DIATREME Resources

DIATREME RESOURCES | ASX:DRX

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 December 2022

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ASX RELEASE

31 January 2023

Quarterly Activities Report

For the period ended 31 December 2022

This announcement was authorised for release by the Board.

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Chief Executive Officer

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Chairman

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CORPORATE

During the quarter

- Diatreme announced that global material solutions company, Sibelco, had completed its $11 million first tranche subscription for a 9.99% stake in newly incorporated joint venture, Cape Silica Holdings Pty Ltd. A second tranche investment of $24 million is expected within 12 months (Dec 2023).
- Diatreme announced it was reviewing an alternate export infrastructure pathway for the Galalar Silica Project, with potential to minimise marine disturbance and de-risk the approvals process.
- Diatreme announced the rollover of a $1.5 million debt facility, which has been extended from 30 November 2022 to 30 May 2024 on favourable terms.
- The Company made payments for Directors' remuneration totaling $61,051.

The Company's total cash and liquids position as at 31 December 2022 totalled $13.6m (not including $10.8m silica projects J/V project funding cash balance).

Noosa Mining Investor Conference November 2022

Diatreme presented at the November 2022 Noosa Mining Investor Conference, held from 9-11 November in Noosa, Qld.

The presentation is available on Diatreme's website.

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QUARTERLY HIGHLIGHTS

Galalar Silica Project & Northern Silica Project

- Global material solutions company, Sibelco completes $11 million first tranche investment in Cape Silica JV with second tranche of $24m committed for December 2023
- Revised export pathway identified for Galalar Silica Project, providing potential for enhanced permitting and approvals certainty while reducing marine impacts and transport costs
- **Post-quarter**: Drilling results increase potential for significant resource expansion at Northern Silica Project

Clermont Copper/ Gold Project

- Farm-out partner Metallica Minerals (ASX: MLM) planning further drilling in Q2 2023, subject to weather conditions

Cyclone Zircon Project

- Diatreme further advancing discussions with potential project partners, amid rising prices for critical minerals zircon and rutile and constrained supply

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COMING MARCH QUARTER 2023 ACTIVITIES

Diatreme's operational focus for the March quarter 2023 comprises the following:

Galalar Silica Sand Project (GSSP) and Northern Silica Project (NSP)

Northern Silica Project (NSP)

- Completion of further independent resource definition studies (potential to significantly expand the current resource).
- Planning for further bulk sampling and metallurgical testwork studies and commencement of relevant work programs.
- Further engagement with regulatory agencies, State and Federal regarding permitting and approvals process.
- Commencement of negotiations and planning for mining project agreement (MPA) with affected native title parties.
- Completion of early desk top project financial and logistics analysis (scoping study).
- Commence scoping and work programs for external specialist firms to undertake relevant EIS studies (water, flora & fauna, etc.).
- Continue advancement of discussions with Ports North and affected regional stakeholders on Cape Flattery port access and usage.
- Engagement with offtake parties in confirming silica product definition and market demand.

Galalar Silica Sand Project

- Further engagement with Hopevale Congress, affected native title holders and relevant regulatory/government agencies to advance project approvals and preferred logistics solution.
- Continue detailed project costs analysis for use in relevant economic studies.
- Continued engagement with offtake parties in confirming silica product definition and market demand.

Cyclone Zircon Project

- Advance discussions with potential partners for the project's development or divestment, amid rising demand and constrained supply of zircon and titanium products.

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GALALAR SILICA PROJECT, QLD

New export pathway

Diatreme's plans to develop high-grade silica sand mining operations in Far North Queensland advanced further during the December quarter.

On 16 September 2022, Diatreme announced the identification of an additional potential transport pathway for exports from the Galalar Silica Sand Project (GSSP), predominantly through its existing EPM 17795 to the Port of Cape Flattery. This would potentially provide enhanced permitting and approvals certainty, while also reducing marine impacts and transport (transhipment) costs.

The move followed the Company's signing of a Memorandum of Understanding (MOU) with government-owned corporation Far North Queensland Ports Corporation (Ports North), the relevant port authority for the Port of Cape Flattery, concerning planned silica exports from Diatreme's Northern Silica Project (NSP) (refer ASX announcement 18 August 2022).

Significantly, the new export corridor is consistent with the Sustainable Ports Development Act and Reef 2050 Plan as it confines marine barging and loading operations within existing port limits, which are excluded from the Great Barrier Reef Marine Park.

Investigation of the pipeline corridor alignment, the use of open access infrastructure at Cape Flattery Port and undertaking barging and shipping activities within the port limits will form part of further studies, including revised economics, environmental, project planning and other matters of practical implementation.

Diatreme is assessing in more detail the alternate northern product delivery route directly through to Cape Flattery port in order to provide greater certainty in the project's transition to development through the permitting and approvals process. Consistent with this, the Company requested the withdrawal of MLA 100285 with Queensland's Department of Resources, which encompassed road access and marine infrastructure (barge ramp) to an area known as "Nob Point".

The next steps for the GSSP may include the lodgement of a new Mining Lease (Infrastructure) application to facilitate the amended export corridor, based on a low disturbance, small diameter (300-500mm) pipeline.

Diatreme is also undertaking further discussions with the relevant State and Federal regulatory agencies to facilitate the GSSP project approval pathway, together with the revision of any required Galalar PFS or DFS studies, while continuing further rapid advancement of the Northern Silica Project in parallel with Galalar's development.

Note: *Recent results from Diatreme's exploration activities in the northern tenement area (Northern Silica Project) show potential for a significant resource upgrade to the existing resource base. Given that resource's proximity to existing marine infrastructure at the Port of Cape Flattery, Diatreme is actively examining its silica portfolio project development timelines and priorities to ensure its objectives of becoming a world class, long life, low cost producer of high purity "low iron" silica is achieved as efficiently as possible.*

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NORTHERN SILICA PROJECT (NSP)

Drilling results increase potential for resource expansion

Drilling results announced on 11 January 2023 for Diatreme's Northern Silica Project (NSP) have increased the potential for a significant resource expansion at the NSP, located near the Port of Cape Flattery.

Positive results from infill and step out drilling were reported for the Si2 deposit, confirming the continuity and quality of the dune system.

These results included:

- SI20019 - 40m @ 99.13% SiO_2
- SI20037 - 47m @ 99.26% SiO_2
- SI20042 - 50m @ 99.18% SiO_2

A complete list of results is available in the ASX announcement released on 11 January 2023.

Recent and pending results in the Point Lookout Track (PLT) area will build on previous exploration efforts to enable a north-west extension of the Si2 resource in coming months. The results have improved confidence in the NSP, raising the prospect of a significant upgrade to the mineral resource including quantum and confidence.

Diatreme is currently conducting a detailed scoping study, including economics and logistics of the Si2 dune system, which is expected in late Q1 2023.

Engagement with Traditional Owners and other members of the local community has continued to be at the forefront of Diatreme's exploration campaigns, with Diatreme working closely with Native Title representatives to ensure maximum community benefits while minimising environmental impacts.

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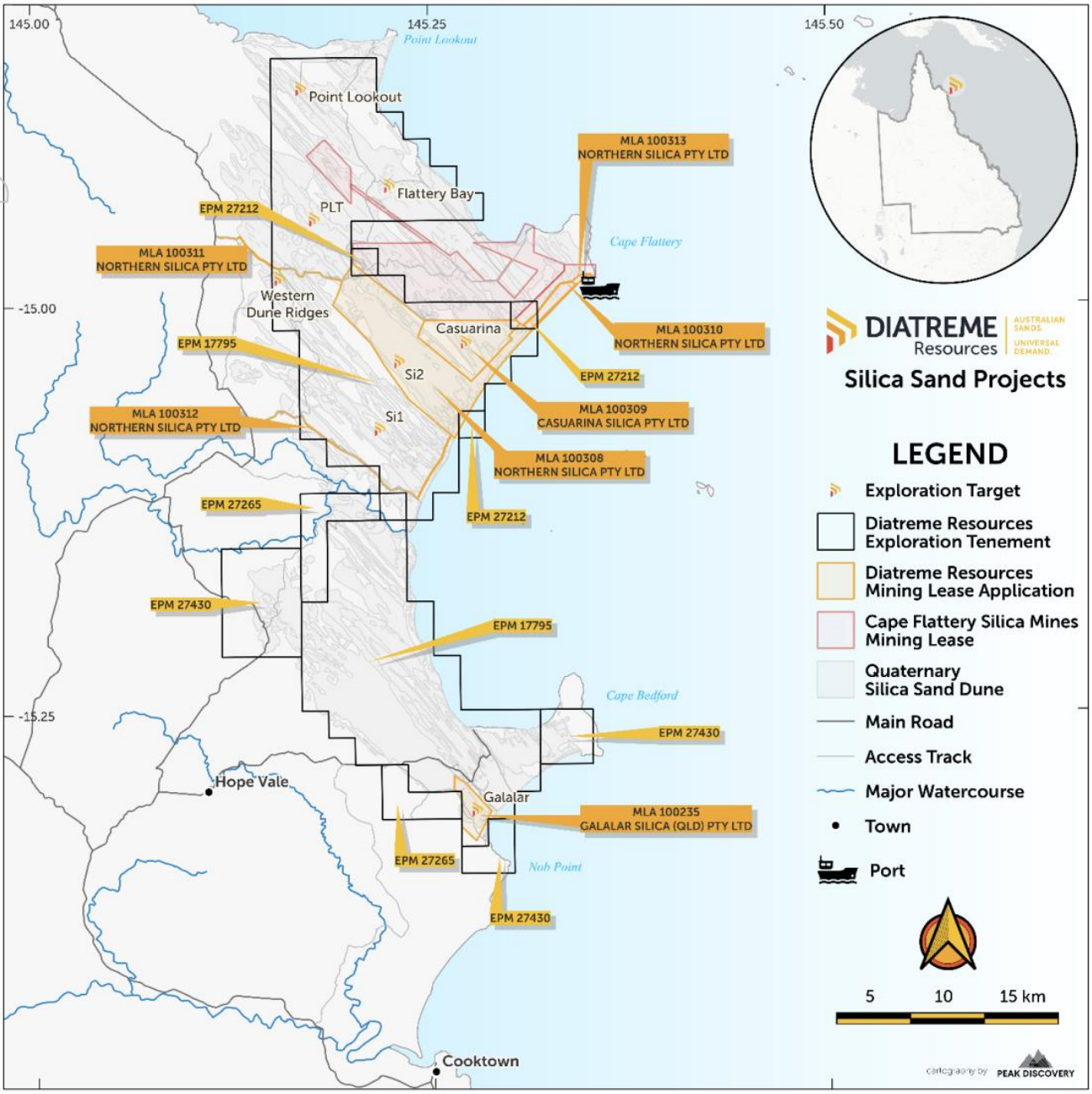

Figure 1: Diatreme Resources tenure

Casuarina drilling

The northern end of the Casuarina dune system is currently mined by Cape Flattery Silica Mines (CFSM), with Diatreme Resources holding the balance of this dune system. The current mining lease boundary was established over 50 years ago, when ML 2806 was applied for in 1970.

Preliminary hand auger drilling at the southern end of the dune system has produced average SiO_2 results similar to those of the high purity silica sand within the Si2 dune system.

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In line with Diatreme's environmental protocols, hand auguring is initially utilised to establish sand quality and continuity whilst minimising site disturbance, with access gained by walking to sites. Initial environmental surveys for air core drilling in the area are planned for 2023.

Historic drilling at the northern end of the target along the current CFSM lease boundary found sand dune thicknesses ranging from 15m to 48m, with an average of 28m. Drilling in 2023 will aim to confirm sand quality, dune thickness, and continuity across the Casuarina dune.

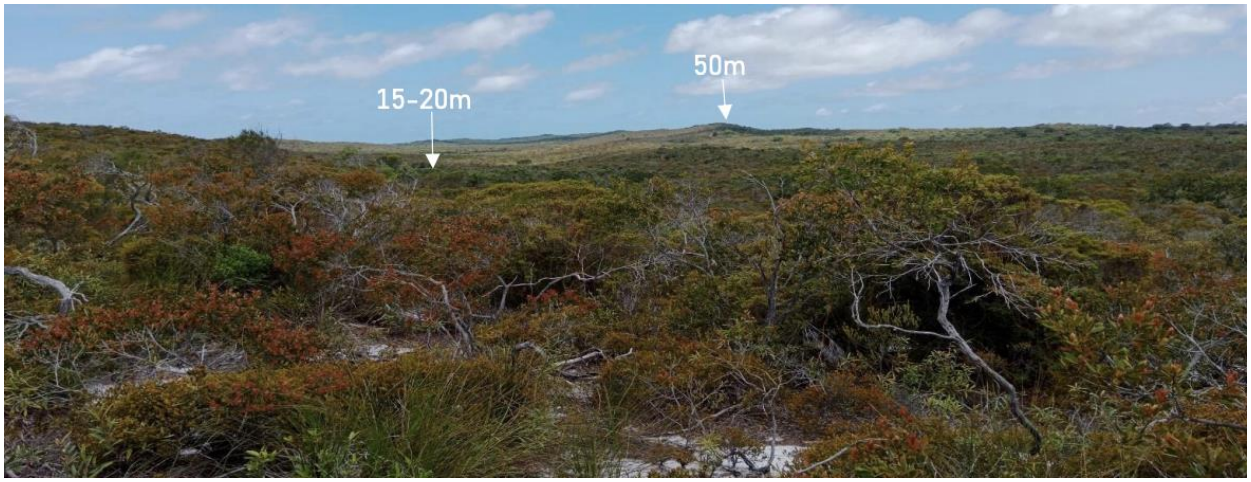

Figure 2: View to the south-east showing the undulating Si2 terrain and approximate thickness of dunes, with typical vegetation coverage. The field of view is approximately 3km wide.

Point Lookout Track & Western Dune Ridges exploration results

The PLT dune system consists of a series of smaller, older dunes to north-west of the Si2 dune system that have been remobilised into erratic dunes by more recent wind activity. Assay results from the final round of stepout drilling showed an average depth of 3.5m in 16 hand auger holes.

The remaining results for 89 hand auger holes are expected in late Q1 2023 and will be used to model the dunes and link the PLT area to the Si2 resource estimates.

Further drilling is planned for PLT in the coming months to link the Western Dune Ridges and expand north-west along the dominant dunes.

EPM 17795 renewal & 5-year exploration plan

The Hopevale Project comprises four exploration tenures covering 60km from Nob Point to Point Lookout, including Cape Bedford and Cape Flattery. Cooktown and Hope Vale provide a base for regional support for exploration efforts throughout the project area.

EPM 17795 "Cape Bedford" was recently renewed by Queensland's Department of Resources for a five-year term. Diatreme has been conducting extensive exploration programs and is required to relinquish 50% of the EPM by June 2026 under the renewal conditions (standard terms). The Company is using this ongoing exploration to assess the various dune systems and identify priority targets for resource evaluation.

In July 2022, Diatreme submitted two Mining Lease Applications and four Infrastructure MLAs covering the Si2 and Casuarina dune systems (refer ASX release 5 July 2022). The Company is committed to following its ESG

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principles and aligning with Australia's 2022 Critical Minerals Strategy, which recognises the importance of silica in reducing global carbon emissions.

The exploration reported follows the recent establishment of a high-grade silica sand resource at Si2 North (refer ASX release 17 March 2022), bringing Diatreme 's total resource to nearly 200 million tonnes of high-grade silica across Si2 North and GSSP.

Sibelco investment

The latest positive developments by Diatreme follow the announcement of a strategic partnership with global material solutions company, Sibelco (refer ASX release 27 June 2022). The two partners have agreed on a joint venture to develop the GSSP and Northern Silica Project, supported by a significant initial investment from Sibelco of $35 million, subject to regulatory approvals.

On 2 December 2022, Diatreme announced that Sibelco had completed its $11 million, first tranche investment in newly incorporated joint venture company, Cape Silica Holdings Pty Ltd. A second tranche investment of A$24 million is expected within 12 months (December 2023), subject to any right of deferral or termination under the subscription agreement. On completion of the second tranche investment, Sibelco will hold a 26.8% fully diluted interest in CSHPL.

The strategic partnership with Sibelco also includes a $13.97 million corporate strategic placement, which saw Sibelco become a significant shareholder in Diatreme with a 15% equity stake post-raising. The long-term joint venture also includes plans for joint product marketing, pursuit of onshore silica processing downstream opportunities and assistance in accessing project finance, benefitting from Sibelco's established global networks.

An initial works program and budget has been agreed between Diatreme and Sibelco for the joint venture through to December 2023, using funds from the first tranche investment to advance the silica projects through next step permitting, approvals and commercial studies.

Figure 3: View of the Northern Silica Project

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CLERMONT COPPER/GOLD PROJECT, QLD

The Clermont Copper/Gold Project continues to progress under a binding Memorandum of Understanding (MOU) with Metallica Minerals Limited (ASX: MLM).

On 29 April 2022, Metallica announced it had met the MOU's expenditure commitments to earn 25% of the project and had made the decision to move to the second stage, increasing its interest to 51% through spending an additional $700,000 on exploration prior to 27 April 2023.

Metallica has drilled two diamond holes at Clermont, RDD019 and RDD020, totalling 1,030.4m. The two holes were drilled to test a possible copper gold exploration target withing the Rosevale Porphyry Corridor.

Porphyry style alteration was intersected in both drill holes, with potassic and phyllic alteration observed in both and with the intensity of alteration increasing with depth. Sulphide mineralisation in the form of iron pyrite, chalcopyrite and molybdenum was also observed in the core removed from both holes.

On 13 July 2022, Metallica reported assay results for the two diamond drill holes. Anomalous copper was recorded in both drill holes, with grades ranging from 5ppm Cu to 1,840ppm Cu in hole RDD019 and 2ppm to 3,460ppm Cu in RDD020.

Molybdenum grades ranged from <1ppm Mo to 312 ppm Mo in RDD019 and from <1ppm Mo to 87ppm Mo in RDD020. Gold grades ranged from <0.01 to 0.11 Au in RDD019 and from <0.01 ppm Au to 1.75 g/t Au in RDD020.

The assay data showed a distinct increase in copper mineralisation with hole depth, with the highest copper assays recorded at the base of each hole. The same trend was also evident with silver assays in RDD020. The highest recorded gold assays occurred in the bottom 30m of RDD020, with the highest gold intercept of 2m @ 1.69 g/t Au recorded in hole RDD020 from 475m.

Geochemical modelling, especially of the tin and tungsten assays, indicated that both drill holes possibly intersected the porphyry immediately above or adjacent to the expected location of the more mineralised core.

Based on the results from the drilling program, Metallica plans further exploration, including petrological studies and a detailed analysis of the geochemical data to assist in vectoring into where a higher-grade copper rich zone may occur in the porphyry system; and a close spaced magnetic survey to gain a better understanding of the depth and morphology of the magnetic low anomaly.

Based on the results of the magnetic survey and geochemical analysis it is likely that one of the existing holes will be extended by an additional 500m to 1,000m to determine if the copper grades continue to increase with depth.

In its December 2022 quarterly report, Metallica announced additional drilling is planned for Q2 2023, depending on weather conditions.

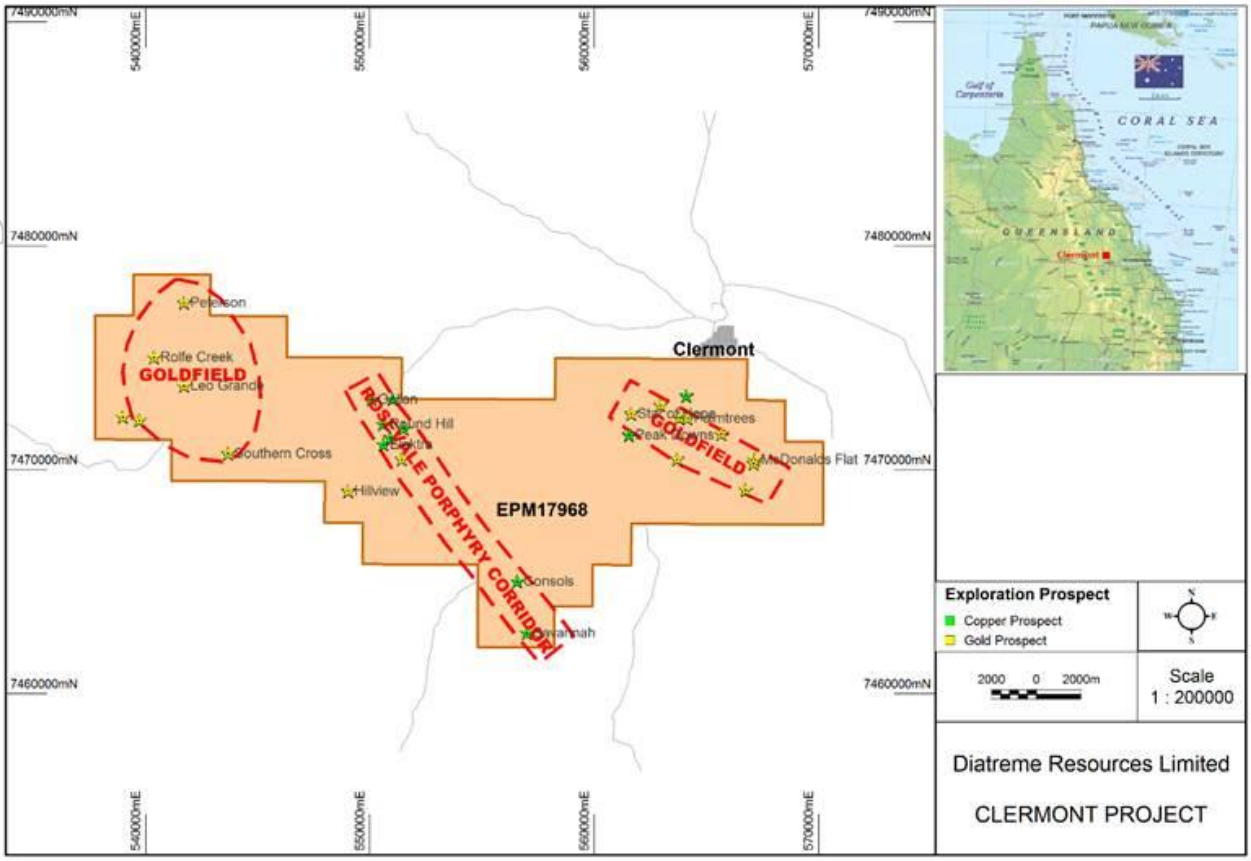

Figure 4: Clermont Copper/Gold Project

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CYCLONE ZIRCON PROJECT, WA

The Cyclone Zircon Project in Western Australia's Eucla Basin remains well positioned for development, given declining global supply, and growing demand for high-grade zircon.

Diatreme continues to advance discussions with potential development partners for Cyclone, with the aim of maximising benefits for shareholders.

Major producer Iluka Resources reported on 28 October 2022 a weighted average zircon price of US$2,038 per tonne in Q3 2022 for premium and standard sand, up 10% compared to H1 2022. Its Q4 2022 zircon sales volumes were fully contracted, with Iluka expected to maintain current prices for a further six months to provide stability to customers.

Iluka also reported a Q3 2022 rutile price of US$1,654/t, up 12% compared to Q2 2022, with all its rutile and synthetic rutile sold out for the remainder of the year.

Market analysts TZMI have projected a growing supply deficit for zircon through to 2035, with demand increasing by 2.5-3% year-on-year but production declining by an average of 5% per annum.

Similarly, global supply for rutile remains tight, with demand exceeding supply and potential supply from likely new projects.

These positive market dynamics support Diatreme's aim to maximise value from Cyclone by attracting a suitable investment partner to develop this shovel-ready project.

The Company will keep the market fully informed when talks potentially transition to a more formally documented process. Diatreme remains focused on securing appropriate value to the Company and shareholders for this important asset.

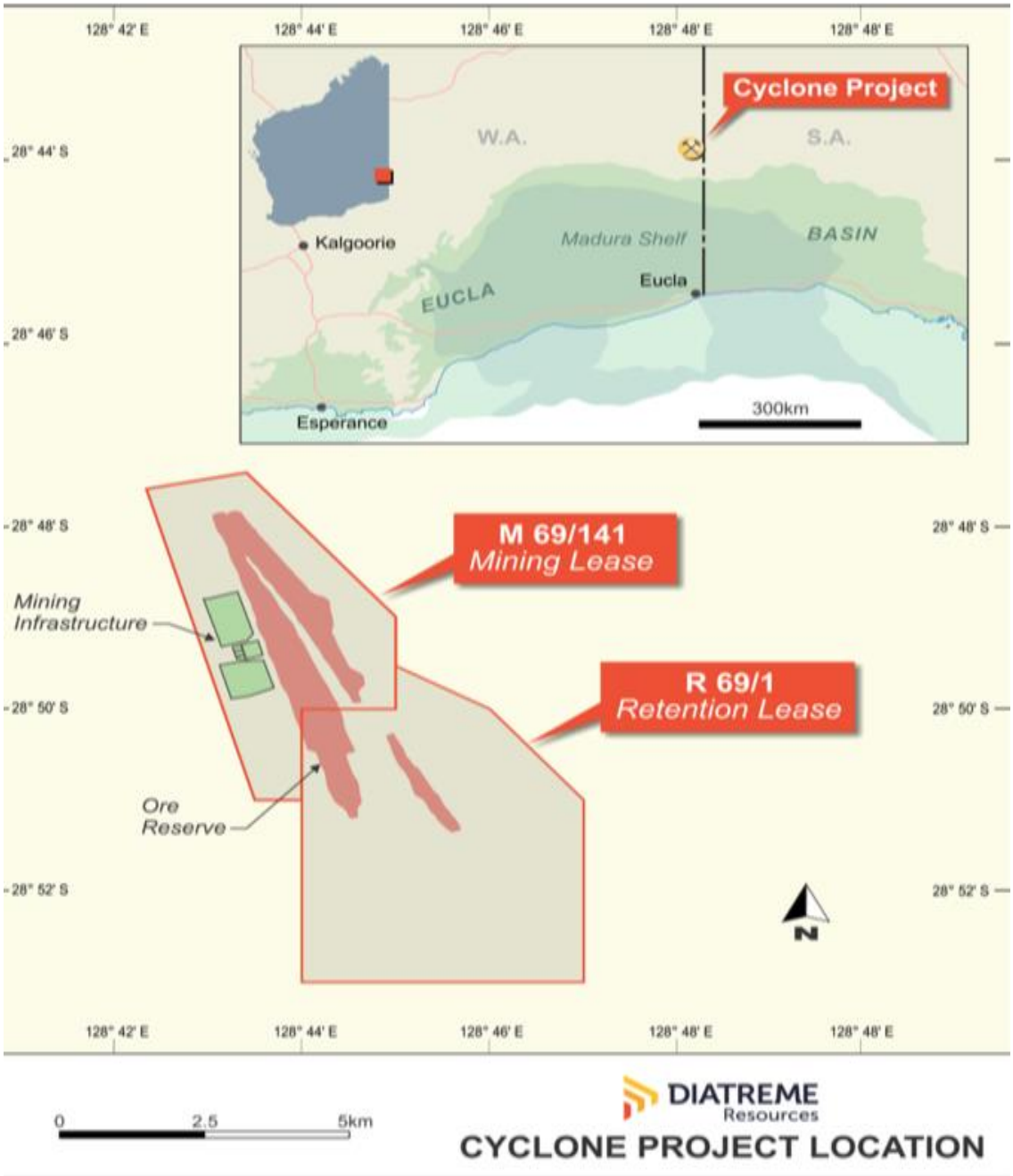

Figure 5: Cyclone project location

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MINERAL SANDS AND SILICA - COMPETENT PERSON STATEMENTS

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

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

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

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

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

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APPENDIX 1

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

Interest in mining tenements at end of quarter

State	Tenement Name	Tenement ID	Status	Location	Interest	Holder
WA	Cyclone	M 69/141	Granted	Eucla Basin	100%	LSPL
WA	Cyclone Extended	R 69/1	Granted	Eucla Basin	100%	DRX
QLD	Clermont	EPM 17968	Granted	Clermont	75%*	CHAL
QLD	Cape Bedford	EPM 17795	Granted	Hopevale	100%**	Cape Silica Holdings Pty Ltd*
QLD	Cape Bedford	EPM 27265	Granted	Hopevale	100%**	Cape Silica Holdings Pty Ltd*
QLD	Cape Bedford	EPMA 27212	Granted	Hopevale	100%**	Northern Silica Pty Ltd*
QLD	Cape Bedford	EPM 27430	Granted	Hopevale	100%**	Cape Silica Holdings Pty Ltd*
QLD	Cape Bedford	MLA 100235	Application	Hopevale	100%**	Galalar Silica (QLD) Pty Ltd*
QLD	Cape Bedford	MLA 100308	Application	Cape Flattery	100%**	Northern Silica Pty Ltd*
QLD	Cape Bedford	MLA 100309	Application	Cape Flattery	100%**	Casuarina Silica Pty Ltd
QLD	Cape Bedford	MLA 100310	Application	Cape Flattery	100%**	Northern Silica Pty Ltd*
QLD	Cape Bedford	MLA 100311	Application	Cape Flattery	100%**	Northern Silica Pty Ltd*

QLD	Cape Bedford	MLA 100312	Application	Cape Flattery	100%**	Northern Silica Pty Ltd*
QLD	Cape Bedford	MLA 100313	Application	Cape Flattery	100%**	Northern Silica Pty Ltd*
QLD	Cape Bedford	MLA 100285	Application withdrawn 21/10/2022	Hopevale	-	DRX

** PGE Minerals Pty Ltd has earned a 25% interest in the tenement through a progressive earn-in.*

*** Cape Silica Holdings Pty Ltd is owned by DRX (90.01%) and Sibelco Silica Pty Ltd (9.99%). Northern Silica Pty Ltd and Galalar Silica (QLD) Pty Ltd are wholly owned subsidiaries of Cape Silica Holdings Pty Ltd. Accordingly, DRX's beneficial ownership of the mining tenements held by these entities is 90.01%. In the quarter ending 31 December 2022, transfers of the following tenement interests from DRX to Cape Silica Holdings Pty Ltd, Northern Silica Pty Ltd and Galalar Silica (QLD) Pty Ltd were completed (held as set out in the table above): EPM 17795, EPM 27265, EPM 27212, EPM 27430 and MLA 100235.*

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

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

Abbreviations:

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

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Appendix 5B

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

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Name of entity

DIATREME RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
33 061 267 061	31 Dec 2022

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	5	16
1.2	Payments for		
	(a) exploration & evaluation		
	(b) development		
	(c) production		
	(d) staff costs	(172)	(960)
	(e) administration and corporate costs	(357)	(1,434)
1.3	Dividends received (see note 3)		
1.4	Interest received	11	26
1.5	Interest and other costs of finance paid	(59)	(130)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(572)**	**(2,482)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(78)	(480)
	(d) exploration & evaluation	(2,046)	(6,615)
	(e) investments		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	10	108
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(2,114)**	**(6,987)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		17,269
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	-	485
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(365)	(1,089)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(15)	(58)
3.10	**Net cash from / (used in) financing activities**	**(380)**	**16,607**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	16,704	6,500
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(572)	(2,482)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,114)	(6,987)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(380)	16,607

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**13,638**	**13,638**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	3,638	16,704
5.2	Call deposits	10,000	-
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	***13,638**	**16,704**

*** Note:** in addition to the above cash balances, the Cape Silica Joint Venture (JV) between Diatreme and Sibelco commenced on 1 December 2022 with the receipt of the 1st tranche of JV investment of $11M from Sibelco. (Refer to ASX announcement 2 December 2022). During the month of December 2022, $145k of exploration & evaluation expenditure was spent on the Company's Silica projects in northern Queensland. Consequently, cash at end December 2022 quarter for the JV totalled $10.85M, giving total cash of **$24.5m** being held by the Company.

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	61
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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

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

7.5	**Unused financing facilities available at quarter end**	

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

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

The Company subsequently executed the following agreements to extend the maturity date of the $1,500,000 debt facility:

- from 31 July 2020 to 30 November 2021 with an interest rate of 7.0% p.a. (Refer to ASX announcement 27 March 2020)
- from 30 November 2021 to 30 November 2022, with an interest rate of 7.5% p.a. (Refer to ASX announcement 19 August 2021),
- from 30 November 2022 to 30 May 2024, with the same interest rate of 7.5% p.a. (Refer to ASX announcement 14 October 2022)

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(572)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,046)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,618)
8.4	Cash and cash equivalents at quarter end (item 4.6)	13,638
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	13,638
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	5.2

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

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

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

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

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

Compliance statement

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

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

Date: 31 January 2023

Authorised by: The Board of Diatreme Resources Ltd

Notes

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

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

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

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

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

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