DIATREME Resources

ANNUAL REPORT 2021

AUSTRALIAN SANDS.
UNIVERSAL DEMAND.

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DIATREME Resources

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2021

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Corporate Directory

Directors

Wayne Swan,
Non-Executive Chairman

Gregory Starr,
Non-Executive Director

Michael Chapman,
Non-Executive Director

Cheng (William) Wang,
Non-Executive Director

Chief Executive Officer

Neil McIntyre

Chief Operating Officer

Peter Brown

Company Secretary

Tuan Do

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Share Registry

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Securities Exchange

Australian Securities Exchange
(ASX: DRX)

Auditors

William Buck (Qld)
Level 21, 307 Queen Street
Brisbane QLD 4000

CHAIRMAN'S REVIEW 2021

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Dear Shareholder

Diatreme is working to build long-term and sustainable operations and value within its minerals portfolio and the past year has shown enormous progress towards that vision.

Within the areas we operate we seek actively to work in partnership with the local community, to deliver genuinely sustainable and long-term economic benefits for all stakeholders.

Sustainable operations require strong protection of the environment in which we operate. Our flagship project will make a direct contribution to global decarbonisation through use of our product as a key element in the manufacture of solar panels.

With estimates that the Galalar project could produce sufficient silica during the life of the mine for some 3.2 billion solar panels, this could offset the emissions of more than 38 million average Australian households or 132 million vehicles.

These are facts that make me enormously proud to serve as your Chairman since my appointment in November 2021, having strived during my parliamentary career to enhance legal recognition and protection for Traditional Owners, as well as being a vocal advocate and supporter of Australia's clean energy future.

Successful Preliminary Feasibility Study (PFS)

Drawing upon some highlights of the past year, the standout was clearly November's pre-feasibility study (PFS) for Galalar, which showed the potential value from the North Queensland project.

Among the report's many highlights, it showed a projected post-tax net present value of $358 million, more than double the 2019 Scoping Study's estimate of $158 million. With an estimated Internal Rate of Return of 66%, this will be a highly profitable project, delivering life of mine revenue of over $2.5 billion.

Initial capital expenditure was estimated at $60.1 million, with payback within just 1.4 years during its estimated 23.5 year mine life.

Importantly for the Hope Vale/Cooktown region, Galalar is expected to become a significant regional employer, directly employing 82 workers, of which more than 40% are expected to be from the local community. Diatreme will be working to further improve the percentage of local workers through active education and training programs.

With an estimated contribution to the local economy of more than $800 million through wages, royalties and taxes, the project's impact cannot be underestimated in a region of high unemployment.

Combined with the PFS, Diatreme also announced a maiden Mineral Reserve estimate for Galalar of 32 million tonnes, sufficient for an estimated 18 years of initial operations.

Expanded Silica Resource

The potential for a long-term operation at Galalar has continued to rise, with Diatreme announcing continued increases in its estimated high-grade silica resource.

In March, Galalar's silica resource estimate increased 30% to 61.9 million tonnes (Mt), with a high purity in-situ SiO2 grade averaging 99.24%. In September, the resource estimate expanded again following further exploration, increasing by 22% to 75.5 Mt, again with a high purity grade averaging 99.16%.

Yet Diatreme has discovered even more high-grade silica resources closer to Cape Flattery, home to the world's largest silica sand mine.

Following drilling undertaken in November 2021, in March 2022 Diatreme announced a combined resource for the Galalar and new Si2 North Project of nearly 200 million tonnes of high-grade silica. The Si2 North Project is estimated to contain 124 Mt of high-grade silica (99.33%), and significantly remains open to the south-east with considerable scope for further resource expansion.

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With potential for even more resources from our new Northern Regional Project area, Diatreme now has the prospect of having two silica sand operations, delivering even more benefits to all stakeholders.

Having such a large resource base in a stable and ESG-compliant jurisdiction such as Australia is a highly strategic and valuable asset, particularly amid the increasing demand from the booming solar PV industry.

Export Solution

Diatreme has long stated our preference to export the Galalar product from a small scale barge ramp with dual use for the community at Nob Point, to ensure minimal community and environmental impacts. In June, this was formalised with the lodging of a Mining Lease Application (Infrastructure) for the Nob Point Barge Ramp (NPBR), Hopevale Community boat ramp and transport area to facilitate the export of high purity silica sand.

The NPBR option has been strongly backed by local stakeholders, including Native Title holders directly affected by Galalar's development, compared to the alternative Scoping Study option of road transport and barging via Cooktown.

Also in June, Diatreme announced the execution of a Memorandum of Co-operation with Hopevale Congress Aboriginal Corporation, together with the Thiithaar and Gamaay People, who have established a negotiation committee of Native Title holders.

The parties to the agreement stressed that Nob Point is their preferred export solution and are working together towards favourable approval outcomes with the various State and Commonwealth regulatory agencies. Diatreme is also advancing a Mining Project Agreement, including Native Title consents for mine development and a detailed Cultural Heritage Management Plan for mine activities.

Project Pipeline

While our high-grade silica sand resource in North Queensland continues to expand, Diatreme is also focused on extracting value from our other projects.

In August 2021, Diatreme announced the farm-out of the Clermont Copper-Gold Project to Metallica Minerals (ASX: MLM), an agreement which will deliver benefits to both parties. Metallica is required to spend a minimum of $300,000 to earn a 25% interest in the Central Queensland project, with further milestones agreed together with a 1% Net Smelter Royalty.

Subsequently, in October 2021 Metallica requested an extension to the initial expenditure stage, which was agreed and extended to 29 April 2022. Metallica announced plans to drill there during the first quarter 2022, subject to weather conditions, with the results pending.

Elsewhere, zircon prices have continued to increase, with a number of recent merger and acquisition (M&A) deals highlighting the potential value of our Cyclone Zircon Project in Western Australia.

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While progress of has been slower than expected due to COVID-19 restrictions on travel, discussions have continued with a range of interested parties, with Diatreme seeking an investment partner to unlock value from the shovel-ready project.

Given the current state of the zircon and titanium market, the lack of high-grade zircon supply and rising demand, Cyclone's potential remains excellent, and the company remains focussed on ensuring appropriate value is passed back to Company for the benefit of all shareholders.

Personnel Changes

Diatreme has continued to revitalise its Board and senior management over the past year in preparation for our evolution from explorer to developer.

In February 2021, Diatreme strengthened our senior management team with the appointment of experienced geologist and mining executive Peter Brown as Chief Operating Officer. With more than three decades' experience both in Australia and internationally in senior project management roles, Mr Brown is playing a key role in ensuring the timely delivery of permitting and other approvals for Galalar.

Additionally, our Hopevale office is open and staffed full time with Diatreme's community engagement, exploration and project management personnel as we actively engage on ground and strive to advance progressively and carefully through to eventual mining activity.

Finally, I would like to thank our shareholders for their strong support during the past year, despite considerable global geopolitical and economic instability. This loyalty was shown by our successful $10 million placement to strategic, sophisticated, and professional investors in September 2021, with our largest shareholder, Ilwella Pty Ltd, subscribing for $3.5 million.

I also wish to thank all our employees, consultants, contractors, suppliers and other partners for your support for Diatreme. Such support is vital for an emerging company, and I am grateful for your efforts.

Global momentum towards decarbonisation continues to accelerate and solar energy is showing no sign of a slowdown. This year is expected to see a new record of more than 200 gigawatts of solar capacity installed globally, with analysts BloombergNEF predicting this to increase further to 334 gigawatts by 2030.

With this demand growth and constrained supply, our high-quality silica sand and its uses have an extremely bright future.

Yours sincerely

Wayne Swan
Chairman

COMPANY OVERVIEW

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Diatreme Resources Limited (ASX code: DRX) is an emerging Australian producer of mineral and silica sands based in Brisbane, Queensland.

Our key projects comprise the Galalar Silica Project and the emerging Si2 North Project, located near the world's biggest silica sand mine at Cape Flattery in Far North Queensland.

Also in Queensland, the Clermont Copper-Gold Project is subject to a farm-out with Metallica Minerals (ASX:MLM).

In Western Australia, the 'shovel-ready' Cyclone Zircon Project is considered one of a handful of major zircon-rich discoveries of the past decade and is poised for development, sale or joint venture.

Diatreme has an experienced Board and management, with expertise across all stages of project exploration, mine development and project financing together with strong community engagement skills.

Diatreme's silica sand resources will contribute to global decarbonisation by providing the necessary high-grade silica for use in the solar PV industry.

The Company has a strong focus on ESG, working closely with Traditional Owners and all other key stakeholders to ensure the long-term sustainability of our operations, including health, safety and environmental stewardship.

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2021 HIGHLIGHTS

Successful Galalar PFS

Galalar Silica Project's pre-feasibility study projects post-tax NPV of $358 million, IRR of 66% and LOM revenue of $2.5 billion

Maiden Galalar Mineral Reserve

Maiden Mineral Reserve estimate for Galalar project of 32 million tonnes, sufficient for 18 years of initial operations

Expanded silica resources

Galalar's high-grade silica resource expands to 75.5 million tonnes; combined with new Si2 North Project gives Diatreme total resource of around 200 Mt

Investor backing

Successful $10 million placement to strategic, sophisticated and professional investors, with largest shareholder, Ilwella subscribing for $3.5M in vote of confidence in Diatreme

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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Our Mission

To become a world-class producer of high purity silica, evolving as a lead participant in delivering new economy mineral products and technology, which contributes to a process of domestic and global decarbonisation.

Our Strategy

Diatreme is committed to realising the full potential of our mineral and silica sand assets while integrating the highest sustainable development practices in all areas of our work.

We are committed to respecting the rights and interests of all stakeholders and maintain close relationships with them to understand and manage the environmental, economic and social impacts of our activities.

Diatreme's activities are being developed in collaboration with Traditional Owners. Hope Vale Congress Aboriginal Corporation is the RNTBC entity, representing the interests of Native Title holders. Key to our success is to maintain and continuously improve our social and environmental licenses to operate.

Diversity and Inclusion

Diatreme is establishing a culture that recognises and embraces all people as individuals, empowering people to celebrate what makes them different.

We foster an environment of mutual learning, respect, dignity and openness to other cultures and an appreciation of other perspectives whilst promoting equal opportunity to contribute to business success and lead by example without unconscious bias.

Our Values

We work together to create a zero-harm workplace and to protect the natural environment and heritage in which we operate. We recognise the unique place in our history and culture and the importance of respecting and embracing Indigenous knowledge, culture and talent. We show respect and consideration to all people.

Collective **Responsibility**

We live our values with transparency and consistency. We value strength of character, honesty and courage to lead, and act guided by a strong moral code of behaviour.

Act with **Integrity**

Deliver **Excellence**

We deliver excellence by being accountable and innovative. We demonstrate professionalism and best practice in every aspect of our work, seeking to maximise every opportunity to fulfil our mission.

We value diversity and inclusion and embrace and encourage people with different ideas, strengths, interests and cultural backgrounds to support growth and innovation.

Diversity and **Inclusion**

DEVELOPING OUR ENVIRONMENT, SOCIAL & GOVERNANCE (ESG) STRATEGY

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Sustainability

"Development that meets the needs of the present without compromising the wellbeing of future generations"

– World Commissions on Environment and Development, 1987

In the coming months and years ahead, we will build on our current activities and plans and implement a reporting strategy to align with the United Nations Global Impact (UNGC) and the Global Reporting Index (GRI) Standards.

Our approach to ESG includes adhering to high standards of integrity, fostering a respectful, diverse and inclusive workplace, creating inclusive and positive practices, taking action to protect the environment, and provide opportunity to communities in the areas we operate.

Sustainability Strategy Roadmap

STAGE 1:
2021-22

Evaluation, data management and Strategy refinement

- Initial actions to establish benchmark
- implement management plans
- review existing policies

STAGE 2:
2023-24

Evaluation and Strategy Implementation

- establish baseline metrics
- set up new policies where required
- commence UNGC, GRI and S&P global reporting
- improve assessment, monitoring and data management

STAGE 3:
2024-2030

Impactful action and data-led direction

- use improved data to refine action plans and set ambitious, attainable targets to align with UNGC targets
- manage and reassess material issues and stakeholder priorities to ensure continued relevance

OUR ESG STRATEGY AT A GLANCE

PLANET

- Great Barrier Reef 2050 Plan alignment
- GHG reduction inhouse and suppliers
- Low Carbon business model
- Seagrass and coral health monitoring

GOVERNANCE

- ESG Roadmap
- Target Zero incidents of bribery
- Diversity on the Board
- Whistleblower Protections

PEOPLE

- Target 60% Indigenous employees
- Access to education for all
- Women support programs
- Ensure wages provide a decent standard of living

PROFIT

- Employment of 110 in construction and 82 in operations (excluding contractors and consultants)
- Life of mine contribution of more than $800m to local economy in wages, royalties and taxes
- Progressive renewable solar power to supply operation
- Supply solar energy market with essential commodity for panel manufacturing

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HEALTH & SAFETY

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Our Vision is to build a sustainable mining business leading in health, safety, environmental stewardship and community engagements.

This will be achieved by the integration of a HSEC culture through engaged leadership and involvement of our workforce that sustains excellence in the continual improvement of our performance. The health and safety of our people is governed by our Strategic Plan and we continually strive to better our performance

Diatreme is transitioning from an explorer to a developer and is in the process of implementing an integrated, multifaceted approach to managing health and safety. This will strengthen site systems in conjunction to aligning Leadership-Project disciplines in compliance to relevant legislation.

The lead time to project development provides an opportunity to evolve safety-training systems at an early stage, prior to onboarding personnel. Diatreme will progressively develop a system which defines a standard of expected behaviour, introduces learned safety protocols and actions, defines approaches for interaction with Indigenous workmates and promotes mentoring along with training. Early engagement will also lead to participation and personnel becoming the champions of safety, rather than seeking or requiring frequent management oversight.

Diatreme corporate policies, standards, ESG strategy and reporting requirement will be aligned and communicated at the exploration-operational sites. Initiatives which have already been instigated include:

- Over-arching policy development
- Procedure and standards development
- Environment, Social and Governance roadmap
- Safety System upgrade
- Environmental System development
- Onboarding and induction platform
- Pre-employment medicals

OUR ESG STRATEGY AT A GLANCE

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Diatreme: doing things differently to achieve optimal results for people, planet, and stakeholders.

Under the terms of its Mining Project Agreement (MPA) Diatreme engages with appointed Indigenous Liaison Committee members and Liaison Officers. Hope Vale Congress and Hope Vale Shire Council are also consulted on stakeholder matters.

Headline Programs

- Native Title Holder Training and Employment Plan (TEP)
- Futures for home ownership planning
- School student awareness tours
- Community open days at GSSP
- Support measures in the Native Title Group Business Development Plan (NTGBDP), including the delivery of services in environmental management, monitoring, and rehabilitation
- Establishment and support to Indigenous Labour and Enterprise Solution (ILES)
- Support NTG businesses to network with Indigenous business organisations and Cooktown Chamber of Commerce
- Support through engagement of local Cooktown businesses.

ILES

Diatreme is proposing to establish an Indigenous Labour and Enterprise Solution (ILES) an incorporated entity that will assist regionally in meeting and exceeding indigenous employment targets. The ILES will bring together an experienced Indigenous Employment and Business Development company with the Native Title Steering Committee to:

- Facilitate desired levels of employment and training for Hope Vale Aboriginal people at GSSP
- Support Diatreme to provide initial employment and training opportunities to a high number of individuals via workforce solutions (labour hire)
- Increase distribution of employment benefits throughout the community as GSSP transitions through operational ramp-up and early mine life.
- Improve retention of expenditures on goods and services in Hopevale - agency investment in community
- Ensure service delivery promotes GSSP efficiencies and profitability
- Identify individuals with aspirations of being retained in the business over the longer term, inclusive of upskilling training to facilitate career progression and tertiary education.
- Support Hopevale-focused Indigenous enterprise development

The opportunity exists for the ILES to expand and deliver a staffing pipeline to mining and other businesses regionally.

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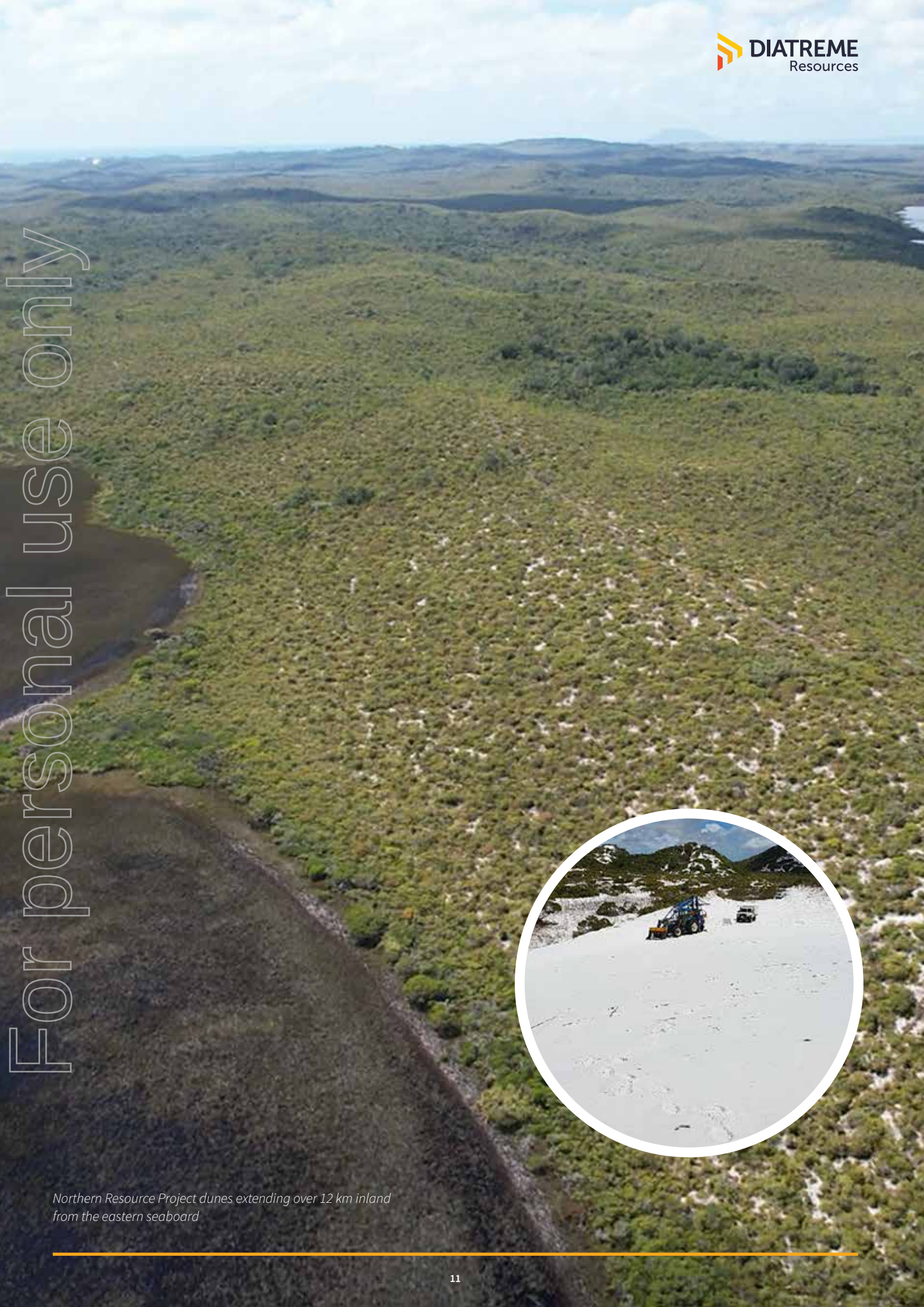

Northern Resource Project dunes extending over 12 km inland from the eastern seaboard

Directors' Report

The Directors present their report on Diatreme Resources Limited ("Diatreme" or "the Company") and its subsidiaries (the "Group") for the year ended 31 December 2021.

DIRECTORS

The following persons were directors of Diatreme Resources Limited during the whole year and up to the date of this report, unless otherwise stated:

Wayne Swan (appointed 2 November 2021)
Gregory Starr
Cheng (William) Wang
Michael Chapman
Yufeng (Daniel) Zhuang (resigned 31 October 2021)

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was exploration and project development activities in its mineral/silica sands tenements in Australia. There were no changes in the nature of the Group's principal activities during the year.

DIVIDENDS

No dividend has been paid since the end of the previous year and the Directors do not recommend the payment of any dividend for the year ended 31 December 2021.

REVIEW OF OPERATIONS

Overview

During 2021, Diatreme continued to deliver significant milestones for its Galalar Silica Project in North Queensland, together with progressing the development of the 'shovel-ready' Cyclone Zircon Project in Western Australia, and the Clermont Copper-Gold Project.

A significant key milestone was achieved with the release in November 2021 of a Maiden ore reserve estimate (JORC 2012) delivered at 32 Mt, along with the Preliminary Feasibility Study (PFS) results for the Galalar Silica Project. The results showed a post-tax net present value NPV of $358 million, (vs Scoping Study of $158 million), Internal Rate of Return (IRR) of 66% and Life of Mine (LOM) net revenue of A$2.5 billion.

Concurrently, the Company continued to engage in detailed discussions concerning the Cyclone Zircon Project with a range of potential project participants, seeking potentially a sale, joint venture or earn-in partner. Ultimately, Diatreme aims to assemble an optimum mix of commercial parties into binding agreements that will facilitate the project's development and get a suitable commercial outcome for Diatreme.

The Company also received further strong support from investors and current major shareholders when it completed a $10 million placement, to fund the Galalar project's development and provide general working capital.

Major Activities

Key operational highlights, in chronological order during the year in review include:

- 17 March – Galalar silica resource expands 30% to 61.9 million tonnes, up 30% on the previous estimate, with a high purity in-situ SiO2 grade averaging 99.24%

- 8 April – Industry specialist Mineral Technologies appointed to undertake final metallurgical testwork for Galalar project's definitive feasibility study; positive initial results announced on 22 April, showing raw feed

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silica sand is highly amenable to the removal of contaminants such as heavy minerals and iron by simple screening and the use of spirals, improving the product's specifications and marketability

- 19 May – Memorandum of Understanding (MOU) signed with Jiangxi Kangjia New Material Technology Co for supply of 250,000 tonnes per annum of photovoltaic-grade silica product from the Galalar Silica Project; potential for further offtake volume post-start up, subject to mutual agreement

- 10 June – Mining Lease Application lodged for Nob Point export solution; co-operation agreement also signed with Hopevale Congress Aboriginal Corporation RNTBC (registered native title body corporate) and Native Title holders, confirming mutually desired mine and marine infrastructure development exporting product via Nob Point

- 5 August – Farm-out of Clermont Copper-Gold Project agreed with Metallica Minerals (ASX:MLM), with Metallica to spend a minimum of $300,000 to earn a 25% interest in the project located in Central Queensland, with further milestones agreed together with a 1% NSR royalty

- 6 September - $10 million placement to strategic, sophisticated and professional investors, to fund development of flagship Galalar project; largest shareholder Ilwella Pty Ltd subscribes for $3.5 million

- 20 September – Galalar silica resource expands by 22% to 75.5 Mt; high purity in-situ SiO2 grade with average of 99.16%

- 3 November – Former Australian Deputy Prime Minister and Treasurer, Wayne Swan appointed as Non-Executive Director and Chairman, in significant boost to Diatreme's Board and stakeholder relationships; former Chairman, Greg Starr to remain on Board as a Non-Executive Director

- 9 November – Pre-Feasibility Study released for Galalar project, showing a projected post-tax NPV of $358 million (compared to Scoping Study's $158 million), IRR of 66% and LOM net revenue of $2.5 billion; initial capex of $60.1 million, payback within 1.4 years; Maiden ore reserve estimate of 32 Mt, sufficient for an estimated 18 years of initial operations.

Galalar Silica Sand Project (North Queensland)

- On 19 February 2021, Diatreme appointed globally experienced mining executive, Peter Brown as Chief Operating Officer, to drive the development of the Galalar project.

- On 17 March 2021, Diatreme announced a 30% increase in the project's total Mineral Resource, to an estimated 61.9 Mt at 99.24% silicon dioxide. Significantly, this marked the third resource update delivered for the project in just over one year, showing Galalar's long-term growth potential.

- On 8 April 2021, Diatreme announced it had engaged industry specialist Mineral Technologies (MT) to undertake final metallurgical testwork for the Galalar project's definitive feasibility study (DFS). The objective was to develop a process flowsheet using the physical mineral separation processes of screening, gravity, attritioning, classification and magnetic separation to produce a high purity, low iron silica product with a target grade of 99.9% SiO2 and =<100ppm Fe2O3.

- On 22 April 2021, Diatreme announced positive first phase results from the initial testwork. Results demonstrated the raw feed silica sand is highly amenable to the removal of contaminants such as heavy minerals and iron by simple screening and use of spirals, improving the product's specifications and marketability.

- On 19 May 2021, Diatreme announced the signing of a Memorandum of Understanding (MOU) for offtake with Jiangxi Kangjia New Material Technology Co., Ltd for the supply of 250,000 tpa of photovoltaic grade (=<100ppm Fe2O3) silica product at mine start-up, with potential for further offtake volume post start-up, subject to mutual agreement.

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- On 10 June 2021, the Company lodged a Mining Lease Application (Infrastructure) encompassing the associated Nob Point Barge Ramp (NPBR), Hopevale Community boat ramp and temporary stockpile area to facilitate the export of high purity silica sand. Diatreme also signed a co-operation agreement with Hopevale Congress Aboriginal Corporation RNTBC and Native Title holders, confirmed the mutually desired mine and marine infrastructure development plan exporting via Nob Point.

- During August 2021, Diatreme announced that mineral resource drilling, totalling 94 holes for over 1,262m, had boosted confidence in the silica sand resource. Drilling intersected between 5m – 35m depths of silica sand, indicating a dune extension of approximately 1km to the north-west from the existing Galalar resource within the mining lease boundary.

- On 18 August 2021, Diatreme announced the commencement of an on ground, low impact exploration program using hand auger drilling. The northern exploration program near the Cape Flattery mine had four primary targets located within exceptionally large sand dune systems, with the scope to host significant amounts of high purity silica sand.

- On 20 September 2021, Diatreme announced another increase in the resource, with a 22% increase from 61.9 Mt to 75.5 Mt at an average grade of 99.18% silicon dioxide.

Galalar Silica Sand Project – Preliminary Feasibility Study (PFS)

A major milestone was achieved for the Galalar project with the announcement on 9 November 2021 of a Preliminary Feasibility Study (PFS) and maiden ore reserve estimate (JORC 2012).

The PFS showed positive financial outcomes for the project, including a post-tax net present value (NPV_8) of $358 million (compared to the Scoping Study's estimated $158 million), an Internal Rate of Return (IRR) of 66% and Life of Mine (LOM) net revenue of A$2.5 billion, initial capex of A$60.1 million was estimated, a payback period of just 1.4 years.

Other improvements on the project's original Scoping Study (refer ASX announcement 9 September 2019) included 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 designated Port area) 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.

Northern exploration

On 28 September, Diatreme 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. Samples taken during a preliminary exploration program in 2019 returned assay results of >99% SiO2, indicating a potentially large and significant high-purity silica occurrence. Due to the proximity of the northern exploration targets to Cape Flattery, there are potential export and logistical advantages for these targets.

Cyclone Zircon Project

Diatreme continued discussions during the year with potential project participants with the aim of maximising shareholder value through a sale/joint venture or earn-in for the Cyclone Zircon Project.

Constrained supply of high-grade zircon and solid demand underpin the project's fundamentals, with recent announcements by zircon producers indicating rising prices and a growing structural supply deficit. Market pricing continues to trend upward for zircon and titanium minerals.

Cyclone's principal products of zircon and titanium remain linked to economic and construction activity generally and have significant uses in renewables (wind, solar, nuclear, batteries) which remain an important priority in increasingly decarbonised world economies.

Clermont Copper-Gold Project

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).

Under the agreement, Metallica was to spend a minimum of $300,000 before 29 April 2022 to earn a 25% interest in the project. Metallica may spend an additional $700,000 no later than 12 months after 29 April 2022 to earn an additional 26% interest; after spending this amount, Metallica has the right to sole fund the first $1 million of JV expenditure to earn an additional 24% interest.

Should Diatreme and Metallica make the decision to mine, Diatreme will be granted a 1% NSR royalty.

Situated near Clermont, Central Queensland, the project is prospective for porphyry and stratabound bulk tonnage copper/gold deposits along with mesothermal gold deposits. The project area covers numerous prospects, including the Rosevale Project and the historic Peak Downs copper mine.

Corporate

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 placement was well supported by new strategic, sophisticated and professional investors and existing shareholders, with leading Australian financial services company Euroz Hartleys Limited acting as Sole Lead Manager.

Enhancing the Company's financing strategy, on 19 August the Company announced the early extension of an existing $1.5 million debt facility. The convertible note facility with a debt component was first announced to the ASX on 19 May 2015 and the debt component was due for repayment on 30 November 2021, however this date has now been extended to 30 November 2022. The only change was a small increase in the applicable interest rate, to 7.5% from 7%, payable quarterly in arrears.

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.

Former Chairman, Greg Starr will continue to serve on Diatreme's Board as a Non-Executive Director.

Diatreme previously announced on 1 November the resignation of Yufeng (Daniel) Zhuang as a Non-Executive Director. A longstanding director of the Company, Mr Zhuang was appointed in August 2013.

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Directors' Report

OPERATING RESULTS

The net loss of the Group for the financial year ended 31 December 2021 was $2,149,567 (2020: loss of $1,041,547).

During the year the Group utilised its cash resources to undertake exploration and evaluation activities within its tenement portfolio, with 98% expenditure on Galalar and 2% on Cyclone. The Group monitors cash flow requirements for operational, exploration and evaluation expenditure and will continue to use capital market issues to satisfy anticipated funding requirements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report.

EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since the end of the reporting date that has significantly affect, or may affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS

The Group intends to continue its exploration activities on its existing projects, and progress development of the Galalar Silica project and other silica projects within its tenements and further advance or dispose of the Cyclone Heavy Minerals project.

The Company continues to actively monitor government directions for the potential impact of COVID-19 on its operations and the jurisdictions in which it operates. The pandemic has created heightened business risk and capital markets are particularly affected in the short term. The Company and management have instigated active risk management protocols to deal with these issues as they arise.

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Directors' Report

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INFORMATION ON DIRECTORS

Name:	Wayne Swan
Title:	Non-Executive Chairman (Appointed on 2 November 2021)
Experience:	Mr Swan was appointed a Non-Executive Director and Chairman in November 2021. 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. Since retiring from Parliament 2019, he has served as national president of the Australian Labor Party, Director of Stanwell Corporation, and Chairman (incoming) of CBUS (Australia's leading superannuation fund for the building, construction, and allied industries.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of audit committee
Interests in shares:	None
Interests in options:	None

Name:	Gregory Starr
Title:	Non-Executive Director (Resigned as Chairman on 2 November 2021)
Qualifications:	B Bus, CPA
Experience:	Mr Starr is a highly experienced corporate leader in the resources sector, with over 25 years of executive management experience across several Australian and international companies. This includes roles as Chief Executive Officer of Pulse Markets Pty Ltd, Executive Director of BIR Financial Limited, Managing Director of Crater Gold Mining Company Limited (ASX), President and Director of Kenai Resources Limited (TSX), Chief Executive Officer of Golden China Resources (TSX) and Managing Director of Emperor Mines Limited.
Other current directorships:	BIR Financial Limited Azure Health Technology Limited
Former directorships (last 3 years):	None
Special responsibilities:	Chair of audit committee
Interests in shares:	None
Interests in options:	10,000,000 options

Name:	Cheng (William) Wang
Title:	Non-Executive Director
Qualifications:	MBA
Experience:	Mr Wang has held senior management positions in several major Chinese state-owned companies, with his most recent role being in charge of an international commodities trading arm with group assets exceeding $1.5 billion. Having worked across most provinces in China and understanding Chinese politics and government systems, he has developed wide business connections within China. Now domiciled in Australia, he has over recent years been active with Australian companies including directorships with China Century Capital Limited, Jupiter Mines Limited, and Gulf Alumina Limited.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of remuneration committee
Interests in shares:	6,267,255 ordinary shares (held indirectly)
Interests in options:	10,000,000 options

Directors' Report

Name:	Michael Chapman
Title:	Non-Executive Director
Qualifications:	NSW Open Cut Coal Mine Managers Certificate QLD Metaliferous Mine Managers Certificate
Experience:	Mr Chapman was appointed a Non-Executive Director in August 2020. He is an experienced mining engineer with more than 40 years' experience in the development, engineering, construction and management of open-cut and underground mining projects in Australia and internationally. Mr Chapman recently served as the Chief Operating Officer of White Energy Company (ASX: WEC), following a similar role at Felix Resources, with previous employment at a range of operations across Australia and Indonesia and in commodities spanning coal, iron ore, copper and nickel.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of remuneration committee
Interests in shares:	None
Interests in options:	10,000,000 options

COMPANY SECRETARY

Tuan Do – B Comm., CA

Mr Do is a Chartered Accountant with extensive corporate experience in a diverse range of industries, including coal and gold mining companies. This experience has involved all areas of financial reporting, treasury management, capital raisings, mergers and acquisitions, and establishment of systems and procedures. He has a degree in Commerce & Business Administration and is a member of Chartered Accountants Australia and New Zealand.

MEETINGS OF DIRECTORS

The number of meetings of Directors held during the year ended 31 December 2021, and the number of meetings attended by each Director was as follows:

Name	**Board of Directors**		**Audit Committee**		**Remuneration Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Wayne Swan	1	1	-	-	-	-
Gregory Starr	6	6	2	2	1	1
Cheng (William) Wang	6	6	2	2	1	1
Michael Chapman	6	6	-	-	-	-
Yufeng (Daniel) Zhuang	5	3	2	-	-	-

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REMUNERATION REPORT - AUDITED

This remuneration report outlines the key management personnel remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the specified executives. For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives and secretaries of the Company and the Group.

The remuneration report is set out under the following main headings:

(a) Key management personnel
(b) Principles used to determine the nature and amount of remuneration
(c) Relationship of remuneration with Group performance
(d) Details of remuneration
(e) Employment contracts
(f) Share-based compensation
(g) Equity instruments held by key management personnel

(a) Key management personnel (KMP)

The Directors and other key management personnel of the Company during or since the end of the financial year were:

- Wayne Swan - Non-Executive Chairman (appointed 2 November 2021)
- Gregory Starr- Non-Executive Director
- Cheng (William) Wang - Non-Executive Director
- Michael Chapman - Non-Executive Director
- Yufeng (Daniel) Zhuang – Non-Executive Director (resigned 31 October 2021)
- Neil McIntyre - Chief Executive Officer
- Peter Brown - Chief Operating Officer (appointed 22 February 2021)
- Tuan Do - CFO & Company Secretary

(b) Principles used to determine the nature and amount of remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Non-Executive Directors
Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Director. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration Committee.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $300,000 per annum plus statutory superannuation.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- Base pay
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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The combination of these comprises the executive's total remuneration. Fixed remuneration, consisting of base salary, superannuation, are reviewed annually by the Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

(c) Relationship of remuneration with Group performance

The Directors consider that, as the Group is in an exploration phase of its development, it is not appropriate that remuneration for employees and Directors be linked to the financial performance of the Group. Once the Group enters a sustained production phase, this assessment may change accordingly.

	Unit	2017	2018	2019	2020	2021
Share price at year end	$/share	0.016	0.016	0.012	0.018	0.021
Market capitalisation	$	15,916,953	21,284,871	21,965,416	46,313,220	$63,288,069
Revenue	$	13,814	15,053	19,393	21,279	23,938
Total assets	$	14,441,405	17,214,636	19,881,539	25,622,323	33,135,877
Net loss after tax	$	1,418,526	2,749,202	1,373,529	1,041,547	2,149,567

(d) Details of remuneration

2021	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
Name	Cash salary & fees $	Cash Bonus $	Superannuation $	Long service leave $	Options $	Performance Rights $	Total $
Non-Executive Directors							
W Swan *	13,151	-	1,315	-	-	-	14,466
G Starr	62,175	-	6,055	-	52,749	-	120,979
W Wang	47,000	-	4,583	-	52,749	-	104,332
D Zhuang **	87,500	-	8,531	-	43,958	-	139,989
M Chapman	47,000	-	4,583	-	52,749	-	104,332
Other KMP							
N McIntyre	260,000	30,000	25,360	587	-	27,280	343,227
P Brown ***	186,958	-	18,310	-	-	22,733	227,993
T Do	161,250	-	15,722	1,157	-	-	178,129
Total	865,026	30,000	84,459	1,744	202,205	50,013	1,233,447

* Appointed 2 November 2021.

** Up until date of resignation as Director 31/10/21. Daniel Zhuang ceased to be a KMP upon his resignation as a director but continued his employment with the company as a special consultant.

*** From 22 February 2021 (date of appointment) to 31 December 2021.

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2020	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
Name	Cash salary & fees $	Annual leave payout $	Superannuation $	Long service leave $	Options $	Performance Rights $	Total $
Non-Executive Directors							
G Starr	65,000	-	6,175	-	-	-	71,175
W Wang	47,000	-	4,465	-	-	-	51,465
D Zhuang	105,000	-	9,975	-	-	-	114,975
M Chapman	19,583	-	1,860	-	-	-	21,443
Other KMP							
N McIntyre #	240,000	36,365	26,255	977	-	16,453	320,050
T Do	161,250	-	15,319	3,953	-	-	180,522
Total	637,833	36,365	64,049	4,930	-	16,453	759,630

Part of annual leave accrual owing to N McIntyre ($20,000) was converted to 2,000,000 shares under the October 2020 Share Purchase Plan offered to all shareholders.

The group also paid $48,735 (2020: $98,555) for specialist market and consultancy services from Fortune Corporation Australia Pty Limited, a director-related entity of W Wang.

(e) Employment contracts

Remuneration and other terms of employment for executives are formalised in employment contracts. Employment contracts are not of a fixed term. Employment contracts specify a range of notice periods.

(f) Share-based compensation

Shares

There were no shares issued to key management personnel as part of compensation during the year ended 31 December 2021.

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Options

Following approval by shareholders at the May 2021 AGM, the Company issued 10,000,000 Director Options, in 3 tranches, to each of the 4 Directors in office at that time. The Director Options were issued for nil cash consideration and as part remuneration for Director services provided by the Directors to the Company.

The fair value of the options granted in 2021 is estimated as at the date of grant using the Binomial valuation model taking into account the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Grant date	27 May 2021	27 May 2021	27 May 2021
Exercise price	$0.025	$0.030	$0.035
Maximum option life in years	5 years	5 years	5 years
Volatility	109.1%	109.1%	109.1%
Risk-free rate	0.67%	0.67%	0.67%
Dividend yield	0.0%	0.0%	0.0%
Trinomial steps	200	200	200
Exercise multiple	4	4	4
Employee exit rate	0.00%	0.00%	0.00%
Expiry date	27 May 2026	27 May 2026	27 May 2026
Vesting date	27 May 2022	27 May 2023	27 May 2024
Option Value	0.0144	0.0146	0.0147
Number of options	13,333,336	13,333,332	13,333,332

Performance Rights

Under an established Performance Rights Plan approved by shareholders at the 2018 AGM, the Chief Executive Officer (CEO), Mr McIntyre was issued 1,036,720 Performance Rights (of which 672,593 lapsed during the year) and Chief Operating Officer (COO) was issued 863,935 Performance Rights (of which 560,496 lapsed during the year) on 22 March 2021 subject to various vesting conditions. Mr McIntyre was also issued 5,833,333 Performance Rights on 24 May 2019 subject to various vesting conditions, of which 2,500,000 lapsed in 2020 and 3,333,333 lapsed in 2021.

The fair value of the performance rights granted in 2021 is estimated as at the date of grant using the Monte Carlo Simulation valuation model taking into account the following inputs:

	CEO		COO	
	Tranche 1	Tranche 2	Tranche 1	Tranche 2
Underlying price per share	$0.029 per share	$0.029 per share	$0.029 per share	$0.029 per share
Exercise price	zero	zero	zero	zero
Vesting date	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Expiry date	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Vesting period	1.4 years	0.9 years	1.4 years	0.9 years
Grant date	16 February 2021	16 February 2021	16 February 2021	16 February 2021
Risk-free rate	0.01%	0.04%	0.01%	0.04%
Volatility	101.1%	103.5%	101.1%	103.5%
Dividend Yield	0.00%	0.00%	0.00%	0.00%
Performance Right Value	$0.0288	$0.0290	$0.0288	$0.0290
No. of Performance Rights	260,455	776,265	217,045	646,890

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(g) Equity instruments held by KMP

Fully paid ordinary shares

Key Management Personnel	Balance at start of year	Issued as part of remuneration	Acquired/ (disposed)	Change due to resignation	Balance at end of the year
W Swan	-	-	-	-	-
G Starr	-	-	-	-	-
W Wang	6,267,255	-	-	-	6,267,255
D Zhuang	151,841,819	-	-	(151,841,819)	-
M Chapman	-	-	-	-	-
N McIntyre	8,032,998	-	1,970,000	-	10,002,998
P Brown	-	-	-	-	-
T Do	-	-	-	-	
Total	166,142,072	-	1,970,000	(151,841,819)	16,270,253

Share options

Key Management Personnel	Balance at the start of the year	Granted as remuneration	Exercised	Expired/forfeit	Change due to resignation	Balance at the end of the year
W Swan	-	-	-	-	-	-
G Starr	-	10,000,000	-	-	-	10,000,000
W Wang	-	10,000,000	-	-		10,000,000
D Zhuang	-	10,000,000	-	-	(10,000,000)	-
M Chapman	-	10,000,000	-	-	-	10,000,000
N McIntyre	-	-	-	-	-	-
P Brown	-	-	-	-	-	-
T Do	-	-	-	-	-	-
Total	-	40,000,000	-	-	(10,000,000)	30,000,000

Performance Rights

The following table details the number Performance Rights that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

Key Management Personnel	Balance at the start of the year	Granted as remuneration	Vested and converted to shares	Lapsed/expired as hurdle not achieved	Balance at the end of the year
W Swan	-	-	-	-	-
G Starr	-	-	-	-	-
W Wang	-	-	-	-	-
D Zhuang	-	-	-	-	-
M Chapman	-	-	-	-	-
N McIntyre	3,333,333	1,036,720	-	(4,005,926)	364,127
P Brown	-	863,935	-	(560,496)	303,439
T Do	-	-	-	-	-
Total	3,333,333	1,900,655	-	(4,566,422)	667,566

END OF AUDITED REMUNERATION REPORT

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SHARES UNDER OPTION

Unissued ordinary shares of the Company under option as at 31 December 2021 are as follows:

Issue date	Expiry date	Exercise price	Number under option	Type
5 February 2020	4 February 2022	2.0 cents	179,214,365	Unlisted
25 June 2021	27 May 2026	2.5 cents	13,333,336	Unlisted
25 June 2021	27 May 2026	3.0 cents	13,333,332	Unlisted
25 June 2021	27 May 2026	3.5 cents	13,333,332	Unlisted

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of the Company were issued during the year ended 31 December 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
5 February 2020	$0.02	24,275,000

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Directors' Report

NON-AUDIT SERVICES

William Buck (Qld), the Company's auditor, did not perform any other services in addition to their statutory audit duties.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Wayne Swan
Non-Executive Chairman

Brisbane, 24 March 2022

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William Buck

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF DIATREME RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2021, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck (Qld)
ABN 21 559 713 106

J A Latif
Director

Brisbane, 24 March 2022

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(WB007_2007)

PRAXITY

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for year ended 31 December 2021

	Note	2021 $	2020 $
Revenue	2	23,938	21,279
Other income	2	-	589,890
Total revenue and income		23,938	611,169
Employee benefit expenses		(858,249)	(704,454)
Depreciation expenses	2	(100,955)	(71,500)
Exploration expenditure written off	10	(17,420)	(26,715)
Share based payment expense	18	(198,908)	(16,453)
Other expenses	2	(887,127)	(659,434)
Finance costs		(110,846)	(174,160)
Total expenses		(2,173,505)	(1,652,716)
Loss before income tax		(2,149,567)	(1,041,547)
Income tax benefit	3	-	-
Net loss for the year		(2,149,567)	(1,041,547)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(2,149,567)	(1,041,547)

		Cents	Cents
Loss per share			
Basic earnings per share	4	(0.1)	(0.1)
Diluted earnings per share	4	(0.1)	(0.1)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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DIATREME Resources

Consolidated Statement of Financial Position
as at 31 December 2021

	Note	2021 $	2020 $
Current Assets			
Cash and cash equivalents	5	6,500,017	5,787,541
Trade and other receivables	6	161,491	96,636
Total Current Assets		6,661,508	5,844,177
Non-current Assets			
Property, plant and equipment	8	253,586	100,664
Right-of-use assets	9	87,520	22,091
Exploration and evaluation assets	10	26,094,898	19,594,526
Other assets	11	38,365	20,865
Total Non-current Assets		26,474,369	19,738,146
Total Assets		**33,135,877**	**25,622,323**
Current Liabilities			
Trade and other payables	12	712,703	717,906
Borrowings	13	1,518,125	1,603,658
Lease liabilities	14	57,877	31,483
Provisions	15	7,919	5,818
Total Current Liabilities		2,296,619	2,358,865
Non-current Liabilities			
Lease liabilities	14	31,820	-
Provisions	15	46,086	42,642
Total Non-current Liabilities		77,906	42,642
Total Liabilities		**2,374,525**	**2,401,507**
Net Assets		**30,761,347**	**23,220,816**
Equity			
Issued capital	16	76,964,871	67,473,677
Reserves	17	225,251	326,283
Accumulated losses		(46,428,775)	(44,579,144)
Total Equity		**30,761,347**	**23,220,816**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Note	Issued capital	Share-based payment reserve	Accumulated losses	Total
		$	$	$	$
At 1 January 2020		**60,640,184**	**309,830**	**(43,537,597)**	**17,412,417**
Total comprehensive income: Loss for the year		-	-	(1,041,547)	(1,041,547)
Transactions with owners in their capacity as owners:					
Shares issued		7,175,053	-	-	7,175,053
Share issue costs		(341,560)	-	-	(341,560)
Performance rights issued	18 (a)	-	16,453	-	16,453
Balance at 31 December 2020		**67,473,677**	**326,283**	**(44,579,144)**	**23,220,816**
At 1 January 2021		**67,473,677**	**326,283**	**(44,579,144)**	**23,220,816**
Total comprehensive income: Loss for the year		-	-	(2,149,567)	(2,149,567)
Transactions with owners in their capacity as owners:					
Shares issued		10,130,001	-	-	10,130,001
Share issue costs		(638,807)	-	-	(638,807)
Options and performance rights issued	18 (a)	-	267,437	-	267,437
Reverse portion relating to lapsed options and performance rights		-	(368,469)	299,936	(68,533)
Balance at 31 December 2021		**76,964,871**	**225,251**	**(46,428,775)**	**30,761,347**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of Cash Flows
for the year ended 31 December 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts in the course of operations		15,427	15,276
Payments to suppliers and employees		(1,978,451)	(1,336,772)
Interest received		8,511	6,003
Government grants & incentives		-	256,923
Finance costs		(192,743)	(81,950)
Net cash used in operating activities	5(a)	(2,147,256)	(1,140,520)
Cash flows from investing activities			
Payments for property, plant and equipment		(202,613)	(13,089)
Payments for exploration and evaluation assets		(6,349,234)	(3,089,188)
Proceeds from sale of investments	7	-	777,225
Payments for security deposits		(17,500)	(1,000)
Net cash used in investing activities		(6,569,347)	(2,326,052)
Cash flows from financing activities			
Proceeds from issue of shares		10,130,001	7,170,053
Payments for share issue costs		(638,807)	(341,560)
Repayment of lease liabilities		(62,115)	(61,500)
Net cash from financing activities		9,429,079	6,766,993
Net increase in cash and cash equivalents		712,476	3,300,421
Cash and cash equivalents at the beginning of the financial year		5,787,541	2,487,120
Cash and cash equivalents at the end of the financial year	5	6,500,017	5,787,541

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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1. Statement of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 24 March 2022.

(b) Basis of measurement

The Group financial statements have been prepared on the historical cost basis, except for financial assets which are measured at fair value through profit or loss.

(c) Functional and presentation currency

These Group financial statements are presented in Australian dollars, which is the Group's presentation and functional currency.

(d) Accounting policies

Accounting policies have been applied consistently by all of the Group's entities and to all periods presented in the consolidated financial statements. Specific significant accounting policies are described in the note to which they relate. The following accounting policy applies to the consolidated financial statements as a whole:

Good and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(e) Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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(f) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the year ended 31 December 2021 of $2,149,567 and a net cash outflow from operations of $2,147,256.

During the year ended 31 December 2021 the Group raised $10,130,001 (before costs) from private placement that was received overwhelmingly by existing shareholders.

The Group's ability to continue as a going concern and pay its debts as and when they fall due, is dependent upon the successful future raising of necessary funding through equity, successful exploration and subsequent exploitation of the Group's tenements, securing product offtake agreements for the Cyclone and Galalar Projects, and/or sale of non-core assets.

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional capital through debt or equity issues as and when the need to raise working capital arises.

The reliance on securing additional capital through debt or equity gives rise to the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of business.

The Directors believe that they will continue to be successful in securing additional funds through the issue of securities as and when required. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

(g) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options and performance rights is determined using either the Black Scholes or Monte Carlo Simulation Models taking into account the terms and conditions upon which the instruments were granted.

Exploration and evaluation assets:
The application of the Group's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale where activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

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2. Revenue, other income and expenses

	2021 $	2020 $
a) Revenue		
Interest	8,511	6,003
Rent	15,427	15,276
	23,938	21,279

Accounting policy: revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Interest revenue is recognised on a time proportion basis using the effective interest method.

b) Other income

Gain on fair value adjustment to borrowings	-	74,128
Government grants & incentives	-	256,721
Increase in fair value of financial assets (Note 7)	-	250,783
Other	-	8,258
	-	589,890

Accounting policy: Government grants & incentives

Government grants & incentives relating to costs are deferred and recognised as other income in the consolidated statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants & incentives are recognised when there is reasonable assurance that the conditions of the grant will be complied with and the grant will be received.

c) Depreciation

Plant and equipment	49,691	27,318
Right-of-use assets - buildings	51,264	44,182
	100,955	71,500

d) Other expenses

Professional fees	73,037	66,694
Short term lease payments	17,690	18,591
Listing and share registry expenses	111,778	87,051
Administration costs	684,622	487,098
	887,127	659,434

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3. Income Tax

	2021 $	2020 $
The prima facie tax on accounting loss differs from the income tax provided in the financial statements. The difference is reconciled as follows:		
Loss before income tax	(2,149,567)	(1,041,547)
Prima facie income tax benefit at 30% (2020: 26%)	(644,870)	(270,802)
Tax effect of amounts which are not deductible in calculating taxable income:		
Other	62,285	(20,520)
	(582,585)	(291,322)
Deferred tax assets not recognised	582,585	291,322
Total income tax benefit	-	-

(a) Tax losses

Unused tax losses	81,393,972	72,470,627
Potential tax effect at 30% (2020: 26.0%)	24,418,192	18,842,363

The Group has not recognised the deferred tax assets arising from unused tax losses in the financial statements, as at present, it is not considered probable that sufficient taxable amounts will be available in future periods with which to be offset.

Accounting policy: income tax

The income tax expense or benefit for the year is the tax payable on the taxable income based upon the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income are also recognised directly in other comprehensive income.

Tax consolidation legislation
The Company and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation.

Where applicable, each entity in the Group recognises its own current and deferred tax assets and liabilities. Amounts resulting from unused tax losses and tax credits are then immediately assumed by the parent entity. The current tax liability of each subsidiary entity is then also assumed by the parent entity.

The entities have also entered into a tax sharing and funding arrangement. Under the terms of this agreement, the wholly-owned entities reimburse the Company for any current income tax payable by the Company arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due.

In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by the Company.

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4. Loss per share

	2021 $	2020 $
Loss after income tax attributable to the owners of Diatreme Resources Limited	(2,149,567)	(1,041,547)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,704,811,930	2,002,119,113
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,704,811,930	2,002,119,113
	Cents	**Cents**
Basic earnings per share	(0.1)	(0.1)
Diluted earnings per share	(0.1)	(0.1)

Options are considered to be potential ordinary shares but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share.

Accounting policy: earnings/loss per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

5. Cash and cash equivalents

	2021 $	2020 $
Cash on hand	2,615	2,505
Cash at bank	6,497,402	1,285,036
Cash on deposit	-	4,500,000
	6,500,017	5,787,541

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a) Reconciliation on net profit/(loss) to net cash flows used in operating activities

	2021 $	2020 $
Loss for the year	(2,149,567)	(1,041,547)
Non-cash items		
Profit on sale of investments	-	(250,783)
Depreciation	100,955	71,500
Exploration expenditure written off	17,420	26,715
Share based payment expense	198,908	16,453
Interest expense for leases	3,636	5,353
Gain on fair value adjustment to borrowings	-	12,729
Annual leave payout via shares issue	-	20,000
Other non-cash item	-	(2,823)
Movements in operating assets and liabilities		
Decrease / (increase) in receivables	(64,855)	(49,957)
Decrease / (increase) in other assets	-	(5,233)
Increase / (decrease) in payables	(259,298)	45,285
Increase / (decrease) in provisions	5,545	11,788
Net cash used In operating activities	(2,147,256)	(1,140,520)

Accounting policy: cash and cash equivalents

Cash and cash equivalents comprise cash on hand, on-demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

6. Trade and other receivables

	2021 $	2020 $
Other receivables #	161,491	96,636
	161,491	96,636

Receivables do not contain impaired assets and are not past due.

Accounting policy: trade and other receivables

Trade and other receivables are recognised at nominal amount less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of receivables is assessed on an ongoing basis. An 'expected credit loss' (ECL) model is used to recognise an allowance. Impairment is measured using the lifetime ECL method.

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7. Financial Asset

Shares held in Carnaby Resources Limited (ASX: CNB):

	2021 $	2020 $
Opening balance	-	526,442
Revaluation	-	250,783
Proceeds from sale of 7,211,529 shares	-	(777,225)
Closing balance	-	-

Accounting policy: Financial asset

The CNB shares are stated at fair value.

AASB *13 Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
2) Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability;
3) Level 3 Inputs for the asset or liability that are not based on observable market data.

The CNB securities are traded in an active market, being the Australian Securities Exchange, and consequently they are measured as a Level 1 instrument on the fair value hierarchy. The quoted market price, used to determine the value of these securities is the bid price at balance date.

8. Property, plant & equipment

	Furniture and fittings $	Motor vehicles $	Plant and Equipment $	Total $
Year ended 31 December 2020				
Opening net book amount	2,462	40,200	72,231	114,893
Additions	-	-	13,089	13,089
Depreciation charge	(494)	(9,005)	(17,819)	(27,318)
Closing net book amount	1,968	31,195	67,501	100,664
At 31 December 2020				
Cost	134,723	144,150	1,079,348	1,358,221
Accumulated depreciation	(132,755)	(112,955)	(1,011,847)	(1,257,557)
Net book amount	1,968	31,195	67,501	100,664

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	Furniture and fittings	Motor vehicles	Plant and Equipment	Total
	$	$	$	$
Year ended 31 December 2021				
Opening net book amount	1,968	31,195	67,501	100,664
Additions	-	169,305	33,308	202,613
Depreciation charge	(394)	(28,748)	(20,549)	(49,691)
Closing net book amount	1,574	171,752	80,260	253,586
At 31 December 2021				
Cost	134,723	313,455	1,112,655	1,560,833
Accumulated depreciation	(133,149)	(141,703)	(1,032,395)	(1,307,247)
Net book amount	1,574	171,752	80,260	253,586

Accounting policy: property, plant and equipment

Property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments. Depreciation is calculated on a diminishing value basis. Estimates of remaining useful lives are made on a regular basis for all assets.

The depreciation rates used for each class of assets are as follows:

Furniture and fittings	20%
Motor vehicles	20%
Plant and equipment	20-40%

9. Right-of-use assets

	2021	2020
	$	$
Opening balance	22,091	66,273
Additions	116,693	-
Depreciation charge	(51,264)	(44,182)
Closing balance	87,520	22,091

The Company right-of-use assets consist of leases for its office expiring on 30 June 2023.

Accounting policy: Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

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10. Exploration and evaluation assets

	2021 $	2020 $
Exploration and evaluation assets – at cost less impairment	26,094,898	19,594,526
Opening balance	19,594,526	16,610,502
Costs capitalised during the year	6,517,792	3,010,739
Costs written off	(17,420)	(26,715)
Closing balance	26,094,898	19,594,526

Accounting policy: Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights to the tenure of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

At balance date the carrying amount of exploration and evaluation assets was $26,094,898 – significant proportions of $10,938,598 was attributable to the Group's Galalar Silica Sand Project and $14,363,552 to the Cyclone Zircon Project.

Farm-out Arrangement

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).

Under the agreement, Metallica was to spend a minimum of $300,000 before 29 April 2022 to earn a 25% interest in the project. Metallica may spend an additional $700,000 no later than 12 months after 29 April 2022 to earn an additional 26% interest; after spending this amount, Metallica has the right to sole fund the first $1 million of JV expenditure to earn an additional 24% interest.

Should Diatreme and Metallica make the decision to mine, Diatreme will be granted a 1% NSR royalty.

Accounting policy: impairment of non-financial assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

The carrying values of capitalised exploration and evaluation expenditure and property, plant and equipment are assessed for impairment when indicators of such impairment exist. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment.

11. Other non-current assets

	2021 $	2020 $
Rent guarantee deposit	13,365	13,365
Security deposits	25,000	7,500
	38,365	20,865

12. Trade, other payables and employee benefits

	2021 $	2020 $
Unsecured		
Trade payables	553,852	415,753
Other payables and accruals	49,604	244,490
Employee benefits	109,247	57,663
	712,703	717,906

Accounting policy: trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period and which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Accounting policy: employee benefits - Wages and Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

13. Borrowings

	2021 $	2020 $
Unsecured loan	1,518,125	1,603,658
Total borrowings	1,518,125	1,603,658
Current liability	1,518,125	1,603,658
	1,518,125	1,603,658

The original loan of $1.5 million had a revised maturity date of 31 July 2020 and an interest rate of 5.2%.

On March 2020, the Company announced an agreement had been executed to extend the maturity date of the $1.5 million debt facility from 31 July 2020 to 30 November 2021 (Refer to ASX announcement 27 March 2020) and the interest rate was increased to 7%. 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).

Accounting Policy: borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

14. Lease liabilities

	2021 $	2020 $
Current liability	57,877	31,483
Non-current liability	31,820	-
	89,697	31,483
The lease liabilities are presented as below:		
Opening balance	31,483	87,630
Additions	116,693	-
Payments recognised as financial cash outflow	(62,115)	(61,500)
Interest charges during the year	3,636	5,353
Closing balance	89,697	31,483

Accounting policy: lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

15. Provisions

	2021 $	2020 $
Current liabilities		
Long service leave	7,919	5,818
Non-current liabilities		
Long service leave	46,086	42,642

Accounting policy: employee benefits - Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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16. Issued Capital

	2021 $	2020 $
3,013,717,560 (Dec 2020: 2,572,956,646) ordinary shares	76,964,871	67,473,677

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	$
31 Dec 2019	Balance	1,830,451,346		60,640,184
3 Feb 2020 [1]	Shares issued	25,000,000	-	-
16 Oct [2]	Shares issued	463,862,800	0.010	4,638,628
12 Nov [2]	Shares issued	251,642,500	0.010	2,516,425
12 Nov [3]	Shares issued	2,000,000	0.010	20,000
	Shares issue costs	-		(341,560)
31 Dec 2020	Balance	2,572,956,646		67,473,677
16 Feb 2021 [4]	Shares issued	2,500,000	0.020	50,000
14 Sep [2]	Shares issued	438,260,914	0.023	10,080,001
	Shares issue costs	-		(638,807)
31 Dec 2021	Balance	3,013,717,560		76,964,871

[1] Rebate shares issued to Ilwella Pty Ltd. Approved at February 2020 GM.

[2] During both the 2020 and 2021 financial years the Company completed several placements to sophisticated and professional investors. A share purchase plan was also completed in November 2020.

[3] Shares issued to CEO as part of the share purchase plan completed in November 2020 from payout of portion of annual leave.

[4] Shares issued to a shareholder on exercise of options.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Accounting policy: issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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b) Share options

Expiry date	Exercise Price	Number at end of year 2021	2020
2 June 2021 (unlisted) [1]	$0.024	-	50,000,000
4 February 2022 (unlisted) [2]	$0.020	179,214,365	181,714,365
27 May 2026 (unlisted – Tranche 1) [3]	$0.025	13,333,336	-
27 May 2026 (unlisted – Tranche 2) [3]	$0.030	13,333,332	-
27 May 2026 (unlisted – Tranche 3) [3]	$0.035	13,333,332	-

[1] Unlisted options issued as consideration for portion of advisory fees provided by Hartleys in carrying out its April 2019 Placement.

[2] Unlisted options from the November 2019 Placement. Issued in February 2020 subsequent to shareholder approval at the February 2020 General Meeting

[3] 40,000,000 unlisted Director Options issued for nil cash consideration and as part remuneration for Director services and approved at the May 2021 AGM

Share options issued by the Company carry no rights to dividends and no voting rights. All options are exercisable for cash on a 1:1 basis.

Movement in unlisted share options	Number at end of year 2021	2020
Opening balance	231,714,365	50,000,000
Issued 5 February 2020 (subsequent to approval at 3 February 2020 GM)	-	181,714,365
Issued 25 June 2021 (subsequent to approval at 27 May 2021 AGM)	40,000,000	-
Exercised	(2,500,000)	-
Lapsed	(50,000,000)	-
Closing balance	219,214,365	231,714,365

17. Share-based payment reserve

	2021 $	2020 $
Opening balance	326,283	309,830
Options expense	210,996	-
Performance rights expense	56,441	16,453
Reverse amounts relating to expired options and performance rights	(368,469)	-
Closing balance	225,251	326,283

Nature and purpose of share-based payment reserve

The share-based payment reserve is used to recognise the fair value of options issued under the employee share option plan, options issued to the directors and options issued to broker as success fee for share placement, and performance rights issued to CEO and COO.

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18. Share-based payments

(a) Value of share-based payments in the financial statements

	2021 $	2020 $
Expensed:		
Incentive based payment to CEO & COO – performance rights	56,441	16,453
Payment to Directors for services – options	210,996	-
Reverse portions of performance rights that have lapsed	(68,529)	-
Recognised in statement of comprehensive income	198,908	16,453

The Group provides benefits in the form of share-based payment transactions as follows:

Type	Holder(s)	Services provided
Options	Brokers	Success fee for share placement
Performance rights	Chief Executive Officer (CEO)	Employment – incentive for various key performance indicators
Performance rights	Chief Operating Officer (COO)	Employment – incentive for various key performance indicators
Options	Directors	Employment – corporate governance

Grant Date	Holder(s)	Type	Number of instruments at 1 Jan 2021	Granted in current period	Lapsed in current period	Closing balance as at 31 Dec 2021
3 Jun 2019	Broker	Options	50,000,000	-	(50,000,000)	-
23 May 2019	CEO	Performance rights	3,333,333	-	(3,333,333)	-
16 Feb 2021	CEO and COO	Performance rights	-	1,900,655	(1,233,089)	667,566
27 May 2021	Directors	Options	-	40,000,000	-	40,000,000

(b) Accounting Policy: share-based payment transactions

Services are rendered in exchange for options and/or shares in the Company (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled.

(c) Summary of share-based payments

Options to a Broker (2019)
Following approval by shareholders at the May 2019 AGM, 50,000,000 unlisted options were issued to a broker on 3 June 2019 as success fee for share placement. All 50,000,000 options expired on 2 June 2021 without being exercised.

Options to Directors (2021)
Following approval by shareholders at the May 2021 AGM, the Company issued 10,000,000 Director Options, in 3 tranches, to each of the 4 Directors in office at that time. The Director Options were issued for nil cash consideration and as part remuneration for Director services provided by the Directors to the Company.

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Incentive based payment to CEO and COO – performance rights (2019 and 2021)
Under an established Performance Rights Plan approved by shareholders at the 2018 AGM, the Chief Executive Officer (CEO), Mr McIntyre was issued 1,036,720 Performance Rights (of which 672,593 lapsed during the year) and Chief Operating Officer (COO) was issued 863,935 Performance Rights (of which 560,496 lapsed during the year) on 22 March 2021 subject to various vesting conditions. Mr McIntyre was also issued 5,833,333 Performance Rights on 24 May 2019 subject to various vesting conditions, of which 2,500,000 lapsed in 2020 and 3,333,333 lapsed in 2021.

(d) Fair value of options

The fair value of the options granted in 2021 is estimated as at the date of grant using the Binomial valuation model taking into account the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Grant date	27 May 2021	27 May 2021	27 May 2021
Exercise price	$0.025	$0.030	$0.035
Maximum option life in years	5 years	5 years	5 years
Volatility	109.1%	109.1%	109.1%
Risk-free rate	0.67%	0.67%	0.67%
Dividend yield	0.0%	0.0%	0.0%
Trinomial steps	200	200	200
Exercise multiple	4	4	4
Employee exit rate	0.00%	0.00%	0.00%
Expiry date	27 May 2026	27 May 2026	27 May 2026
Vesting date	27 May 2022	27 May 2023	27 May 2024
Option Value	0.0144	0.0146	0.0147
Number of options	13,333,336	13,333,332	13,333,332

(e) Fair value of performance rights

The fair value of the performance rights granted in 2021 is estimated as at the date of grant using the Monte Carlo Simulation valuation model taking into account the following inputs:

	CEO		COO	
	Tranche 1	Tranche 2	Tranche 1	Tranche 2
Underlying price per share	$0.029 per share	$0.029 per share	$0.029 per share	$0.029 per share
Exercise price	zero	zero	zero	zero
Vesting date	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Expiry date	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Vesting period	1.4 years	0.9 years	1.4 years	0.9 years
Grant date	16 February 2021	16 February 2021	16 February 2021	16 February 2021
Risk-free rate	0.01%	0.04%	0.01%	0.04%
Volatility	101.1%	103.5%	101.1%	103.5%
Dividend Yield	0.00%	0.00%	0.00%	0.00%
Performance Right Value	$0.0288	$0.0290	$0.0288	$0.0290
No. of Performance Rights	260,455	776,265	217,045	646,890

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19. Financial instruments

The Group's principal financial instruments comprise cash, short-term deposits, trade payables and borrowings. The main purpose of these financial instruments is to fund the Group's operations.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Categories of financial instruments

	2021 $	2020 $
Financial assets		
Cash and cash equivalents	6,500,017	5,787,541
Trade and other receivables	161,491	96,636
Security and other deposits	38,365	20,865
Total financial assets	6,699,873	5,905,042

	2021 $	2020 $
Financial liabilities		
Trade and other payables	712,703	717,906
Borrowings	1,518,125	1,603,658
Lease liabilities	89,697	31,483
Total financial liabilities	2,320,525	2,353,047

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework which is summarised below:

(b) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. As an emerging explorer, the Group does not establish a return on capital. Capital management requires the maintenance of a strong cash balance to support ongoing exploration. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

(c) Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earning volatility on floating rate instruments. The Group does not have a formal policy in place to mitigate interest rate risks as the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

At balance date, the Group had the following financial assets which are interest bearing:

	2021 $	2020 $
Cash at bank	6,497,402	1,285,036
Cash on deposit	-	4,500,000
	6,497,402	5,785,036

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(d) Credit risk

Credit risk is the risk that a counter party will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

The Group manages any credit risk associated with its funds on deposit by ensuring that it only invests its funds with reputable financial institutions.

The Group manages any credit risk associated with its trade and other receivables by regular monitoring of exposures against the credit limits and monitoring of the financial stability of significant customers and counterparties.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities:

Consolidated	Carrying amount $	Contractual cash flow $	< 6 months $	6-12 months $	1-3 years $	> 3 years $
31 Dec 2020						
Trade and other payables	717,906	717,906	717,906	-	-	-
Borrowings	1,603,658	1,698,500	137,250	1,561,250	-	-
Lease liabilities	31,483	30,750	30,750	-	-	-
	2,353,047	2,447,156	885,906	1,561,250	-	-
31 Dec 2021						
Trade and other payables	712,703	712,703	712,703	-	-	-
Borrowings	1,518,125	1,630,625	74,375	1,556,250	-	-
Lease liabilities	89,697	95,350	31,366	31,992	31,992	-
	2,320,525	2,438,678	818,444	1,588,242	31,992	-

(f) Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their respective fair values.

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20. Interests in subsidiaries

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2021. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.
Set out below are details of the subsidiaries held directly by the Group:

Name of subsidiary	Country of Incorporation	Principal activity	Ownership Interest	
			2021	2020
Regional Exploration Management Pty Ltd	Australia	Logistical support	100%	100%
Chalcophile Resources Pty Ltd *	Australia	Metals exploration	100%	100%
Lost Sands Pty Ltd	Australia	Mineral sands exploration	100%	100%
Galalar Silica (Qld) Pty Ltd **	Australia	Dormant	100%	-

* This entity is 100% owned by Regional Exploration Management Pty Ltd.
** This entity was incorporated by Diatreme Resources Limited on 13 May 2021.

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21. Parent Entity Information

	2021 $	2020 $
Financial position		
Current assets	6,652,118	5,881,795
Non-current assets	29,067,703	22,106,659
Total assets	35,719,821	27,988,454
Current liabilities	2,278,398	2,161,613
Non-current liabilities	77,906	42,642
Total liabilities	2,356,304	2,204,255
Net assets	33,363,517	25,784,199
Shareholders' equity		
Contributed equity	76,964,871	67,473,677
Reserves	225,251	326,283
Accumulated losses	(43,826,605)	(42,015,761)
Total equity	33,363,517	25,784,199
Loss for the year	(2,110,785)	(1,025,603)
Total comprehensive loss for the year	(2,110,785)	(1,025,603)

Non-Current Assets
Non-current assets include $15,183,261 (2020: $14,758,202) of intercompany receivables balances with recoverability of the debt based on successful exploitation of various tenement sites.

Contingent Liabilities
The parent entity had no contingent liabilities at 31 December 2021 (2020: nil).

Contractual commitments
The parent entity had no contractual commitments for property, plant and equipment at 31 December 2021 (2020: nil).

Guarantees
The parent entity had no guarantees as 31 December 2021 (2020: nil).

22. Commitments

(a) Tenement expenditure commitments

So as to maintain current rights to tenure of exploration tenements, the Group will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These outlays (exploration expenditure and rent), which arise in relation to granted tenements, inclusive of tenement applications are as follows:

	2021 $	2020 $
Payable within 1 year	379,572	73,640
Payable between one and five years	1,782,708	1,291,822
	2,162,280	1,365,462

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The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished. In 2021 cash security bonds totalling $25,000 were held by the relevant governing authorities to ensure compliance with granted tenement conditions (2020: $7,500).

23. Contingent Liability

The Group does not have any contingent liability at 31 December 2021 (2020: Nil).

24. Financial reporting by segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The function of the chief operating decision maker is performed by the Board collectively.

The Group currently operates in one business segment and one geographical segment, namely explorer for heavy mineral sands, copper, and base metals in Australia. The revenues and results of this segment are those of the Group as a whole and are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

25. Related parties

(a) Parent entity

The ultimate parent entity in the Group is Diatreme Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 20.

(c) Key management personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2021.

	2021 $	2020 $
Short-term employee benefits	895,026	674,198
Post-employment benefits	84,459	64,049
Long-term benefits	1,744	4,930
Share-based payments	252,218	16,453
	1,233,447	759,630

(d) Transactions with related parties

The following transactions occurred with related parties:		
Payment for specialist market and consultancy services from Fortune Corporation Australia Pty Limited (director-related entity of William Wang).	48,735	98,555

26. Remuneration of auditors

William Buck (Qld)		
Audit and review of the financial statements	24,200	23,000

The auditors did not provide any other services.

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27. Events subsequent to balance date

No matter or circumstance has arisen since the end of the reporting date that has significantly affect, or may affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

28. New accounting standards and interpretations

At the date of authorisation of the financial report, certain Standards and Interpretations were on issue but not yet effective. These Standards and Interpretations have not been adopted in the preparation of the financial report for the year ended 31 December 2021. None of these Standards and Interpretations are expected to have significant effect on the consolidated financial statements of the Group.

The Group expects to first apply these Standards and Interpretations in the financial report of the Group relating to the annual reporting period beginning after the effective date of each pronouncement.

29. Corporate information

Diatreme Resources Limited is a public company listed on the Australian Securities Exchange (trading under the code DRX) and is incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Unit 8, 61 Holdsworth Street, Coorparoo QLD 4151.

The Company's most recent Corporate Governance Statement is available at: www.diatreme.com.au/company/corporate-governance

Directors' Declaration
for the year ended 31 December 2021

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1(a) to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Wayne Swan
Non-Executive Chairman

Brisbane, 24 March 2022

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William Buck

Diatreme Resources Limited

Independent auditor's report to the members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Diatreme Resources Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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William Buck

Material Uncertainty Related to Going Concern

We draw attention to Note 1(f) in the financial report, which indicates that the Group incurred a net loss after tax of $2,149,567 during the year ended 31 December 2021 and had net cash outflows from operations of $2,147,256. As stated in Note 1(f), these events or conditions, along with other matters as set forth in Note 1(f), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

CARRYING VALUE OF EXPLORATION AND EVALUATION ASSETS	
Area of focus **Refer also to note 10**	**How our audit addressed it**
Capitalised exploration and evaluation assets represent 79% of the Group's total assets. The carrying value of exploration and evaluation assets is impacted by the Group's ability, and intention, to continue to explore and evaluate these assets. The results of these activities then determine the extent to which it may or may not be commercially viable to develop and extract identified reserves. Due to the significance of this asset and the subjectivity involved in determining its carrying value and recoverable amount, this is a key audit matter.	Our audit procedures included: — A review of the directors' assessment of the criteria for the capitalisation of exploration and evaluation expenditure and their assessment of whether there are any indicators of impairment to capitalised costs; — Considering the Group's intention and ability to continue activities necessary to support a decision to develop the exploration and evaluation assets, which included an assessment of the Group's ability to fund such activities and a review of their future budgets; — Performing an assessment of whether any indicators of impairment existed in line with requirements of Australian Accounting Standards, including a review of the integrity of tenement title status and total commitments value; and — We assessed the adequacy of the Group's disclosures in respect of the carrying value of exploration and evaluation assets.

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Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

William Buck

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Diatreme Resources Limited, for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck (Qld)
ABN 21 559 713 106

Junaide Latif
Director

Brisbane, 24 March 2022

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Shareholder Information

As at 7 April 2022

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(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	701	152,747	0.01%
above 1,000 up to and including 5,000	257	704,782	0.02%
above 5,000 up to and including 10,000	173	1,454,541	0.05%
above 10,000 up to and including 100,000	1,217	58,618,470	1.93%
above 100,000	1,200	2,977,252,086	97.99%
Totals	**3,548**	**3,038,182,626**	**100.00%**

The number of security investors holding less than a marketable parcel on 7 April 2022 was 1,370 and they held 6,370,471 securities.

(b) Listing of 20 Largest Shareholders

Position	Name of shareholder	Number of shares held	% Issued Share Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	676,164,139	22.26%
2	DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT	196,872,355	6.48%
3	MR YUFENG ZHUANG	151,841,819	5.00%
4	2INVEST AG	130,434,783	4.29%
5	MS JIE WU	87,171,308	2.87%
6	MR ZHENBIN JIAN	82,000,000	2.70%
7	VW PTY LTD <VAN WELDEREN A/C>	66,000,001	2.17%
8	CHENXIA ZHOU	62,500,000	2.06%
9	MS LAI YOU	53,177,747	1.75%
10	MISS RUJING ZHUANG	41,666,667	1.37%
11	HONGMING ZHANG	40,000,000	1.32%
12	SHADBOLT FUTURE FUND (TOTTENHAM) PTY LTD	39,886,958	1.31%
13	MR STEPHEN JOHN RYAN	33,725,933	1.11%
14	ZHIXIN LI	30,500,000	1.00%
15	99WHM PTY LTD <MITCHELL FAM SUPER FUND A/C>	30,000,000	0.99%
16	IWATANI AUSTRALIA PTY LTD	23,500,000	0.77%
17	MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	20,164,214	0.66%
18	E J WATSON (MEDICAL) PTY LTD <THE E J WATSON MED S/F A/C>	20,000,000	0.66%
19	CAIFENG ZENG	16,666,667	0.55%
20	MACFORBES SUPER PTY LTD <KALEENTHA DEVELOP S/F A/C>	16,000,000	0.53%
	Total	**1,818,272,591**	**59.85%**

Shareholder Information
As at 7 April 2022

(c) Substantial shareholders

Name of substantial shareholder	Number of shares	%
ILWELLA PTY LTD	613,465,620	20.19%
DELPHI UNTERNEHMENSBERATUNG AG	348,307,138	11.46%
MR YUFENG ZHUANG	151,841,819	5.00%

(d) Unlisted Share Options

Number of holders	Exercise price	Expiry date	Number of Options
4	0.025	27 May 2026	13,333,336
4	0.030	27 May 2026	13,333,332
4	0.035	27 May 2026	13,333,332

(e) Unlisted Performance Rights

Number of holders	Expiry date	Number of Rights
2	30 June 2022	447,500

(f) Voting rights

The voting rights attached to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each shall have one vote.

Options do not carry voting rights.

Performance Rights do not carry voting rights.

(b) On-market Buy-back

There is no current on-market buy back

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Tenement Information

Current interests in tenements held by Diatreme Resources Limited and its subsidiary companies as at 7 April 2022 are tabled below.

State	Project	Tenement Name	Tenement ID	Area	Holder	Interest
WA	Cyclone	Cyclone	M69/141	1,558 ha	100%	LSPL
WA	Cyclone	Cyclone Extended	R69/1	1,227 ha	100%	DRX
QLD	Cape Bedford	Cape Bedford	EPM17795	552 km^2	100%	DRX
QLD	Cape Bedford	Cape Bedford	EPM27212	10 km^2	100%	DRX
QLD	Cape Bedford	Cape Bedford	EPM27265	33 km^2	100%	DRX
QLD	Cape Bedford	Cape Bedford	EPM27430	63 km^2	100%	DRX
QLD	Clermont	Clermont	EPM17968	252 km^2	100%	CHAL

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

Within the Cape Bedford tenement is the Nob Point silica resource, which was renamed as the "Galalar Silica Project", following consultations with traditional owners representative body the Hopevale Congress Aboriginal Corporation RNTBC (Congress) (refer ASX announcement 5 Dec 2018) and the primarily affected native title holders, the Thiithaarr Clan.

The Galalar Silica Project will be making an application for a Mining Licence which would cover approximately only 1% of the whole Cape Bedford tenement.

In 2017, Congress and the Company executed a Conduct & Compensation Agreement for the purposes of exploration activity, in which the Company gave a commitment to Congress to grant an equity interest (12.5% -free carry) to a suitable agreed nominee (from the affected native title holders) in the potential future mining Project. This interest is to be formally documented at the appropriate time

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Ore Reserves and Mineral Resources Information

Ore Reserves and Mineral Resources are estimated using all available geological, drill hole sample and assay data, including mineralogical sampling and analysis and test work on mineral recoveries and final product qualities. Reserve estimates are determined by the consideration of all "modifying factors" in accordance with the JORC Code including, but not limited to, product prices, mining costs, metallurgical recoveries, environmental constraints, project access, and approvals. Resource estimates are determined by consideration of geology, cut-off grades, mineralisation thickness, overburden ratios and consideration of the potential mining and extraction methods.

The information in relation to the Cyclone Project Ore Reserve was prepared and disclosed under the JORC Code 2012 and reported in an announcement to the Australian Securities Exchange (ASX) on 15 June 2016 "Cyclone Study Reaffirms Project Profitability". The Cyclone Ore Reserve estimate is based on the Mineral Resource that was separately reported in an announcement to the Australian Securities Exchange (ASX) on 27 April 2017 "Exploration Activities Report Quarter Ended 31 March 2017" and was prepared in accordance with the guidelines of the 2012 JORC Code.

The information in relation to the Galalar Project Mineral Resource estimate was reported in an announcement to the Australian Securities Exchange (ASX) on 10 January 2022 "Diatreme Discovers 2nd Major Regional High-Grade Silica Deposit". The Resource estimate was prepared in accordance with the guidelines of the 2012 JORC Code.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons as defined in the JORC Code. Each Competent Person has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity they were undertaking to qualify as a Competent Person as defined by the JORC Code.

Mr P McMurtrie MAusIMM is a director of Tisana Pty Ltd and a consultant to Diatreme Resources, Mr I Reudavey MAIG was a full-time employee of Diatreme Resources Limited, Mr B Mutton FAusIMM FAIG is a director of Brice Mutton & Associates Pty Ltd and Mr C Morandy is Managing Direstor of Ausrocks Pty Ltd. Mr McMurtrie, Mr Reudavey, Mr Mutton, and Mr Morandy consent to the inclusion in this report of this information in the form and context in which it appears.

The reported Mineral Resources and Ore Reserves are estimates which were current at 31 December 2021. All tonnes and grade information has been rounded and small differences may be present in the totals. All Mineral Resource information is inclusive of Ore Reserves. Mineral Resources are not additional to Ore Reserves.

Diatreme HM Ore Reserves at 31 December 2021

					HM Assemblage					
Project	**Ore Reserve Category**	**Ore Tonnes Millions**	**In-situ HM Tonnes Millions**	**HM Grade (%)**	**Zircon Grade (%)**	**Rutile Grade (%)**	**Leuco Grade (%)**	**HiTi Grade (%)**	**Alt Ilm Grade (%)**	**Si-TiOx Grade (%)**
Cyclone	Probable	138	3.52	2.6	28	3	7	23	13	22

Notes:

1. Cyclone Project is located in the Eucla Basin, Western Australia
2. Competent Person - Ore Reserves, P McMurtrie MAusIMM
3. Ore Reserves are included within Mineral Resources.
4. Mineral assemblage is reported as a percentage of in situ heavy mineral (HM) content.
5. Rutile comprises Ti-Oxides >95% TiO_2, Leuco (Leucoxene) comprises Ti-oxides 85 - 95% TiO_2, HiTi comprises Ti-oxides 70 - 85% TiO_2, Alt Ilm (Altered Ilmenite) comprises Ti-oxides <70% TiO_2, Si-TiOx (Siliceous Ti-oxide) comprises Ti-oxides with >10% silica in Ti minerals.

The information in relation to the Diatreme HM Ore Reserves is reported in compliance with the 2012 JORC Code, and the most recent update of Ore Reserves was announced to the Australian Securities Exchange (ASX) on 15 June 2016 "Cyclone Study Reaffirms Project Profitability".

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Ore Reserves and Mineral Resources Information

Diatreme HM Ore Reserves comparison 2020 to 2021

Project	Ore Reserve Category	2020 Ore Tonnes Millions	2020 HM Grade (%)	2020 In-situ HM Tonnes Millions	2021 Ore Tonnes Millions	2021 HM Grade (%)	2021 In-situ HM Tonnes Millions	In-situ HM Tonnes Millions Change
Cyclone	Probable		2.6	3.52	138	2.6	3.52	0.00

The annual review of HM Ore Reserves concluded that in the absence of new exploration data and following additional feasibility evaluation during 2021 the Diatreme HM Ore Reserve remained unchanged.

Diatreme HM Mineral Resources at 31 December 2021

					HM Assemblage					
Project	**Mineral Resource Category**	**Material Tonnes Millions**	**In-situ HM Tonnes Millions**	**HM Grade (%)**	**Zircon Grade (%)**	**Rutile Grade (%)**	**Leuco Grade (%)**	**HiTi Grade (%)**	**Alt Ilm Grade (%)**	**Si TiOx Grade (%)**
Cyclone	Measured	156	3.81	2.4	28	3	6	24	12	22
	Indicated	48	0.89	1.9	21	2	5	33	16	18
	Total	**203**	**4.70**	**2.3**	**27**	**3**	**6**	**26**	**13**	**21**

1. Cyclone Project is located in the Eucla Basin, Western Australia
2. Competent Person - Mineral Resources, I Reudavey MAIG
3. Mineral Resources are inclusive of Ore Reserves.
4. Rounding may generate small differences in totals.
5. Mineral assemblage is reported as a percentage of in situ heavy mineral content.
6. Rutile comprises Ti-oxides >95% TiO_2, Leuco (Leucoxene) comprises Ti-oxides 85 - 90% TiO_2, HiTi comprises Ti-oxides 70 - 85% TiO_2, Alt Ilm (Altered Ilmenite) comprises Ti-oxides <70% TiO_2, Si TiOx (Siliceous Ti-oxide) comprises Ti-oxides with >10% silica in Ti minerals.

The information in relation to the Diatreme HM Mineral Resource is reported in compliance with the 2012 JORC Code, and the most recent update of Mineral Resources was announced to the Australian Securities Exchange (ASX) on 27 April 2017 "Exploration Activities Report Quarter Ended 31 March 2017".

Diatreme HM Mineral Resource comparison 2020 to 2021

Project	Mineral Resource Category	2020 Material Tonnes Millions	2020 HM Grade (%)	2020 In-situ HM Tonnes Millions	2021 Material Tonnes Millions	2021 HM Grade (%)	2021 In-situ HM Tonnes Millions	In-situ HM Tonnes Change
Cyclone	Measured	156	2.4	3.81	156	2.4	3.81	**0.00**
	Indicated	48	1.9	0.89	48	1.9	0.89	**0.00**
	Total	**203**	**2.3**	**4.70**	**203**	**2.3**	**4.70**	**0.00**

The annual review of HM Mineral Resources concluded that in the absence of new exploration data and following additional feasibility evaluation during 2021 the Diatreme HM Mineral Resource remains unchanged.

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Ore Reserves and Mineral Resources Information

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Diatreme Silica Sand Ore Reserves at 31 December 2021

Project	Ore Reserve Category	Ore Tonnes Millions	Silica Grade (SiO_2%)
Galalar	Probable	32.53	99.20

Notes:
1. Galalar Project is located east of Hope Vale, Queensland
2. Competent Person - Ore Reserves, C Morandy MAusIMM
3. Ore Reserves are included within Mineral Resources.

The updated information in relation to the Diatreme Silica Sand Ore Reserves is reported in compliance with the 2012 JORC Code, and the most recent update of Ore Reserves was announced to the Australian Securities Exchange (ASX) on 9 November 2021 "Galalar Maiden Ore Reserve, PFS delivers substantial boost to new Silica Sand mine".

Diatreme Silica Sand Ore Reserves comparison 2020 to 2021

Project	Ore Reserve Category	2020 Ore Tonnes Millions	2020 SiO_2 Grade (%)	2021 Ore Tonnes Millions	2021 SiO_2 Grade (%)	In-situ Ore Tonnes Millions Change
Galalar	Probable	0.00	-	32.53	99.20	+32.53

The annual review of increased Galalar Silica Sand Ore Reserves by 32.53 million tonnes due to the addition of the maiden Ore Reserve estimate for the Galalar Project during 2021.

Diatreme Silica Sand Mineral Resources at 31 December 2021

Project	Mineral Resource Category	Material Tonnes Millions	Silica Grade (SiO_2%)
Galalar	Measured	43.12	99.21
	Indicated	23.12	99.16
	Inferred	9.22	99.10
	Total	**75.46**	**99.18**
Si2-North	Inferred	53.00	99.32
	Total	**53.00**	**99.32**
Total	Measured	43.12	99.21
	Indicated	23.12	99.16
	Inferred	62.22	99.29
	Total	**128.46**	**99.24**

1. Galalar Project is located 20km east of Hope Vale, Queensland
2. Competent Persons - Mineral Resources, B Mutton FAIG FAusIMM and C Morandy MAusIMM
3. Mineral Resource is the quantity of sand with a silica grade exceeding 98.5% SiO_2

The updated information in relation to the Galalar Mineral Resource was prepared and disclosed under the JORC Code 2012 and reported in an announcement to the Australian Securities Exchange (ASX) on 10 January 2022 "Diatreme Discovers 2nd Major Regional High-Grade Silica Deposit".

Ore Reserves and Mineral Resources Information

Diatreme Silica Sand Mineral Resource comparison 2020 to 2021

Project	Mineral Resource Category	2020 Material Tonnes Millions	2020 Silica Grade (SiO_2%)	2021 Material Tonnes Millions	2021 Silica Grade (SiO_2%)	In-situ Silica Sand Million tonnes Change
Galalar	Measured	30.89	99.28	43.12	99.21	+12.23
	Indicated	6.02	99.10	23.12	99.16	+17.10
	Inferred	10.59	>99.00	9.22	99.10	-1.37
	Total	**47.5**	**>99.19**	**75.46**	**99.18**	**+27.96**
Si2-North	Inferred	0.00	-	53.00	99.32	+53.00
	Total	**0.00**	**-**	**53.00**	**99.32**	**+53.00**
Total		**47.50**	**>99.19**	**128.46**	**99.24**	**+80.96**

The Galalar Mineral Resource increased by 27.96 million tonnes during 2021 due to additional exploration and Mineral Resource estimation for that project. A new project area (Si2-North) was explored during 2021 and an Inferred Mineral Resource of 53.0 million tonnes was estimated. The total Diatreme Silica Sand Mineral Resource estimate increased by 80.96 million tonnes during 2021.

Mineral Resource and Ore Reserve Governance

Mineral Resource and Ore Reserves are estimated by suitably qualified Diatreme personnel or consultants in accordance with the requirements of the JORC Code, using industry standard techniques and guidelines for the estimation and reporting of Ore Reserves and Mineral Resources.

All Mineral Resource and Ore Reserve estimates and supporting documentation are reviewed by a Competent Person employed or engaged by Diatreme. Ore Reserve estimates are prepared in conjunction with feasibility studies which consider all material factors. The Ore Reserves and Mineral Resources Statements included in the Annual Report have been reviewed by suitably qualified Competent Persons.

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