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DIATREME Resources

DIATREME RESOURCES | ASX:DRX

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 December 2023

DIATREME Resources

ASX RELEASE

30 January 2024

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Quarterly Activities Report

For the period ended 31 December 2023

This announcement was authorised for release by the Board.

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CORPORATE

Diatreme strengthened its project resources 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. Sibelco now holds a 26.8% stake in the joint venture, demonstrating its commitment to project development.

Diatreme undertook a number of investor relations activities during the quarter, including presenting at the QEC Critical Minerals Investment Showcase in October 2023 and the Noosa Mining Investor Conference in November 2023, together with investor roadshows and presentations.

During the quarter the Company made total payments of $164k to related parties, comprising $73k of director fees, and $91k for specialist marketing consultancy and corporate advisory services to related parties of two directors of the Company.

The Company's corporate cash and liquids position as at 31 December 2023 totaled **$10.8M,** not including a further **$26.7M** in the silica projects J/V, giving a total cash balance of **$37.5m.**

Brisbane Mining Investor Conference

Diatreme will present at the 13-14 March 2024 Brisbane Mining Investor Conference. Investors can register to attend the conference or watch Diatreme's presentation online via the conference website, https://www.brisbaneminingconference.com.au/

QUARTERLY HIGHLIGHTS

Northern Silica Project

- New maiden 91.7Mt silica resource estimated at Western Resource Area
- Diatreme's total silica sand resource base now exceeds 400Mt across its FNQ projects
- Sibelco shows confidence in silica projects by completing early second tranche investment of $24M in silica joint venture
- Cooperation agreement signed with Hope Vale Aboriginal Shire Council
- **Post-quarter**: NSP declared a 'Coordinated Project' by Queensland Government

Clermont Copper/Gold Project

- Farm-out partner Metallica Minerals (ASX: MLM) commences drilling at Leo Grande Graphite Gold Project, located within Clermont EPM
- 5 drill holes planned; results expected in late January 2024

Cyclone Zircon Project

- New exploration area awarded (E69/4143) contiguous with current ML's.
- Talks continue with potential development partners

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COMING MARCH QUARTER 2024 ACTIVITIES

Diatreme's operational focus for the March quarter 2024 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 remaining 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 the potential establishment of Cape Flattery as a Critical Minerals Zone.
- 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.
- Metallurgical processing/testing work for new potential project partners and product offtakers both in Asia and the U.S.

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NORTHERN SILICA PROJECT

New maiden 91.7Mt silica resource

Diatreme's total silica sand resource base now exceeds 400 million tonnes across its Far North Queensland projects, following a maiden resource estimate for the NSP's Western Resource Area (WRA). The maiden resource estimate comprised 91.7 million tonnes (Mt) of high-purity silica sand, including 10.3Mt of Indicated Resource (refer ASX release 6 December 2023).

The WRA represents a north-west extension to the NSP's resource area, adding additional high purity silica sand to existing resources at Diatreme's NSP (Si2) and Galalar Silica Sand Project (GSSP). The additional resources confirm the Si1 and Si2 Dune Complexes have the potential to host further significant silica sand resources, as incremental exploration has increased the known resource size significantly.

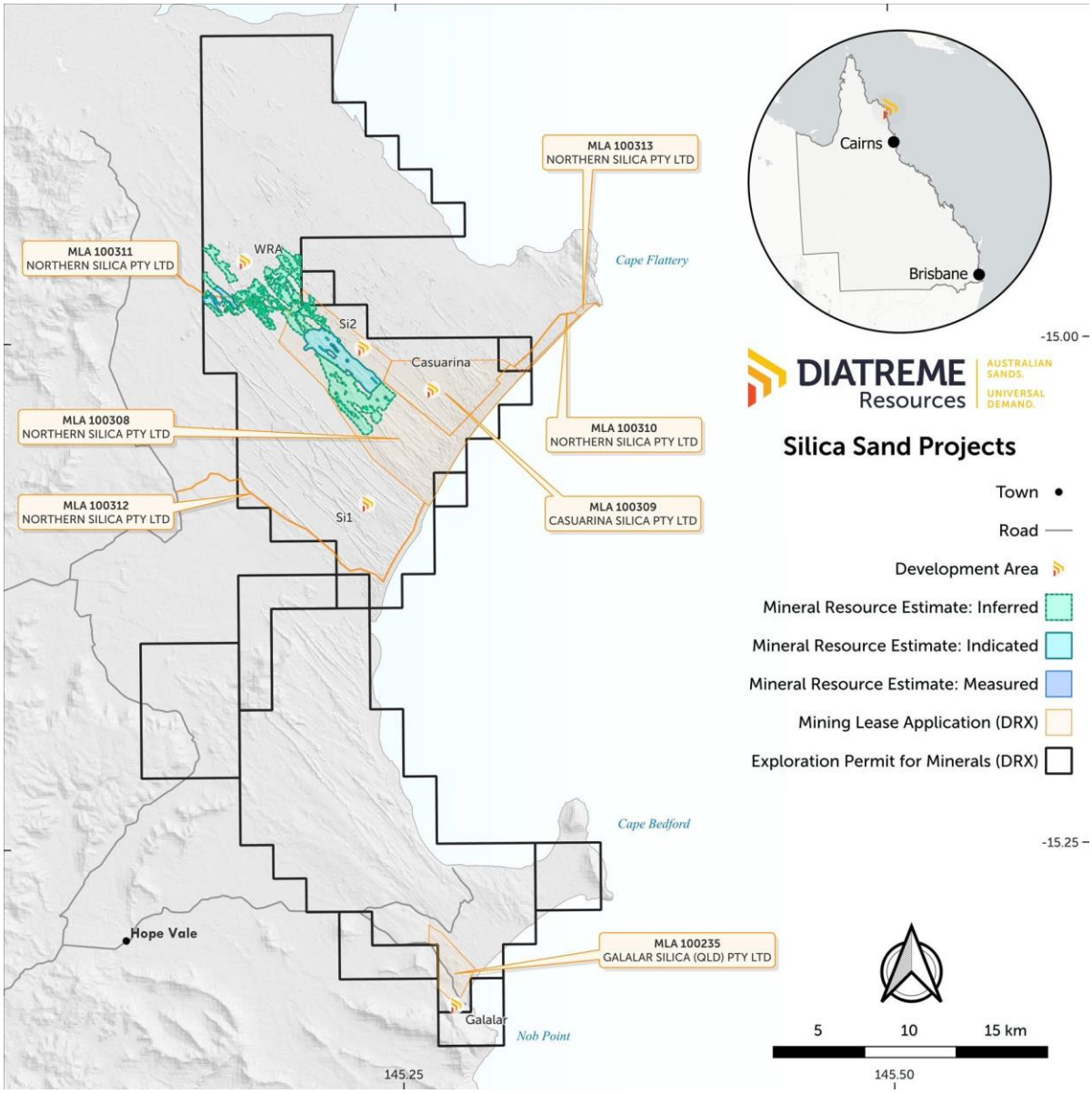

Figure 1: Diatreme's Far North Queensland silica sand projects

Diatreme is concentrating on the development of the broader defined Si2 resource, with the WRA exploration and resource definitions programs designed to determine the economics of establishing a potential satellite

operation to the NSP. This will potentially facilitate the "fast tracking" of a third independent major high purity silica operation, with the NSP benefitting from its proximity to the existing State-owned Cape Flattery Port, owned by Ports North.

A drilling program was undertaken in late 2021 to early 2022, with a total of 1,074.8m drilled comprising 90 vacuum drill holes and 131 hand auger holes. These were utilised to upgrade the evaluate the area to the north of Si2 resource, in accordance with the JORC Code (2012). The mineral resource estimate is built upon 1,481.8m of various drilling methods across 121 drill holes. These Mineral Resource Estimates have been supported by a LiDAR acquisition across the area, which provides a highly detailed topographic surface to support geological inferences, and to provide a more accurate tonnage estimate.

JORC Resource Category	Silica Sand (Mt)	SiO_2 (%)	Fe_2O_3 (%)	TiO_2 (%)	Al_2O_3 (%)	LOI (%)	Total (%)	Silica Sand (Mm^3)	Density (t/m^3)	Cut-off Grade SiO2 (%)
Indicated	10.3	99.20	0.15	0.24	0.06	0.02	99.84	6.4	1.6	98.5
Inferred	81.4	99.38	0.09	0.15	0.06	0.10	99.90	50.9	1.6	98.5
Total	91.7	99.36	0.10	0.16	0.06	0.09	99.89	57.3	1.6	98.5

Table 1: Indicated and Inferred Resource Estimate – WRA Resource, December 2023

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

Diatreme is targeting the following next steps for the WRA:

• Increasing geological continuity within proximity to the CFSM operations and likely areas of economic mineralisation; utilisation of aircore drilling with hand augering an appropriate first pass exploration method.

• Targeted metallurgical test work, to determine the WRA's 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.

On 9 October 2023, Diatreme released an exploration update for the NSP, including for the Point Lookout Track (PLT) and Western Dune Ridges (WDR), where exploration infill and step out augering has confirmed the continuity of high purity silica sand dunes located north and west of established resources. Diatreme plans to further evaluate its potential to be estimated as a Mineral Resource.

An infill drilling campaign comprising a total of 223 holes is 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 program will provide bulk samples for the next stage of feasibility studies, while also testing for the geological continuity of mineralised zones within the dune system.

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.

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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 2: Northern Silica Project and Casuarina Silica Deposit Exploration Targets

Diatreme also 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, aiming to achieve a targeted sub 90ppm Fe_2O silica product.

The Company also plans to test the Si2 Extension Exploration Target 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 shows confidence

Diatreme's silica sand projects received a major boost during the 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 (refer ASX release 17 October 2023).

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.*

"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."

Cooperation agreement with Hope Vale Aboriginal Shire Council

Diatreme has advanced its engagement with the Hope Vale community, signing a Memorandum of Cooperation with Hope Vale Aboriginal Shire Council aimed at maximising local economic benefits from Diatreme's NSP.

Under the agreement, Diatreme will maximise economic benefits and employment opportunities for native title holders and other Hope Vale residents affected by the NSP's development, including the creation of training and development programs aimed at enhancing the skill sets of the local workforce.

Diatreme will also develop strategies to manage potential project impacts, aimed at balancing economic viability with community benefits, such as local employment and cultural preservation.

A cultural heritage management plan will be developed in consultation with the relevant Aboriginal parties to ensure the protection of significant sites and traditions. Diatreme is committed to providing regular updates to Council and the community on the NSP's development as part of its governance approach anchored in accountability, integrity and transparency, focused on ensuring a sustainable future.

Hope Vale Aboriginal Shire Council CEO, Steve Linnane said: "*Council is eager to ensure that there is effective dialogue and cooperation to help unlock significant economic and employment opportunities for the Hope Vale community.*

"Therefore, Council considers that the Memorandum of Cooperation is an important step in ensuring economic benefits are delivered to the broad Hope Vale community, while balancing environmental stewardship with sustainable development.

"Council looks forward to ongoing communication with Diatreme to make this agreement a success, ensuring a sustainable future for the region."

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Figure 2: Hope Vale Aboriginal Shire Council's CEO Steve Linnane (right) with Diatreme's CEO Neil McIntyre at the signing of the Memorandum of Cooperation

Post-quarter, on 15 January 2024 Diatreme announced the NSP had been designated 'Coordinated Project' status under Queensland's State Development and Public Works Organisation Act 1971 (QLD) by the Office of the Coordinator General (OCG).

Coordinated project status is a major milestone recognising the NSP's strategic value, including its infrastructure and approval requirements. The status also establishes the environmental approvals process, including an Environmental Impact Statement (EIS), which will be assessed and decided through the joint Queensland and Commonwealth Government bilateral agreement.

The draft Terms of Reference (ToR) will now be prepared for the project's EIS, which will then be released for public comment. EIS studies have continued in parallel to the finalisation of the project's approval pathway and draft ToR.

These studies are now well advanced, including baseline studies and impact assessments on air and noise, aquatic ecology, climate change, coastal environment, cultural heritage, economic impact, groundwater, landscape and visual impact, progressive rehabilitation and closure plan (PRCP) social impact, soils and geology, surface water and flooding, terrestrial ecology, and transport.

The decision follows the designation of 'Project of Regional Significance' status in August 2023 by Queensland's Department of Regional Development, Manufacturing and Water (DRDMW) (refer ASX announcement 3 August 2023), a designation that confirmed the NSP's important economic and social impact for the future of the Hope Vale/Cooktown region.

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In June 2023, the Queensland Government released its Critical Minerals Strategy, which included the potential development of a critical minerals hub for silica sand around Cape Flattery. Diatreme has welcomed this initiative, which has the potential to assist 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.

The importance of this new project has been highlighted by the International Energy Agency's latest research, which showed the world added 50% more renewable capacity in 2023 than in 2022, with solar PV accounting for three quarters of the global additions (refer IEA report, 11 January 2024).

Community engagement

Engagement with the community in which the Company operates has continued to be at the forefront of Diatreme's activities. 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 4 December 2023, following the previous such event on 16 October 2023.

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

Figure 3: Diatreme's Alastair Bauer, General Manager – Development Projects (right), with students from Hope Vale Primary School

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GALALAR SILICA PROJECT, QLD

Diatreme's Galalar Silica Sand Project (GSSP) is a strategic and important silica asset of the Company, representing an area of future potential project development.

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.

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 12 October 2023, Metallica elected to earn an additional 24% in the Clermont project, increasing its ownership of the project from 51% to 75% by expending an additional $1M under the terms of the JV agreement with Diatreme.

On 11 December 2023, Metallica announced that drilling had commenced at the Leo Grande Graphite Gold Project (LGGP), located within the Clermont EPM (EPM 17698).

A data review of drill logs for 54 reverse circulation (RC) holes and one diamond hole drilled at the Leo Grande Prospect in 1989 and 1990 highlighted the presence of graphite in all of the holes drilled. The amount of graphite in each hole was never quantified with the logs referring only to low, moderate, strong to very strong graphite content, with the graphite associated with a black mylonite or a quartz-mica schist.

The historical holes drilled at the Leo Grande prospect in 1989 and 1990 were designed to test a 3.2 km long shear zone which contains anomalous gold mineralisation. No exploration work has been undertaken on the Leo Grande prospect since the 1990's, as the prospect was covered by two MDL's (MDL106 and 143) which were surrendered in 2009. No exploration work was completed on the Leo Grande prospect by Chalcophile after the surrender of the MDLs.

In December 2023, a five-hole drilling program for a total of 301m was undertaken at the Leo Grande prospect.

The holes were "twins" of holes drilled in 1989 and 1990 which had recorded moderate to high levels of graphite in the logs. The Metallica drilling was completed to quantify the graphite content in the holes and to determine the nature of the graphite. Hole LGRC055, which was a twin of LGRC027, appeared to contain the highest level of graphite with hole LGRC059 (twin of LGRC048) containing the least amount of graphite. Details of the holes drilled at the LGGP in December are available in Metallica's quarterly activities report released to the ASX on 22 January 2024).

Metallica advised assay results from the drilling are expected to be received in late January 2024.

Figures 4 and 5 below show the location of the Leo Grande prospect and planned drill holes by Metallica (source: Metallica Minerals Limited, ASX announcement 11 December 2023).

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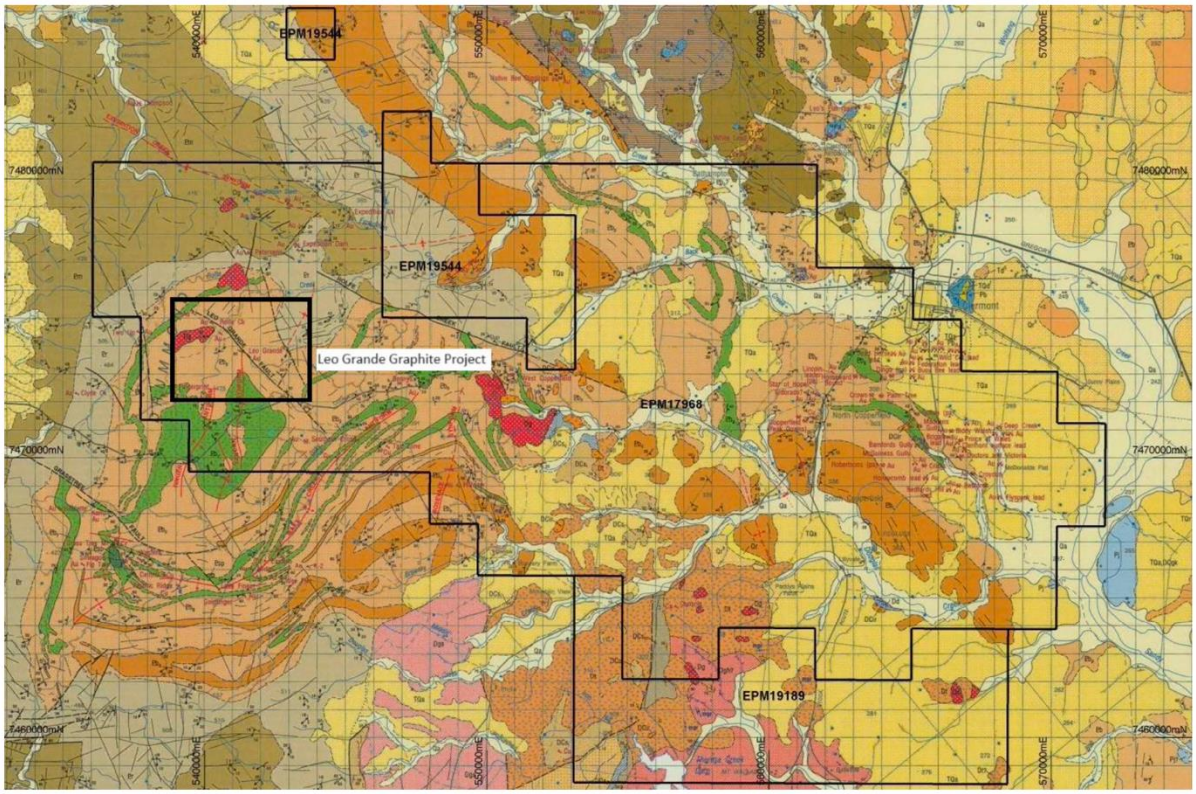

Figure 4: Location of the Leo Grande Graphite Gold Prospect within EPM 17968

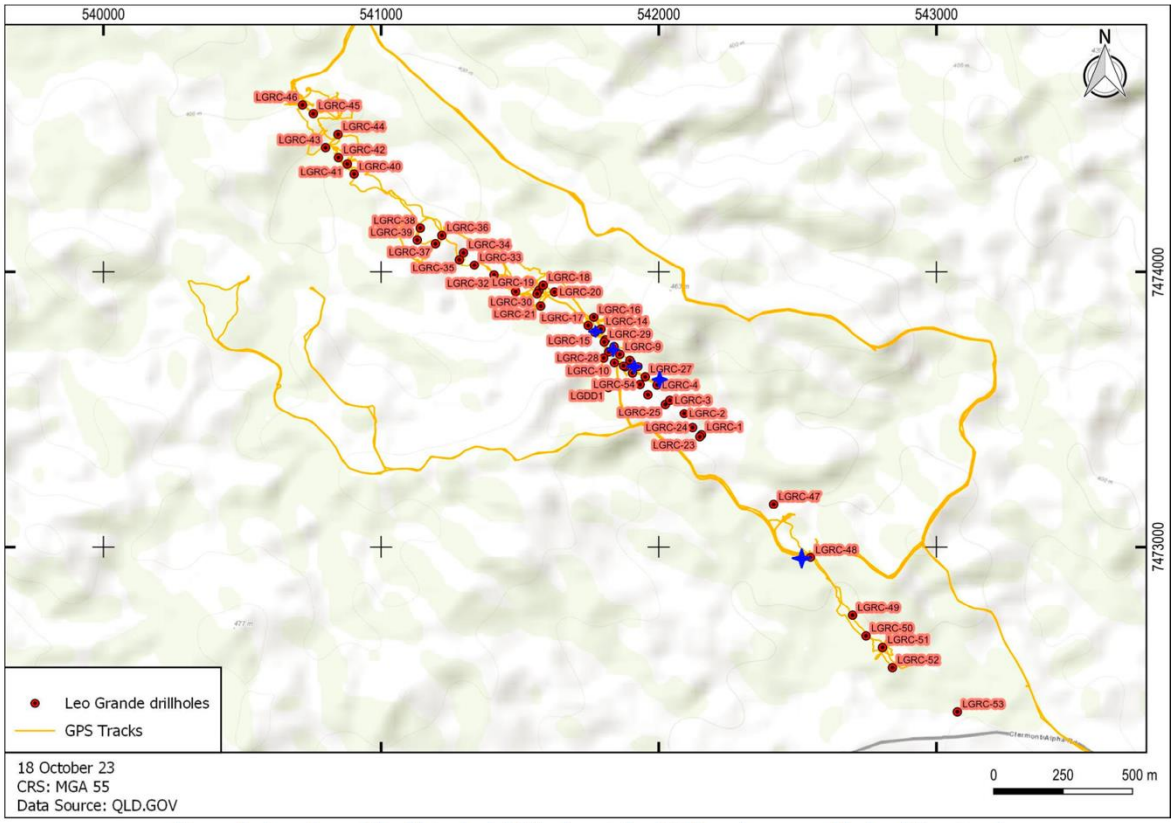

Figure 5: Drilling at the Leo Grande Graphite Gold Prospect (new holes in blue)

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CYCLONE ZIRCON PROJECT, WA

Project extension

Following a recent application, Diatreme has now expanded (39 sub blocks) its exploration tenement area surrounding its Cyclone Zircon Project, with the grant by the Western Australian Government (DEMIRS) of E69/4143 (refer Figure 7 below).

This strategic application was made immediately following Diatreme being made aware of the area being relinquished by another party. This EPM area further protects Cyclone's existing tenement (mining and retention licence) holdings.

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

Talks continue to progress, 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 23 January 2024, major producer Iluka Resources noted that its full year weighted average zircon premium and standard price was up 6% on 2022.

For the fourth quarter, Iluka reported a weighted average zircon premium and standard price of US$2,045 per tonne and a rutile price of US$1,871 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.

The Company is also undertaking further metallurgical testing to facilitate HM concentrate product samples and allow interested parties to conduct their own testing (on that sample) both in Asia and the U.S.

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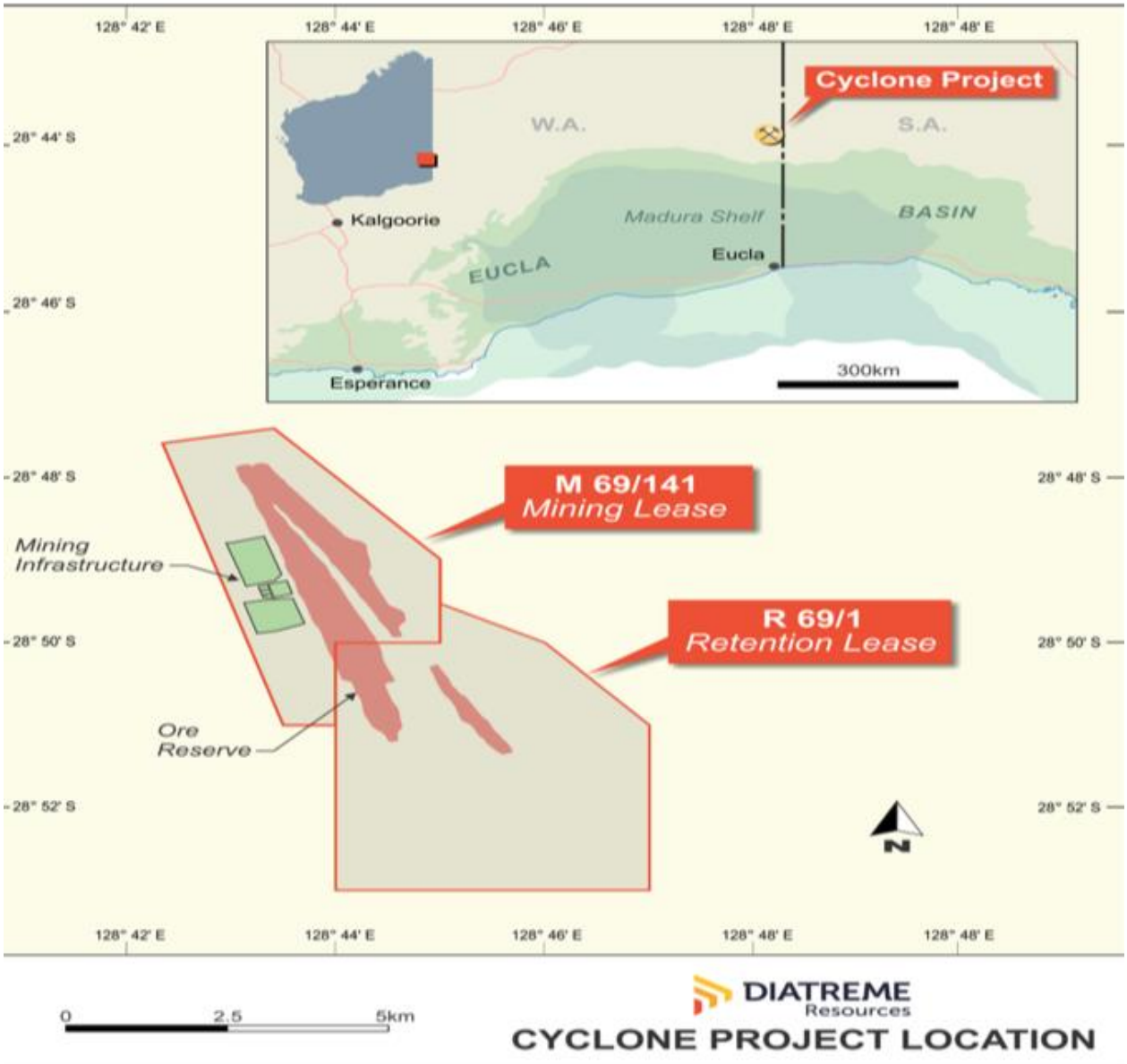

Figure 6: Cyclone project location

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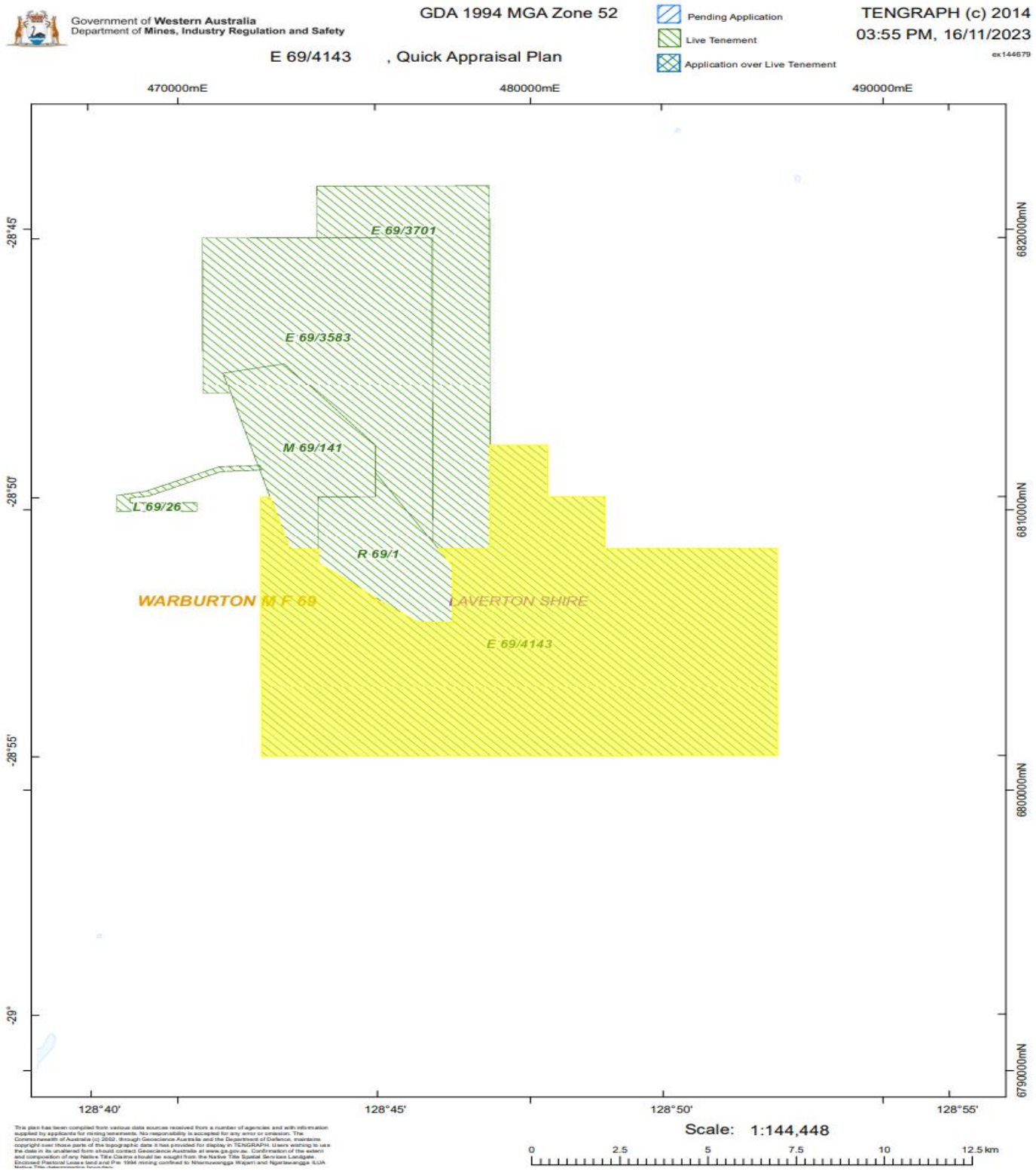

Figure 7 – Map showing granted exploration area E69/4143

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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
WA	Cyclone	E69/4143	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*

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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 (73.2%) and Sibelco Silica Pty Ltd (26.8%). 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 73.2%. 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.*

**** Company notes award of tenement area E69/4143 in late November 2023 –no exploration activity has been undertaken.*

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	