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DIATREME RESOURCES | ASX:DRX

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 September 2023

DIATREME Resources

ASX RELEASE

30th October 2023

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Quarterly Activities Report

For the period ended 30 September 2023

This announcement was authorised for release by the Board.

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Wayne Swan
Chairman

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CORPORATE

Diatreme strengthened its Board with the appointment of an experienced independent Non-Executive Director, Ms Kara Keys, assisting the Company in its continued focus on the economic empowerment of the regional communities encompassed within its Far North Queensland high purity silica sand projects.

The Company undertook a number of investor relations activities during the quarter, including presenting at the Noosa Mining Investor Conference in July and at the QEC Critical Minerals Investment Showcase in October, together with an investor roadshow.

During the quarter the Company made total payments of $156k to related parties, comprising $72k of director fees, and $84k for specialist marketing consultancy and corporate advice services to related parties of two directors of the Company.

The Company's cash and liquids position as at 30 September 2023 totalled $11.9M (not including a further $5.9M in the silica projects J/V).

Post-quarter, global material solutions leader Sibelco completed its second tranche investment of $24 million into the joint venture company, Cape Silica Holdings Pty Ltd. Sibelco now holds a 26.8% stake in the joint venture.

Noosa Mining Investor Conference

Diatreme will present at the 15-17 November Noosa Mining Investor Conference, with the presentation scheduled for 2.45pm Qld time Thursday, 16 November. Investors can register to attend the conference or watch Diatreme's presentation online via the conference website, noosaminingconference.com.au

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QUARTERLY HIGHLIGHTS

FNQ silica sand projects

- Exploration drilling underway and targets identified, with potential for further resource expansion
- NSP granted 'Project of Regional Significance' status; application lodged for 'Coordinated Project'
- Offtake MOU agreed with leading PV grade glass manufacturer, FLAT Glass
- **Post-quarter**: Sibelco shows confidence in silica projects by completing early second tranche investment of $24M in silica joint venture

Clermont Copper/Gold Project

- Farm-out partner Metallica Minerals (ASX: MLM) announces assay results from April-May drilling
- Metallica has met expenditure condition to obtain 51% stake in project

Cyclone Zircon Project

- Talks advance with potential development partners and examination of potential "spin out" amid continuing demand for key critical minerals

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COMING DECEMBER QUARTER 2023 ACTIVITIES

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

FNQ silica sand projects

Northern Silica Project (NSP)

- Continued exploration and project development, focused on the Si2 dune complex located within and around the NSP, adjacent to the Cape Flattery Silica Mines (CFSM) operations.
- Bulk sample metallurgical test work to continue on the Si2 resource, to determine its amenability to processing utilising Diatreme's Galalar optimised silica product processing criteria. This targets assessment and delivery of a high value low iron, high purity silica product.
- Finalise award of tenders to specialist consultants engaged to complete the Environmental Impact Statement (EIS) for the NSP.
- Continue environmental monitoring and baseline assessment studies within the framework of the EIS for the NSP.
- Continue to engage with the Office of the Coordinator General on both the potential establishment of Cape Flattery as a Critical Minerals Zone, as well as assessment of the NSP to be declared a 'Coordinated Project'.
- Plan EIS public notice timelines and broader regulatory engagement process.
- Continued engagement with the local community and related programs.
- Further discussions and negotiations regarding establishment of a mining project agreement for the NSP with Hopevale Congress Aboriginal Corporation (RNTBC), Walmbaar Aboriginal Corporation (RNTBC), affected native title holders and the broader Hope Vale community.

Cyclone Zircon Project

- Continue discussions with potential development partners, both domestic and international, to secure the best outcome for Diatreme shareholders amid continued strong demand and constrained supply of zircon and titanium products.
- Further examination of use of a separated company vehicle to facilitate potential "asset spin out" to a new listed entity.

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NORTHERN SILICA PROJECT

Offtake MOU with leading PV glass manufacturer

In July 2023, Diatreme announced the signing of a Memorandum of Understanding (MOU) with Flat Glass Group Co Ltd (FLAT) to negotiate and potentially facilitate long-term binding offtake arrangements for the supply of photovoltaic grade, high purity low iron silica from Diatreme's Northern Silica Project (NSP) for FLAT's glass manufacturing operations in China.

The non-binding MOU provides the template and mechanisms for co-operation and allows the exchange of mutually sensitive operational (bulk samples, product specifications, manufacturing requirements, production timelines) and commercial information between the parties to facilitate the transition to potentially binding arrangements. It will remain active for 12 months. The MOU also includes FLAT examining the potential to site onshore PV glass manufacturing in Queensland, amid surging demand from the solar power industry (refer ASX release 13 July 2023).

FLAT's Ms. Jinhua Jiang, Deputy Chairman & Deputy General Manager, commented: *"We are pleased to sign this MOU with Diatreme, an emerging supplier of high-purity silica products. Diatreme's commitment to sustainable development, its strong community engagement and proximity to Asian markets, together with its ability to deliver the required product specifications make it an excellent partner of choice for our future expansion plans.*

"We look forward to working closely together to progress this MOU into binding arrangements that benefit both parties, in a long term, mutually beneficial relationship."

Following the MOU, Diatreme's CEO Neil McIntyre and Non-Executive Director, William Wang visited China, attending the China Silica Industry Development Conference, one of the global industry's biggest events, where Diatreme was the only Australian miner among around 300 attendees at the event in Beihai, Guangxi Province.

Diatreme's Mr McIntyre and Mr Wang also visited a high-tech silica materials lab in Anhui Province, together with touring the port facilities at the Beihai bulk materials port and meeting with FLAT.

'Project of Regional Significance'

Diatreme's NSP received an important regulatory boost in August, with the Far North Queensland project officially designated as a "Project of Regional Significance" by the Queensland Government's Department of Regional Development, Manufacturing and Water (DRDMW) pursuant to the Cape York Water Resources Plan (2019).

The designation by Queensland's DRDMW confirmed the NSP's important economic and social impact for the future of the region (refer ASX release 3 August 2023).

The ruling allows Diatreme to apply in the future for a water entitlement for the NSP from the 25,000 megalitres of unallocated water held in the strategic reserve for Cape York's Water Plan (2019). This water may be acquired at a price decided by the Chief Executive and is available for the life of the project. Diatreme will be required to demonstrate that the proposed water take complies with Cape York's Water Plan (2019) outcomes and the Cape York Water Management Protocol (2019).

Water planning for Cape York seeks to achieve a balance between economic, social, cultural, and environmental outcomes, including facilitating economic development, supporting the economic aspirations of First Nations communities and protecting environmental values and water quality.

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The designation follows the NSP being determined a "controlled action" under the Federal Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) via a referral from the Federal Department of Climate Change, Energy, the Environment and Water (DCCEEW). This allows for the project to be assessed through a single Environmental Impact Statement (EIS) process, addressing both State and Federal requirements (refer ASX release 16 June 2023). Diatreme is methodically advancing the EIS process, with draft Terms of Reference expected to be released for public comment during Q4 2023.

Post-quarter, on 9 October 2023 Diatreme announced that it had lodged an application with the Queensland Office of the Coordinator General (OCG) for the NSP to be designated as a 'Coordinated Project'. Such designation would enable the project's approvals stream to be coordinated by the Office of the Coordinator General and assessed under the State Development and Public Works Organisation Act 1971 (SD Act).

Diatreme is actively engaged with the OCG, including participating in meetings concerning the development of a "Cape Flattery Critical Minerals Zone". Such an initiative has the potential to fast-track development of a mineral vital to the solar power industry, unlocking increased economic and social value for the people of Queensland and local stakeholders including First Nations communities.

Field work for the NSP's EIS is progressing with specialist consultants on-site undertaking environmental, social impact assessments and background studies. The scope of work for the EIS has been split into the following elements:

• Aquatic Ecology • Coastal Environment • Surface Water and Flooding

• Groundwater • Soils and Geology • Terrestrial Ecology

• Cultural Heritage • Social Impact • Air and Noise

• Economics • Transport • Progressing Rehabilitation and Closure Plan (PRCP)

• Landscape and Visual

EIS studies are advancing in parallel to the finalisation of the draft Initial Advice Statement (IAS) and Terms of Reference (ToR) for the NSP.

A positive Scoping Study for the NSP has also boosted plans to develop the emerging Far North Queensland critical minerals project (refer ASX announcement 14 June 2023).

Exploration advances

Post-quarter, on 9 October 2023 Diatreme announced an exploration update for the NSP.

Positive results from last year's hand auguring program at the PLT and WDR exploration targets has expanded on the first pass drilling and auguring program in the area, demonstrating further continuity of high purity silica sand mineralisation in areas contiguous to the Si2 Resource Area. Resource exploration is focused on extensions located within and around the NSP for potential resource expansion.

The next steps for the PLT and WDR exploration targets are to complete a maiden mineral resource estimate in accordance with the JORC code from the exploration data available to date. Diatreme has commissioned this work via an external resource modelling group, targeting completion in November 2023.

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In September 2023, Diatreme commissioned Groundwave Drilling Services to undertake an 18-hole sonic drilling program. Sonic drilling is the only known method to reliably produce a core of unlithified sands and is ideal for providing a minimally disturbed sample that preserves dune form layering and bedding, helping to understand the NSP's aeolian deposition processes.

All 18 holes will be converted into either monitoring or pumping bores, which are required for EIS monitoring purposes, as well as setting the baseline conditions for the NSP's Mining Lease Environmental Authority. The installation of the monitoring bores is being supervised by consulting hydrogeologists.

Figure 1: Sonic drilling rig completing groundwater bore drilling

Si2 Resource Area infill drilling

Diatreme is currently conducting an infill drilling campaign using a track mounted aircore rig. A total of 223 holes are planned across the NSP to increase geological confidence and better inform the continuity of the geological domains that can be processed into high purity silica sand. The infill drilling program will provide bulk samples for the next stage of feasibility studies, and also test for geological continuity of mineralised zones within the dune system (refer ASX release 9 October 2023).

Exploration Target updates

Following LiDAR capture earlier this year, Diatreme has utilised the Digital Elevation Model (DEM) to estimate the quantity of sand on the Casuarina Silica Deposit, PLT & WDR Exploration Targets, and the south-eastern extension to the Si2 Resource Area.

Cautionary Note: The quantity and grade of the following exploration targets is conceptual in nature, and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.

Diatreme plans to continue ongoing exploration adjacent to the NSP to further expand on its resources and reserves inventory, which will underpin future mine development.

Exploration Target	Tonnage Range	Grade Range
Casuarina Silica Deposit	70 – 240 Mt	98.5 - 99.9% SiO_2
PLT Exploration Target	55 – 190 Mt	
WDR Exploration Target	40 – 130 Mt	
Si2 Exploration Target	140 – 470 Mt	
Total	**305 Mt – 1.03Bt**	

Table 1: Northern Silica Project and Casuarina Silica Deposit Exploration Targets

Diatreme has plans to actively explore and evaluate the Casuarina Silica Deposit over the coming exploration programs, focusing primarily on conducting aircore drilling, field mapping, and metallurgical test work utilising a yet-to-be finalised methodology adopted by the NSP with the aim to achieve a targeted sub 90ppm Fe_2O silica product.

Concerning the PLT and Western Dune Ridges, Diatreme has plans to finalise current exploration activities in the area in coming months, before evaluating its potential to be estimated as a Mineral Resource, prior to further exploration activities commencing.

Diatreme also has plans to test the Si2 Extension Exploration Target. Diatreme has plans to test the area using an aircore rig, targeting an end of hole depth, either the first layer of illuviated clays or the water table. The size and scale of this exploration program is yet to be determined.

Sibelco's $24M investment

Diatreme's silica sand projects received a major boost post-quarter, with joint venture partner, global material solutions leader Sibelco completing ahead of schedule its second tranche investment of $24 million into the joint venture company, Cape Silica Holdings Pty Ltd.

The investment was completed well ahead of the scheduled 1 December 2023 payment date, resulting in Sibelco increasing its joint venture interest by 16.8% to 26.8%. Sibelco invested $11 million in the first tranche investment in the joint venture, gaining an initial 9.99% interest (refer ASX release 2 December 2022).

Sibelco's second tranche investment was priced at a 'look through' value of $160 million for the Far North Queensland silica sand projects.

Announced in June 2022, Diatreme's strategic partnership with Sibelco also included a $13.97 million corporate strategic placement, which saw Sibelco become a significant shareholder in Diatreme (refer ASX release 27 June 2022). The long-term joint venture also included 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 from its 150 years of international operations and pre-eminence in global high purity silica markets and supply.

Sibelco Chief Strategy and Business Development Officer, Ian Sedgman commented: *"Since our strategic partnership was reached last year, we have been pleased with the joint venture's progress in advancing the development of these world class high purity silica sand projects.*

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"Our early payment highlights our support for the joint venture and confidence that it will deliver this key resource, which the world's speciality glass market desperately needs at a time of rapid solar PV growth and accelerating global decarbonisation."

Community engagement

Engagement with the community in which the Company operates has continued to be at the forefront of Diatreme's activities. Post-quarter, in October Diatreme opened a new Hope Vale office at Muni St, located next to the Council office.

The Company continues to hold bi-monthly community Open Mornings at its Hope Vale office, opening the doors to members of the local community, with the latest such event held on 16 October, following an earlier event on 29 August.

Diatreme has also sponsored the Year 6 class at Hope Vale Primary School, aimed at supporting the next generation of community leaders.

In July, the Company supported the official NAIDOC Week celebrations in Hope Vale, organised by Hope Vale Aboriginal Shire Council, with community events held from 2-6 July. The week culminated in the NAIDOC Elders Ball, which was proudly sponsored by Diatreme.

Figure 2: Diatreme's Robyn Bartlett, General Manager, Community & Social Performance (centre), with students from Hope Vale Primary School

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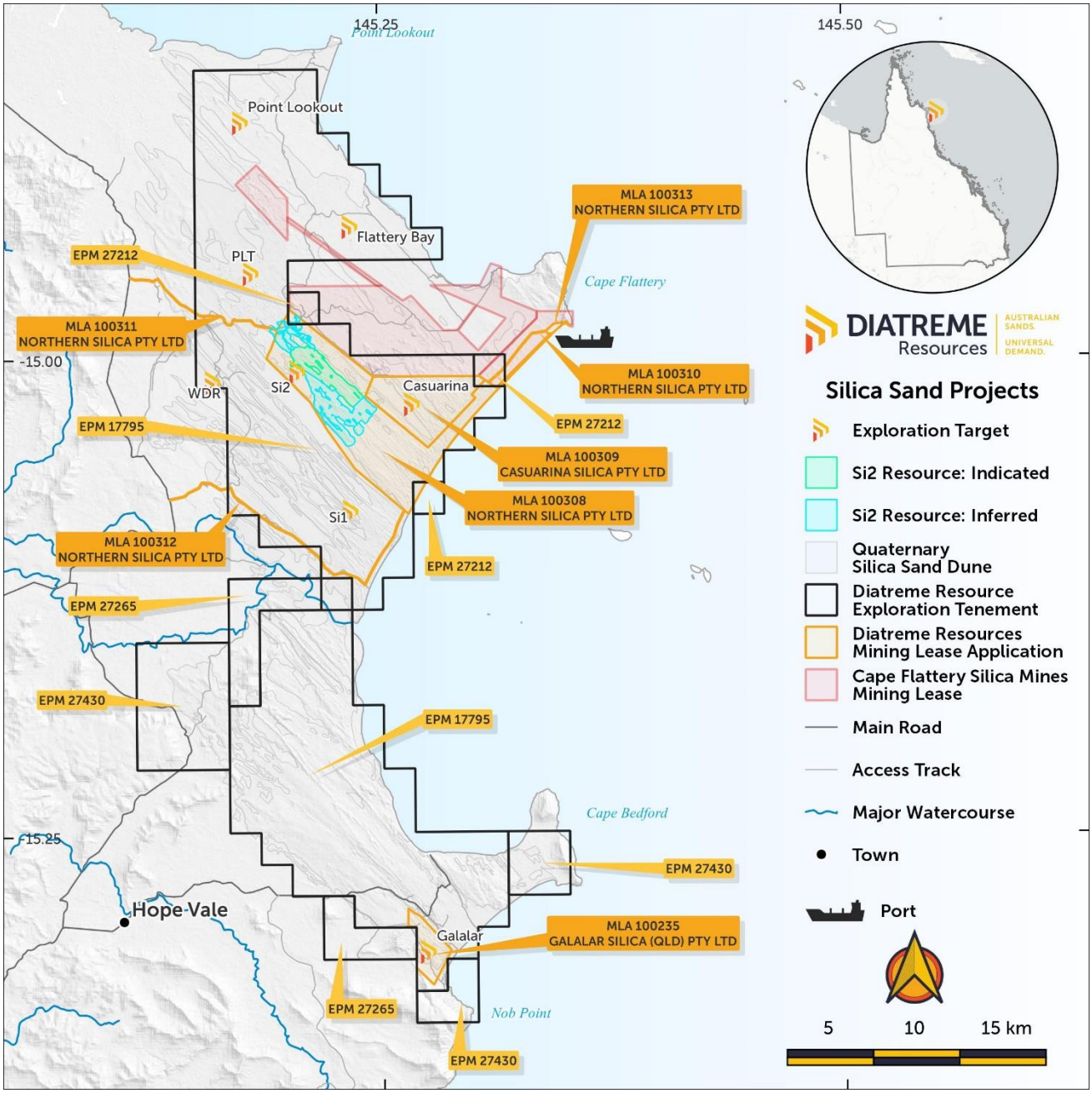

Figure 3: Diatreme's FNQ silica sand projects

GALALAR SILICA PROJECT, QLD

The Galalar Silica Sand Project (GSSP) remains a strategic and important silica asset of the Company.

However, given the Northern Silica Project's rapid advancement, its much larger scale (resource base) and close proximity to the Port of Cape Flattery clearly evidencing a clear low-cost export pathway, the development of the NSP to eventual mining activity has been given priority.

Recommencing the GSSP's EIS process will be reviewed after the NSP has been granted its primary permitting and approvals and commenced export activities.

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CLERMONT COPPER/GOLD PROJECT, QLD

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

On 4 July 2023, Metallica announced assay results for the extension to diamond drill hole RDD020 drilled in April and May 2023.

Hole RDD020 was extended by approximately 450m to test an intense magnetic low anomaly observed in the regional airborne magnetic data and confirmed by a close spaced drone magnetic survey completed in August 2022. The magnetic low feature had a modelled depth to top of +500m and remained untested after the 2022 drilling program (refer Metallica's ASX announcement dated 13 July 2022: "*Clermont assays indicate potential mineralised porphyry*" for the prior drill program that identified the porphyry target).

Hole RDD020 was deepened to test the magnetic low and provide cross sectional geochemical data across the anomaly. The extension to RDD020 intersected a quartz-monzonite porphyry which exhibits potassic and phyllic alteration which are characteristic of mineralised porphyry systems. The intensity of mineralisation and alteration increased with depth to 510m then the tenor of mineralisation alteration dropped off, with only narrow zones of intense alteration with varying degrees of mineralisation observed in the hole.

Geochemical plots of the copper intensity show a gradual increase in copper anomalism from the top of the hole to 510m, the copper grade then decreases with depth showing a drop off in overall copper and gold values to the bottom of the hole at 950m. There is a slight increase in the copper anomalism at approximately 790m where the copper peaks at 4,080ppm Cu, which is related to a zone of intense strong alteration.

Sulphide mineralisation in the form of iron pyrite, chalcopyrite and molybdenum was observed in the extension to hole RDD020 with the majority of the mineralisation confined to fracture surfaces or mineralised quartz veins (pyrite ± chalcopyrite + molybdenum). Fine disseminations of pyrite, chalcopyrite and molybdenum were also observed in the rock matrix but with concentration of less than 1% total sulphides.

Anomalous copper, gold and molybdenum was recorded in narrow zones in the extension to RDD020 with copper values ranging from 1.8ppm Cu to 4,080ppm Cu, gold grades ranging from <0.005 g/t Au to 0.62g/t Au and Molybdenum grades varying from 0.5ppm to 682ppm Mo. The highest 1m intercept from the extended hole was from 789m, where the quartz monzonite was intensely altered and contained over 5% iron-pyrite, with this 1m section returning assays of 0.41% copper, 0.62 g/t gold and 228ppm molybdenum.

Metallica plans to review the additional geochemical data from RDD020 in conjunction with data available from historical holes drilled on the periphery of the magnetic low. This is expected to further assist in identifying which part of the mineralised porphyry system has been intersected and to aid in recommending further exploration activities.

Under the terms of the MOU with Diatreme, on the completion of this drill hole, Metallica has met the expenditure condition to move to a 51% share of the Clermont Project.

Further information is available from Metallica's ASX release dated 4 July 2023.

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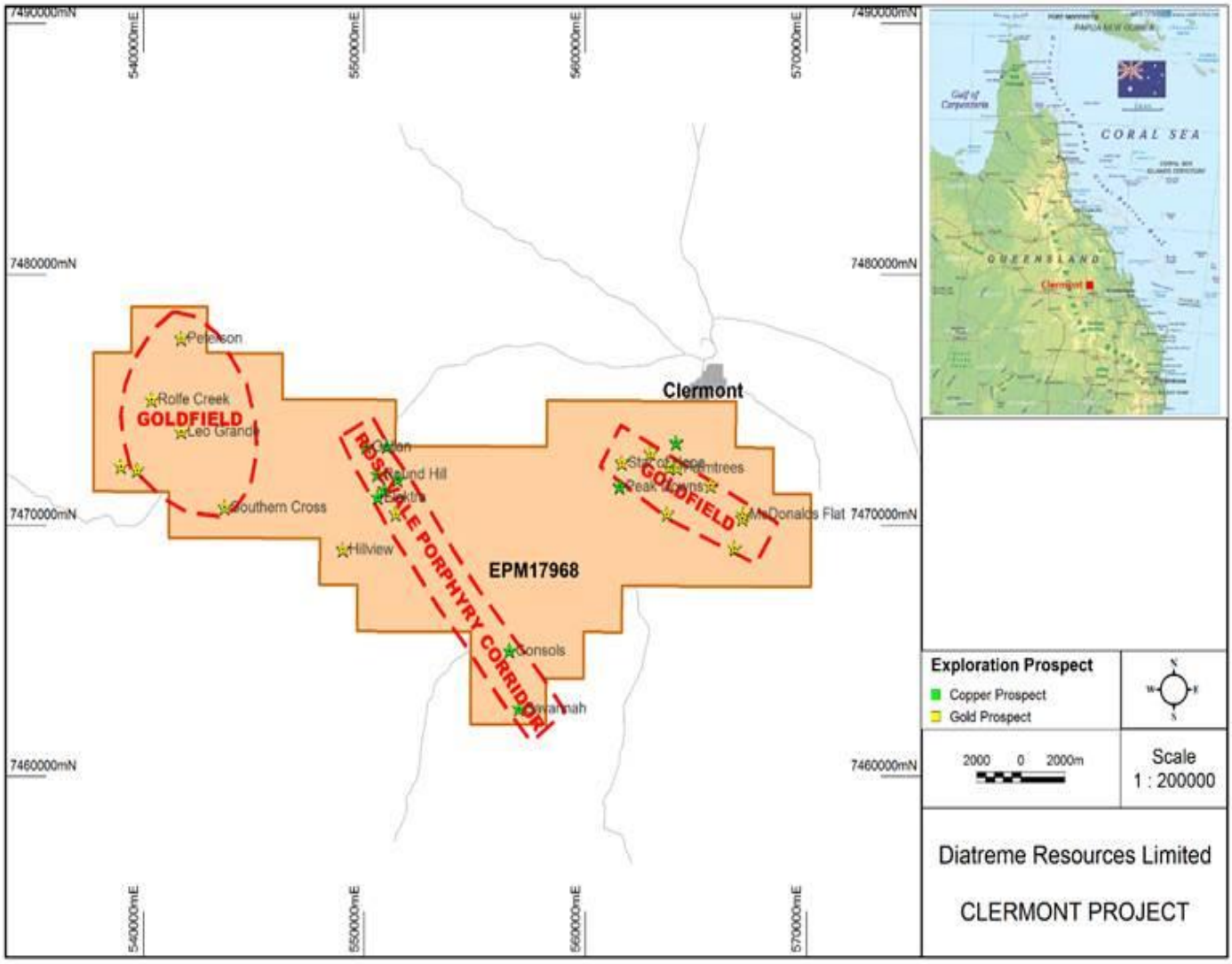

Figure 4: Clermont Copper/Gold Project

CYCLONE ZIRCON PROJECT, WA

Diatreme continues to engage with a range of parties to unlock shareholder value from its Cyclone Zircon Project, which has been identified as one of Australia's key critical minerals projects.

Talks continue to advance and the Company anticipates a number of opportunities for Cyclone's development, with both domestic and international interest in this high-grade zircon project.

Located in Western Australia's Eucla Basin, the project remains well positioned for development, given declining global supply and continued strong demand for high-grade zircon.

In its Quarterly Review released on 19 October 2023, major producer Iluka Resources noted that pricing outcomes in the third quarter 2023 were consistent with the second quarter, with a weighted average zircon premium and standard price stable at US$2,062 per tonne and a rutile price of US$1,908 per tonne.

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.

There is also potential for use of a separated company vehicle for the purposes of a potential asset "spin out" to a newly listed company shell, should market conditions facilitate support for this.

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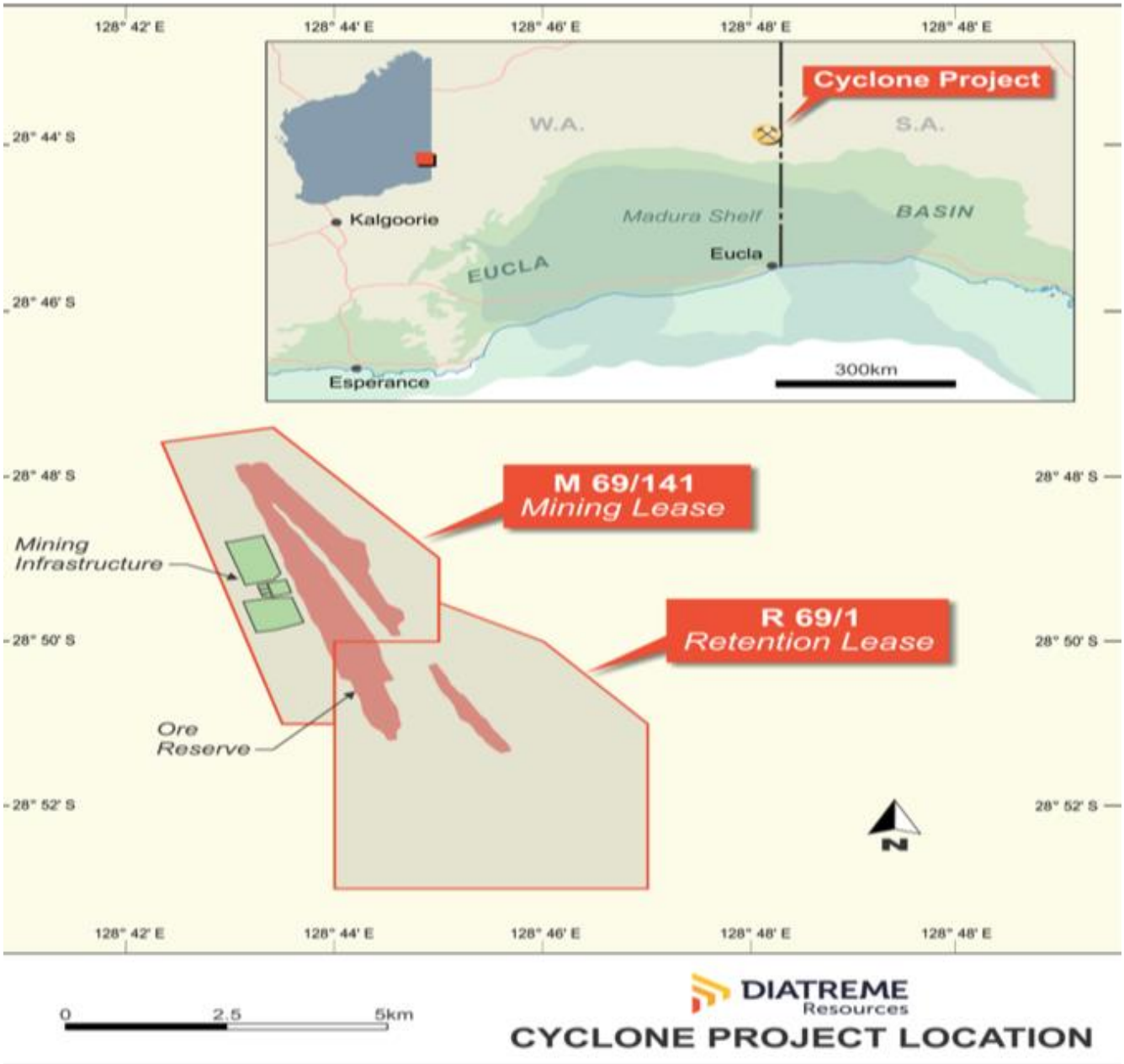

Figure 5: Cyclone project location

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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 Northern Silica Project & 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 presentation that relates to Exploration Targets & Exploration Results is based on information compiled by Mr Frazer Watson, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy, and the Australian Institute of Geoscientists. Mr Watson is a full-time employee of Diatreme Resources Limited. Mr Watson has sufficient experience that 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 Resource and Ore Mr Watson 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	49%*	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	EPM 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 51% 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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