultants based on "normalised" projections.

ESG Benefits

Notably, independent assessment notes the Galalar project's potential LOM production of an estimated 31 Mt gross silica sand could be used to produce over 3.2 billion solar panels, producing "clean energy" well beyond the project's mine life. Based on the estimated energy generation over the life of the panels, the emissions saved compared to coal-fired power would equate to taking 132 million cars off the road, planting 34 to 291 million hectares of trees or powering 38.7 million average Australian households.

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The total lifecycle emissions associated with solar panels produced as a result of the GSSP is approximately 1,093Mt CO2-e. This compares to approximately 26,669Mt CO2-e for the equivalent amount of energy generation by burning coal.

Diatreme has benchmarked the Galalar project against two internationally recognised standards for sustainability for the mining industry. These are the Initiative for Responsible Mining Assurance (IMRA) Standard for Responsible Mining (2018) and the Infrastructure Sustainability Council of Australia (ISCA) Infrastructure Sustainability (IS) Rating Tool. Environmental, social and governance (ESG) and sustainability planning are underway for the site during construction and operation.

The Company is committed to managing potential impacts to community social values and implementing reasonable mitigation measures. The Company will continue to collaborate with local and regional organisations to support and enhance community social values. The Social Impact Management Plan (SIMP), including detailed action plans will be finalised and approved in Q4 2022. This will allow for approximately a 10-12 month development and consultation period.

Meanwhile, Diatreme has continued to advance the regulatory approval process. A draft EIS is being finalised, with the aim of receiving the necessary environmental approvals and grant of a Mining Lease in the first half of 2022, together with the finalisation of a definitive feasibility study. A final investment decision is being targeted for the third quarter of 2022, with the potential commencement of site works in the fourth quarter.

Northern Exploration Targets

Adding to Diatreme's expanding silica resource base, on 28 September 2021 the Company announced it was advancing its assessment of two high priority targets, Silica Target 1 (Si1) and Silica Target 2 (Si2), located south-west of the Cape Flattery mine. The Si1 and Si2 target areas are dune systems above the 40m RL contour, which extend inland from the coast for around 6-12km in length, with a width of 6-7km (see **Figure 2 and Figure 3 below**).

The exploration aimed to define a new silica sand resource, adding to Diatreme's existing Galalar Silica Project resource located 25 km to the south. A drilling program was undertaken in November 2021, comprising 47 vacuum drillholes for a total of 1,055.6m.

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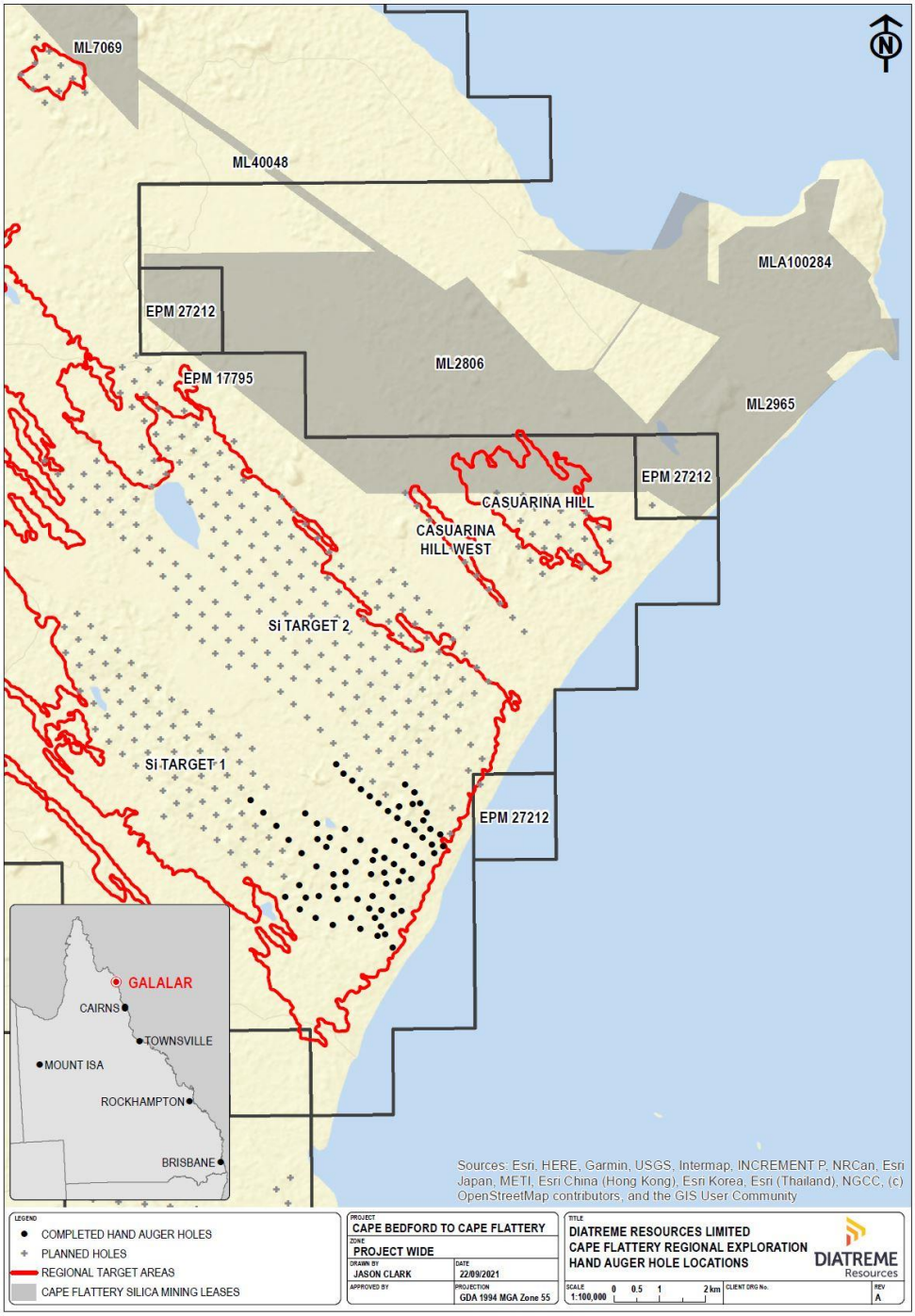

Figure 2: Location of Si Target 1 and Si Target 2 areas

Post-quarter, on 10 January 2022 the Company announced a maiden Inferred Mineral Resource for the northern tenement area (Si 2 North Project). A major new high-grade silica sand deposit was identified, containing an estimated 53 million tonnes @ 99.32% silica (SiO_2).

The new discovery included high purity deep drilling results, with significant intersections including 42m @ 99.39% SiO_2 (PLT099) and 30m @ 99.62% SiO_2 (PLT090).

The resource spans approximately 305 hectares and is located in proximity to existing export infrastructure at Cape Flattery Port, within a total tenement area of 480 sq km.

Given the nature of the resource and its proximity to existing infrastructure, including the Cape Flattery port operations (State owned - Ports North) the Company is conducting preliminary investigations for lodgement of a mining lease application (MLA) covering the northern section of the tenement to facilitate the "fast tracking" of a second major high purity silica operation.

Table 5: Maiden Inferred Resource Estimate – Si 2 North Project, December 2021

JORC Resource Category	Silica Sand (Mt)	SiO_2 (%)	Fe_2O_3 (%)	TiO_2 (%)	Al_2O_3 (%)	LOI (%)	Silica Sand (Mm^3)	Density (t/m^3)	Cut-off Grade SiO_2 (%)
Inferred	53	99.32	0.12	0.16	0.08	0.15	33	1.6	98.5

***Note**: Under the JORC Code, 2012 Edition an Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to support mine planning and evaluation of the deposit's economic viability. An Inferred Mineral Resource has a lower level of confidence than an Indicated or Measured Mineral Resource.*

In addition to the Si 2 North Project, Diatreme has identified a number of significant silica sand Exploration Target areas throughout the wider EPM 17795 (refer ASX announcement 18 August 2021).

In total, as at year-end 2021 the Company on the northern exploration program had drilled 352 holes for 3,995.1m. Further updates will be provided as results from testing become available during the first quarter 2022.

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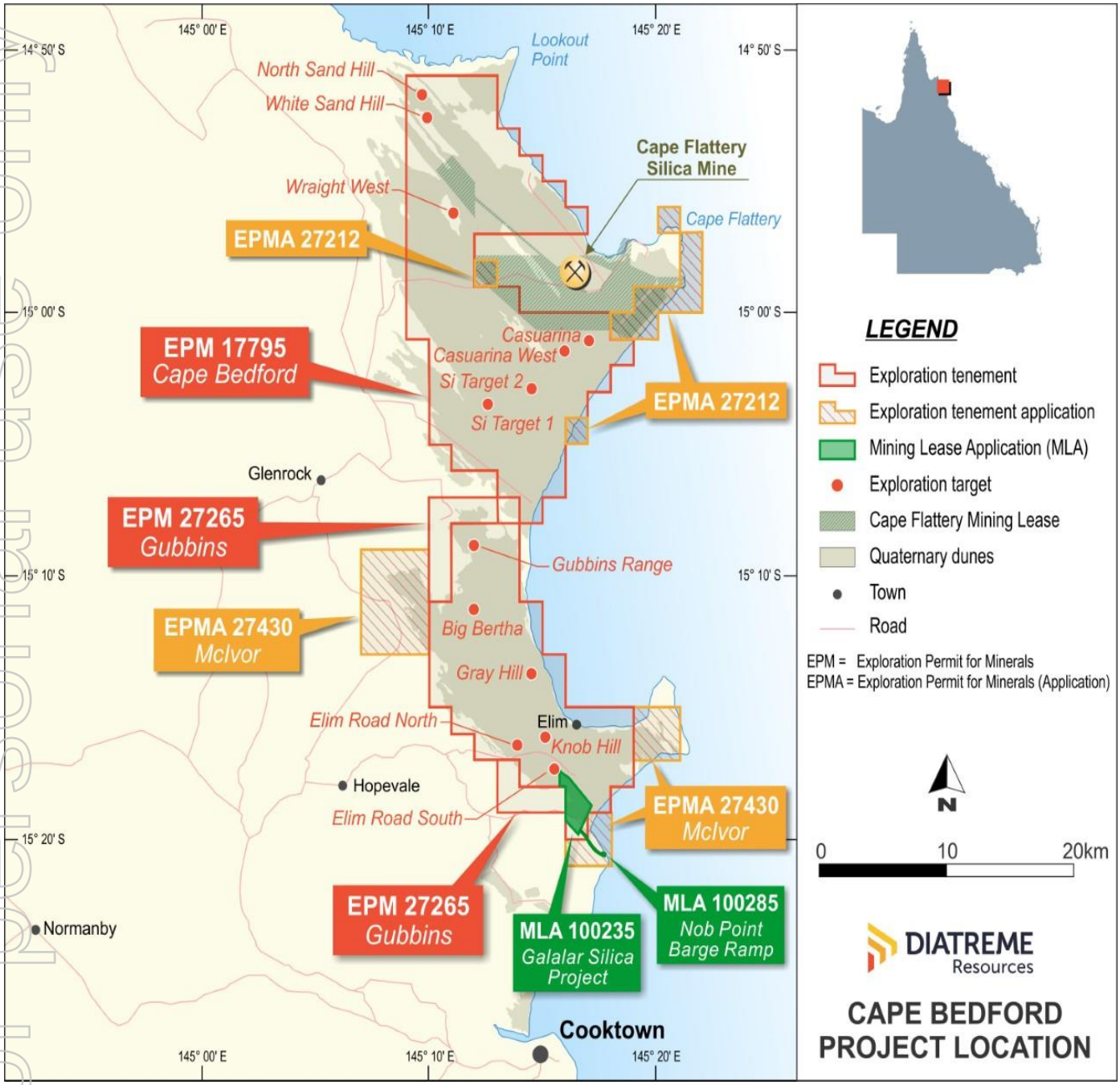

Figure 3: Galalar Silica Project location including exploration tenements and applications

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CLERMONT COPPER/GOLD PROJECT, QLD

Diatreme announced on 5 August 2021 a binding Memorandum of Understanding (MOU) with Metallica Minerals Limited (ASX: MLM) for the Company's Clermont Copper/Gold Project (EPM 17968). The MOU required Metallica to spend a minimum of $300,000 on exploration before 31 December 2021 to earn a 25% interest in the project.

On 26 October 2021, Metallica requested an extension to the initial expenditure stage, which was agreed by Diatreme and extended to 29 April 2022.

Metallica announced on 19 January 2022 its plans to undertake drilling at the project during the first quarter 2022, subject to weather conditions.

The key terms of the MOU now comprise:

- Metallica to invest a minimum of $300,000 on exploration expenditure no later than 29 April 2022 to earn a 25% interest in the project;
- Should Metallica commit to continue to invest in the project, by investing a further $700,000, Metallica will gain an additional 26% interest;
- Metallica will then have the right to invest a further $1 million in the joint venture to hold a 75% interest;
- The partners will then be entitled to contribute further funding to the project on a pro-rata basis.

CYCLONE ZIRCON PROJECT, WA

Declining grades at existing mines and the delay of new projects have heightened projections of a growing structural supply deficit for zircon, with high-grade zircon projects such as Cyclone in demand.

Major producer Iluka Resources reported increased zircon prices in the third quarter of 2021, with a weighted average received price of US$1,487 per tonne. This compared to the US$1,311 per tonne received during the corresponding prior year's quarter.

Titanium is also seeing a recovery, with the third-quarter rutile price reaching US$1,242 per tonne, in line with its last high seen in 2020, following the temporary shutdown of Rio Tinto's Richards Bay mine in South Africa and the continued suspension of Iluka's Sierra Leone mine.

Similar to zircon, Iluka sees a constrained supply outlook for rutile, with declining high-grade feedstock from existing producers and limited new supply due to high capital costs, increasing jurisdictional risks and low rutile assemblage of new projects.

Diatreme has continued discussions with potential project participants with the aim of maximising shareholder value from the Cyclone Zircon Project. The tenements and attached licenses are compliant and under no relinquishment

pressure so the Company continues to strive actively to ensure an appropriate project value and shareholder return is achieved from any potential third-party project interest.

Diatreme continues to actively examine the potential for Cyclone's holding vehicle, Lost Sands Pty Ltd to be annexed into a separated process (potentially not dilutionary to Diatreme shareholders) to unlock value. The Company's notes its market capitalisation has moved upward markedly since the Company made the decision to not develop the Project but rather seek development partners, this decision is also subject to on-going review.

The Company will keep the market fully informed regarding any further Project progress towards development or sale.

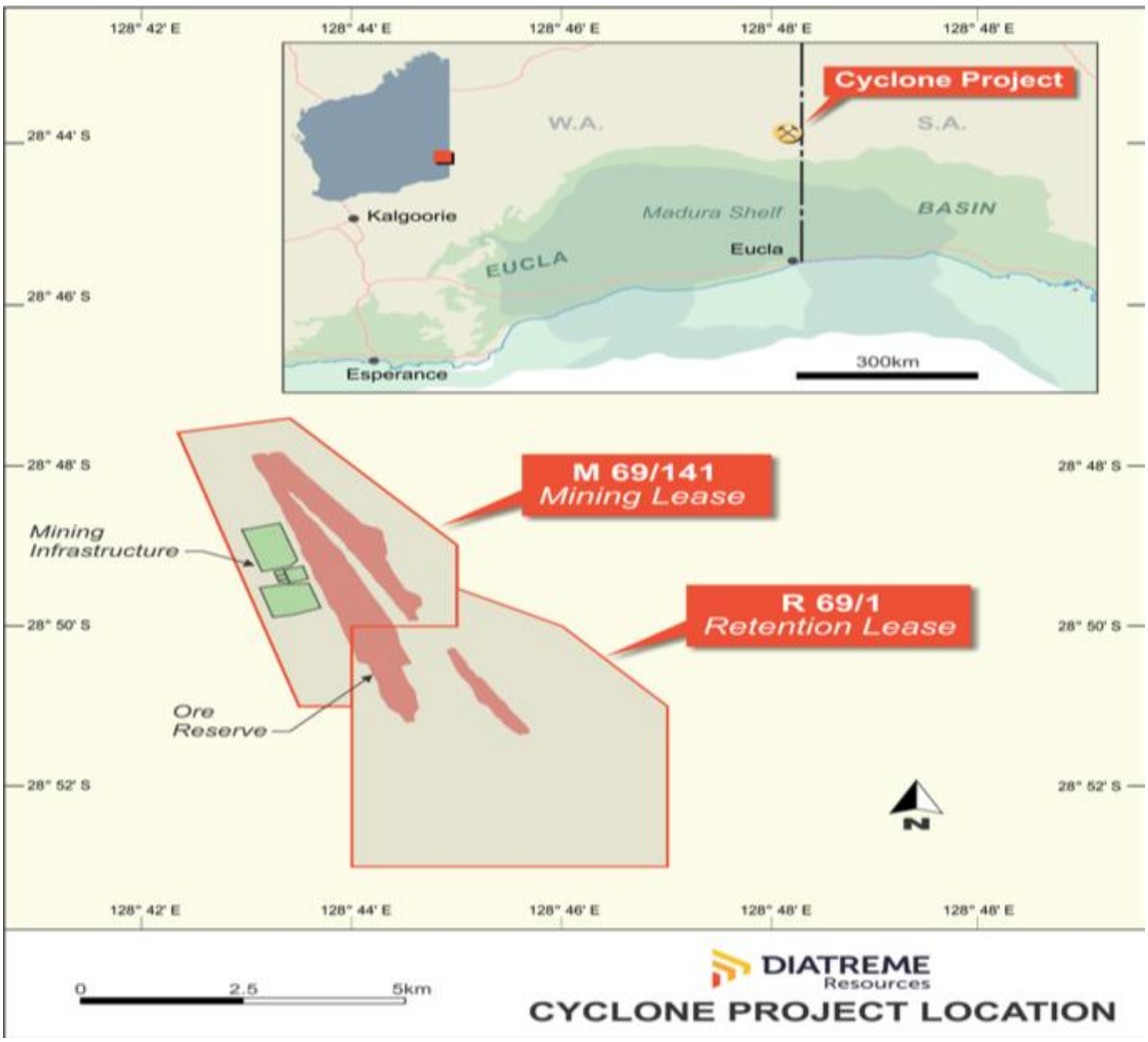

Figure 4: Cyclone Project Location

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CORPORATE

$10M Placement advances Galalar project

Diatreme received further investor backing for its flagship Galalar project during the quarter, with strong demand for a capital raising to support the project's development.

On 6 September, the Company announced the completion of a heavily supported bookbuild to raise $10 million (before costs) via a placement of approximately 435 million fully paid ordinary shares at an issue price of 2.3 cents, with the funds targeted towards the Company's flagship Galalar project.

The funds raised from the Placement will be used to advance the Galalar project, including the PFS, DFS, the finalisation of permitting and approvals, specialist marine studies, advancement of the northern regional exploration program, early site works and capital items and general working capital.

Demonstrating its continued commitment to the Company, Diatreme's largest shareholder, Ilwella Pty Ltd (Flannery Family Office) subscribed for $3.5 million in the placement.

The allotment of new shares was not subject to shareholder approval, falling within the Company's 15% placement capacity under ASX Listing Rule 7.1 and additional 10% placement capacity under ASX Listing Rule 7.1A.

Settlement was announced on 14 September, with the Company receiving total funds (before costs) of $10,080,001 through the issue of 438,260,914 fully paid ordinary shares at $0.023 per share.

New Chairman appointed in Board changes

Diatreme announced on 3 November 2021 the appointment of former Australian Deputy Prime Minister and Treasurer, Wayne Swan, as a Non-Executive Director and Chairman.

One of only two Australian Treasurers to be named "Finance Minister of the Year" by Euromoney magazine, Mr Swan enjoyed a lengthy career in Australian federal politics, serving as Treasurer of Australia from 2007 to 2013 and Deputy Prime Minister of Australia from 2010 to 2013. During his parliamentary career, Mr Swan worked to improve legal recognition and protection for traditional owners, as well as supporting workers' rights and Australia's clean energy future.

The appointment is a major coup for Diatreme and has significantly enhanced the Board, providing a strong advocate for economic development, Indigenous engagement, environmental protection and health and safety, with connections across all levels of government.

Former Chairman, Greg Starr has returned to the role of a Non-Executive Director, continuing to provide his valuable input to the Board.

In further Board changes, the Company announced the resignation of Yufeng (Daniel) Zhuang as a Non-Executive Director, effective 31 October 2021. Mr Zhuang has been a longstanding Director and significant shareholder of Diatreme, having been appointed in August 2013.

Noosa Mining and Exploration Investor Conference Presentation

Diatreme has continued to engage with investors, including a presentation by CEO Neil McIntyre at the "Noosa Mining Unearthed" conference on 12 November 2021.

The conference presentation together with other recent video interviews is available on the Company's website (https://diatreme.com.au/media/video-and-interviews/).

During the quarter the Company made payments for Directors' remuneration totalling $74,333.

The Company's cash position as at 31 December 2021 totalled $6.5 million.

This announcement was authorised for release by the Board.

Neil McIntyre
Chief Executive Officer

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MINERAL SANDS AND SILICA - COMPETENT PERSON STATEMENTS

The information in this report that relates to Mineral Resources at the Cape Bedford Project (including the Galalar Silica Project) is based on information compiled by Bryce Mutton from Ausrocks Pty Ltd who has significant experience in Industrial Minerals and Quarry Resource assessments.

Bryce Mutton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). Bryce Mutton consents to the inclusion in the report on the matters based on their information in the form and context in which it appears.

The information in this report that relates to Exploration Results and Exploration targets from the Cape Bedford Project is based on information reviewed and compiled by Mr. Neil Mackenzie-Forbes, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr. Mackenzie-Forbes is a director of Sebrof Projects Pty Ltd (a consultant geologist to Diatreme Resources Limited). Mr. Mackenzie-Forbes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Mackenzie-Forbes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report, insofar as it relates to Mineral Resources at the Cyclone Project is based on information compiled by Mr Ian Reudavey, who was a full time employee of Diatreme Resources Limited and a Member of the Australian Institute of Geoscientists. Mr Reudavey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of 'The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Reudavey consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report, insofar as it relates to Ore Reserves at the Cyclone Project is based on information compiled by Mr Phil McMurtrie, who is a director of Tisana Pty Ltd (a consultant to Diatreme Resources Limited), and a Member of the Australasian Institute of Mining and Metallurgy. Mr McMurtrie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of 'The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McMurtrie consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Forward looking statements: *This document may contain forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "indicate", "target", "anticipate", "forecast", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Indications of, and interpretations on, future expected exploration results or technical outcomes, production, earnings, financial position and performance are also forward-looking statements. The forward-looking statements in this presentation are based on current interpretations, expectations, estimates, assumptions, forecasts and projections about Diatreme, Diatreme's projects and assets and the industry in which it operates as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. The forward-looking statements are subject to technical, business, economic, competitive, political and social uncertainties and contingencies and may involve known and unknown risks and uncertainties. The forward-looking statements may prove to be incorrect. Many known and unknown factors could cause actual events or results to differ materially from the estimated or anticipated events or results expressed or implied by any forward-looking statements. All forward-looking statements made in this presentation are qualified by the foregoing cautionary statements.*

Disclaimer: *Diatreme and its related bodies corporate, any of their directors, officers, employees, agents or contractors do not make any representation or warranty (either express or implied) as to the accuracy, correctness, completeness, adequacy, reliability or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. Diatreme and its related bodies corporate and each of their respective directors, officers, employees, agents and contractors disclaims, to the maximum extent permitted by law, all liability and responsibility for any direct or indirect loss or damage which may be suffered by any person (including because of fault or negligence or otherwise) through use or reliance on anything contained in or omitted from this presentation. Other than as required by law and the ASX Listing Rules, Diatreme disclaims any duty to update forward looking statements to reflect new developments.*

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APPENDIX 1

Appendix 1 provides information required under ASX listing rule 5.3.3 for mineral exploration entities.

Interest in mining tenements at end of quarter

State	Tenement Name	Tenement ID	Status	Location	Interest	Holder
WA	Cyclone	M 69/141	Granted	Eucla Basin	100%	LSPL
WA	Cyclone Extended	R 69/1	Granted	Eucla Basin	100%	DRX
QLD	Clermont	EPM 17968	Granted	Clermont	100%	CHAL
QLD	Cape Bedford	EPM 17795	Granted	Hopevale	100%	DRX
QLD	Cape Bedford	EPM 27265	Granted	Hopevale	100%	DRX
QLD	Cape Bedford	EPMA 27212 EPMA 27430	Applications	Hopevale	(Pending)	DRX
QLD	Cape Bedford	MLA 100235	Application	Hopevale	(Pending)	DRX
QLD	Cape Bedford	MLA 100285	Application	Hopevale	(Pending)	DRX

Beneficial percentage interests held in farm-in or farm-out agreements at end of quarter

State	Project Name	Agreement Type	Parties	Interest held at end of quarter by exploration entity or child	Comments
WA	Cyclone Zircon Project	Farm-out Heads of Agreement	LSPL and Perpetual Mining Holding Limited	94%	HoA announced Jan 2014, initial 6% farm-out completed 18 Sept 2014 – Subject to dilutionary non-contribution clauses.

Abbreviations:

M	Western Australia	Mining Lease	DRX	Diatreme Resources Limited
R	Western Australia	Retention Licence	CHAL	Chalcophile Resources Pty Ltd
EPM	Queensland	Exploration Permit for Minerals	LSPL	Lost Sands Pty Ltd
EPMA	Queensland	Exploration Permit for Minerals Application		
MLA	Queensland	Mining Lease Application		

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

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Name of entity

DIATREME RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
33 061 267 061	31 December 2021

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	3	15
1.2	Payments for		
	(a) exploration & evaluation		
	(b) development		
	(c) production		
	(d) staff costs	(214)	(801)
	(e) administration and corporate costs	(219)	(1,183)
1.3	Dividends received (see note 3)		
1.4	Interest received	0	9
1.5	Interest and other costs of finance paid	(28)	(193)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(458)**	**(2,153)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(21)	(203)
	(d) exploration & evaluation	(1,890)	(6,349)
	(e) investments		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)	-	(18)
2.6	**Net cash from / (used in) investing activities**	**(1,911)**	**(6,570)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,080
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	-	50
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(6)	(639)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(13)	(62)
3.10	**Net cash from / (used in) financing activities**	**(19)**	**9,429**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,882	5,788
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(458)	(2,153)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,911)	(6,570)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	19	9,429

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**6,494**	**6,494**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	6,494	8,882
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**6,494**	**8,882**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	74
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)	1,500	1,500
7.4	**Total financing facilities**	1,500	1,500

7.5	**Unused financing facilities available at quarter end**	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

$1.5M of ($3M) Convertible Note facility, originally due for repayment on 31 July 2018, extended to mature on 31 July 2020. Balance of $1.5M and all accrued interest up to 31 July 2018, has been converted into fully paid ordinary shares. (Refer Appendix 3B - 24 October 2018)

The Company subsequently executed an agreement to extend the maturity date of the $1,500,000 debt facility from 31 July 2020 to 30 November 2021 (Refer to ASX announcement 27 March 2020). The borrowings had a fixed interest rate of 7% p.a. On 19 August 2021, the Company announced to the ASX another agreement had been executed to extend further the maturity date of the $1,500,000 debt facility from 30 November 2021 to 30 November 2022, with an interest rate of 7.5% p.a. (Refer to ASX announcement 19 August 2021)

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(458)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,890)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,348)
8.4	Cash and cash equivalents at quarter end (item 4.6)	6,494
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	6,494
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	2.8

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

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8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: The Board of Diatreme Resources Ltd

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.