DIATREME RESOURCES LIMITED

ABN 33 061 267 061

FINANCIAL STATEMENTS
for the year ended 31 December 2023

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Directors
Wayne Swan, Non-Executive Chairman
Gregory Starr, Non-Executive Director
Michael Chapman, Non-Executive Director
Cheng (William) Wang, Non-Executive Director
Karalyn Keys, Non-Executive Director

Chief Executive Officer
Neil McIntyre

CFO and Company Secretary
Tuan Do

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Securities Exchange
Australian Securities Exchange
ASX Code: DRX

Auditors
William Buck (Qld)
Level 22, 307 Queen Street
Brisbane QLD 4000

The Directors present their report on Diatreme Resources Limited ("Diatreme" or "the Company") and its subsidiaries (the "Group") for the year ended 31 December 2023.

DIRECTORS

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

Wayne Swan
Gregory Starr
Cheng (William) Wang
Michael Chapman
Karalyn Keys (appointed 19 July 2023)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

No dividend has been paid since the end of the previous year and the Directors do not recommend the payment of any dividend for the year ended 31 December 2023.

REVIEW OF OPERATIONS

Overview

During the reporting period Diatreme continued the progression of its flagship Northern Silica Project (NSP) in Far North Queensland (FNQ), together with progressing the development of its 'shovel-ready' Cyclone Zircon Project in Western Australia, and the Clermont Copper-Gold Project.

Silica Sand Projects

Key operational highlights in chronological order, consistent with releases to market (ASX) during the year included:

Further resource expansion

- The Company announced in March 2023 that the NSP's Si2 resource estimate had increased by 89% to 235 million tonnes (Mt), up from 124.1Mt previously. This increased the Company's total silica sand resource base to more than 310Mt.

- The resource estimate confirmed the target Si2 dune system has the potential to host significant silica sand resources, as incremental exploration has increased the resource size significantly.

Lodgement of EPBC

- In May, the Company announced the lodgement of its *Environment Protection and Biodiversity Conservation Act 1999* (EPBC) referral with the Australian (federal) Government Department of Climate Change, Energy, the Environment and Water (DCCEEW).

- The lodgement was a key milestone in the regulatory approval process. Diatreme subsequently received a determination in June that NSP was considered a "controlled action" for the following matters: world heritage properties, national heritage places, listed migratory species, Great Barrier Reef marine park and listed threatened species and communities. This allowed for the project to be assessed through a single Environmental Impact Statement (EIS) process, addressing both State and Federal government requirements.

Scoping Study

- The NSP's Scoping Study was announced to the ASX on 14 June 2023, with the results showing the potential for a valuable long life mining operation. The study indicated a potential target production rate of 5 Mtpa could be sustained for 25 years. It estimated a post-tax net present value of $830 million and an internal rate of return of 32%, with the payback period estimated at six years. The base case analysis estimated a capital cost of $356 million including a $46.4 million contingency, to establish a 3 Mtpa operation.

- An additional capital investment of A$179 million will be required two years after the start of production, to increase the production exportable product to 5 Mtpa.

- The Scoping Study was based on an Indicated and Inferred mineral resource of 235 million tonnes.

Offtake MOU

- In July 2023, the Company announced a strategic Memorandum of Understanding (MOU) with one of the world's largest manufacturers of photovoltaic (PV) glass, Flat Glass Group Co Ltd (FLAT). The non-binding MOU, set to remain active for 12 months, explores the potential for long-term binding offtake agreements for the supply of high purity, low iron silica from the NSP to FLAT's glass manufacturing operations in China, amid surging demand from the solar energy industry.

Project of Regional Significance/Coordinated Project

- In August 2023, the NSP was deemed a 'Project of Regional Significance' by the Queensland Government's Department of Regional Development, Manufacturing and Water, pursuant to the Cape York Water Resources Plan (2019). The designation confirmed the NSP's important economic and social impact for the region, allowing Diatreme to apply for a future water entitlement.

- In October 2023, Diatreme 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). The project obtained this designation post-balance date, in January 2024.

Exploration and new maiden 91.7Mt silica resource at Western Resource Area

- 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 process.

- In October 2023, Diatreme announced that it was conducting an infill drilling campaign using a track mounted aircore rig. A total of 223 holes were 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.

- In addition, the Point Lookout Track (PLT) and Western Dune Ridges (WDR) exploration infill and step out augering confirmed the continuity of high purity silica sand dunes to the north and west of established resources.

- In December 2023, the Company announced a new maiden resource estimate had been established for its Western Resource Area (WRA). Located within close proximity to the NSP, the WRA's maiden resource estimate comprised 91.7Mt of high-purity silica sand, including 10.3Mt of Indicated Resource.

- This additional resource increased Diatreme's total silica sand resource base to approximately 402Mt across its FNQ silica sand projects.

Sibelco completes 2nd tranche investment ahead of schedule

- In December 2022, global material solutions leader Sibelco invested $11 million in the first tranche investment in the joint venture company with Diatreme, Cape Silica Holdings Pty Ltd, obtaining an initial 9.99% interest. In October 2023, Sibelco subsequently completed its second tranche investment of $24 million, 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's second tranche investment was priced at a 'look through' value of $160 million for the FNQ silica sand projects, highlighting the value of these projects amid surging solar PV demand.

Cooperation agreement with Hope Vale Aboriginal Shire Council

- In November 2023, a Memorandum of Cooperation (MOU) was signed with Hope Vale Aboriginal Shire Council, aimed at securing mutually beneficial opportunities for the Hope Vale community from the NSP.

- The MOU aims to maximise economic and employment opportunities for native title holders and other Hope Vale residents affected by the NSP, including the creation of training and development programs.

Cyclone Project

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 a range of potential development partners for Cyclone, with the aim of maximising returns for shareholders.

Post-balance date, Diatreme expanded (39 sub blocks) its exploration tenement area surrounding Cyclone, with the grant by the Western Australian Government (DEMIRS) of E69/4143. 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.

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.

Clermont Copper/Gold Project

The Clermont Copper/Gold Project continues to advance 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.

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.

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

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% dependent upon expending an additional $1M under the terms of the MOU 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. A five-hole drilling program for a total of 301m was completed in December 2023, with the assay results released to market in February 2024.

Post-balance date, in February 2024 Metallica announced a gold exploration target for the LGGP (refer ASX announcement 19 February 2024).

Corporate

On 30 June 2023, Diatreme announced the completion of the sale of shares pursuant to an Unmarketable Parcel Share Sale Facility, resulting in approximately 4 million shares owned by 1,178 shareholders being sold on market, at an average price of $0.024 per share.

Enhancing the Company's Board, experienced company director, Ms Karalyn Keys was appointed on 19 July 2023 as an independent Non-Executive Director, assisting Diatreme in its continued focus on the economic empowerment of the regional communities encompassing its Far North Queensland high purity silica sand projects.

Ms Keys has a strong board and financial background, with previous roles as a trustee director at Cbus Super, energy provider Powerlink and asset manager United Super Asset Management and as a director of the Australian Institute of Superannuation Trustees.

Ms Keys has worked closely with Indigenous communities, including serving for six years as a National Campaign Director and prior to that as the National Indigenous Officer at the Australian Council of Trade Unions.

OPERATING RESULTS

The net Profit of the Group for the financial year ended 31 December 2023 was $10,366,209 (2022: profit of $4,978,378). During the year, $13,818,643 was recognised as a gain on formation of a joint venture.

MATERIAL BUSINESS RISKS

The Group's activities are subject to numerous risks. The material business risk affecting the Group and its future performance is currently exploration risks. Exploration risks include the likelihood of not finding the desired resources, encountering unexpected geological formations or natural hazards, operational challenges or delays and dealing with regulatory or environmental hurdles as part of the exploration activities. This risk is managed through an established exploration prospect evaluation methodology and engagement of relevant experts in the field.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO REPORTING DATE

On 16 February 2024, Diatreme announced to the market its conditional intention to make a takeover bid for all of the ordinary shares in Metallica Minerals Limited (MLM or Metallica).

Metallica shareholders will receive 1.3319 fully paid ordinary shares in Diatreme (Diatreme Share) for every one (1) ordinary share in Metallica held by Metallica shareholders on the record date subject to conditions.

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

FUTURE DEVELOPMENTS

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

INFORMATION ON DIRECTORS

Name:	Wayne Swan
Title:	Non-Executive Chairman
Qualification:	Bachelor of Arts
Experience:	Mr Swan was appointed a Non-Executive Director and Chairman in November 2021. Mr Swan enjoyed a lengthy career in Australian federal politics, serving as Treasurer of Australia from 2007 to 2013 and Deputy Prime Minister of Australia from 2010 to 2013. During his parliamentary career, Mr Swan worked to improve legal recognition and protection for traditional owners, as well as supporting workers' rights and Australia's clean energy future. Since retiring from Parliament in 2019, he has served as national president of the Australian Labor Party, Director of Stanwell Corporation, and Chairman of CBUS (Australia's leading superannuation fund for the building, construction, and allied industries).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of audit committee
Interests in shares:	2,000,000 ordinary shares
Interests in options:	10,000,000 options

Name:	Gregory Starr
Title:	Non-Executive Director
Qualifications:	B Bus, CPA
Experience:	Mr Starr is a highly experienced corporate leader in the resources sector, with three decades of executive management experience across several Australian and international companies. Through Corporates Services Company Tearum Advisors Pty Ltd, Mr Starr provides Non Executive and Executive services and Executive support services to emerging through to listed companies. Mr Starr has strong financial and business planning capabilities. He has a Bachelor or Business from the University of Technology Sydney, and holds a Certified Practicing Accountant (CPA) qualification.
Other current directorships:	Candy Club Holdings Limited Admiralty Resources Limited
Former directorships (last 3 years):	Investor Centre Limited
Special responsibilities:	Chair of audit committee
Interests in shares:	None
Interests in options:	10,000,000 options

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

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

Name:	Karalyn Keys
Title:	Non-Executive Director
Qualifications:	Bachelor of Arts (Politics & Public Administration)
Experience:	Ms Keys has a strong board and financial background. Her financial experience includes previous roles as a trustee director at Cbus Super (Est. $54Bn under management), energy provider Powerlink and asset manager United Super Asset Management and as a director of the Australian Institute of Superannuation Trustees. Ms Keys has worked closely with Indigenous communities, including serving for six years as a National Campaign Director and prior to that as the National Indigenous Officer at the Australian Council of Trade Unions.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	None
Interests in options:	10,000,000 options

COMPANY SECRETARY

Tuan Do – B Comm., CA

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

MEETINGS OF DIRECTORS

The number of meetings of Directors held during the year ended 31 December 2023, and the number of meetings attended by each Director was as follows:

Name	Board of Directors		Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Wayne Swan	8	8	2	2	-	-
Gregory Starr	8	8	2	2	-	-
Cheng (William) Wang	8	7	-	-	1	1
Michael Chapman	8	8	-	-	1	1
Karalyn Keys	4	3	-	-	-	-

REMUNERATION REPORT - AUDITED

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

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

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

(a) Key management personnel (KMP)

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

- Wayne Swan - Non-Executive Chairman
- Gregory Starr- Non-Executive Director
- Cheng (William) Wang - Non-Executive Director
- Michael Chapman - Non-Executive Director
- Karalyn Keys - Non-Executive Director
- Neil McIntyre - Chief Executive Officer
- Tuan Do - CFO & Company Secretary

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

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

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

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

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

The executive remuneration and reward framework has four components:
- Base pay
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

(c) Relationship of remuneration with Group performance

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

	Unit	2019	2020	2021	2022	2023
Share price at year end	$/share	0.012	0.018	0.021	0.027	0.024
Market capitalisation	$	21,965,416	46,313,220	63,288,069	100,703,496	89,514,219
Revenue and other income	$	19,393	21,279	23,938	8,392,012	14,304,394
Total assets	$	19,881,539	25,622,323	33,135,877	55,333,890	66,531,895
Net profit/(loss) after tax	$	(1,373,529)	(1,041,547)	(2,149,567)	4,978,378	10,366,209

(d) Details of remuneration

2023	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
Name	Salary & fees $	Annual Leave $	Superannuation $	Long service leave $	Options $	Performance Rights $	Total $
Non-Executive Directors							
W Swan	80,000	-	8,600	-	75,591	-	164,191
G Starr	47,000	-	5,053	-	26,118	-	78,171
W Wang	47,000	-	5,053	-	26,118	-	78,171
M Chapman	47,000	-	5,053	-	26,118	-	78,171
K Keys	9,476	-	1,042		38,346		48,864
Other KMP							
N McIntyre	375,000	101,673	43,486	53,947	159,583	-	733,689
T Do	220,000	(12,371)	25,512	12,278	106,388	-	351,807
Total	825,476	89,302	93,799	66,225	458,262	-	1,533,064

The group also paid $77,642 in 2023 for specialist market and consultancy services from Fortune Corporation Australia Pty Limited, a director-related entity of W Wang. There were no payments made in 2022.

2022	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
Name	Salary & fees $	Annual Leave $	Superannuation $	Long service leave $	Options $	Performance Rights $	Total $
Non-Executive Directors							
W Swan	80,000	-	8,200	-	67,621	-	155,821
G Starr	47,000	-	4,818	-	60,182	-	112,000
W Wang	47,000	-	4,818	-	60,182	-	112,000
M Chapman	47,000	-	4,818	-	60,182	-	112,000
Other KMP							
N McIntyre	300,000	26,512	30,750	4,923	91,605	(19,495)#	434,295
P Brown*	280,836	-	25,110	-	-	(16,262)#	289,684
T Do	190,000	17,659	19,475	15,676	61,070	-	303,880
Total	991,836	44,171	97,989	20,599	400,842	(35,757)	1,519,680

* Up until date of resignation 16/12/22.
\# Reversal due to performance rights lapsed.

(e) Employment contracts

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

(f) Share-based compensation

Shares

There were no shares issued to key management personnel as part of compensation during the year ended 31 December 2023.

Options

Following shareholder approval in May 2022, the Company issued 10,000,000 Director Options, in 3 tranches, to Mr Wayne Swan, Non-executive Chairman. The Director Options were issued for nil cash consideration and as part remuneration for Director services provided by the Directors to the Company.

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

	Tranche 1	Tranche 2	Tranche 3
Grant date	26 May 2022	26 May 2022	26 May 2022
Exercise price	$0.025	$0.030	$0.035
Maximum option life in years	5 years	5 years	5 years
Volatility	100.4%	100.4%	100.4%
Risk-free rate	2.95%	2.95%	2.95%
Dividend yield	0.0%	0.0%	0.0%
Trinomial steps	200	200	200
Exercise multiple	4	4	4
Employee exit rate	0.00%	0.00%	0.00%
Expiry date	26 May 2027	26 May 2027	26 May 2027
Vesting date	26 May 2023	26 May 2024	26 May 2025
Option Value	0.0189	0.0183	0.0178
Number of options	3,333,334	3,333,333	3,333,333

Following Board approval in July 2022, the Company issued 30,000,000 Employee Options, in 3 tranches, to the 3 KMP – Neil McIntyre, Peter Brown and Tuan Do. The Employee Options were issued for nil cash consideration and as part of their remuneration. At 31 December 2022, the 10,000,000 Employee Options issued to Peter Brown lapsed due to his resignation.

	Tranche 1	Tranche 2	Tranche 3
Grant date	25 July 2022	25 July 2022	25 July 2022
Exercise price	$0.035	$0.040	$0.045
Maximum option life in years	5 years	5 years	5 years
Volatility	99.76%	99.76%	99.76%
Risk-free rate	3.04%	3.04%	3.04%
Dividend yield	0.0%	0.0%	0.0%
Trinomial steps	200	200	200
Exercise multiple	4	4	4
Employee exit rate	0.00%	0.00%	0.00%
Expiry date	25 July 2027	25 July 2027	25 July 2027
Vesting date	25 July 2023	25 July 2024	25 July 2025
Option Value	0.0291	0.0284	0.0279
Number of options	10,000,000	10,000,000	10,000,000

Ms Karalyn Keys was appointed a non-executive director on 19 July 2023. In connection with her appointment, Diatreme agreed to grant Ms Keys with 10,000,000 Director Options exercisable over ordinary shares in Diatreme. The Options were subsequently issued on 8 August 2023. The Director Options were issued for nil cash consideration and as part remuneration for Director services provided by the Directors to the Company.

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

	Tranche 1	Tranche 2	Tranche 3
Grant date	8 August 2023	8 August 2023	8 August 2023
Exercise price	$0.035	$0.040	$0.045
Maximum option life in years	5 years	5 years	5 years
Volatility	123.0%	123.0%	123.0%
Risk-free rate	3.75%	3.75%	3.75%
Dividend yield	0.0%	0.0%	0.0%
Trinomial steps	200	200	200
Exercise multiple	4	4	4
Employee exit rate	0.00%	0.00%	0.00%
Expiry date	8 August 2028	8 August 2028	8 August 2028
Vesting date	8 August 2024	8 August 2025	8 August 2026
Option Value	0.0160	0.0157	0.0155
Number of options	3,333,334	3,333,333	3,333,333

(g) Equity instruments held by KMP

Fully paid ordinary shares

Key Management Personnel	Balance at start of year	Issued as part of remuneration	Acquired/ (disposed)	Change due to resignation	Balance at end of the year
W Swan	2,000,000	-	-	-	2,000,000
G Starr	-	-	-	-	-
W Wang	6,267,255	-	-	-	6,267,255
M Chapman	-	-	-	-	-
N McIntyre	10,381,670	-	350,000	-	10,731,670
T Do	142,000	-	128,301	-	270,301
Total	18,790,925	-	478,301	-	19,269,226

Share options

Key Management Personnel	Balance at the start of the year	Granted as remuneration	Exercised	Expired/forfeit	Change due to resignation	Balance at the end of the year
W Swan	10,000,000	-	-	-	-	10,000,000
G Starr	10,000,000	-	-	-	-	10,000,000
W Wang	10,000,000	-	-	-		10,000,000
M Chapman	10,000,000	-	-	-	-	10,000,000
K Keys	-	10,000,000				10,000,000
N McIntyre	12,000,000	-	-	-	-	12,000,000
T Do	8,000,000	-	-	-	-	8,000,000
Total	60,000,000	10,000,000	-	-	-	70,000,000

END OF AUDITED REMUNERATION REPORT

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option as at 31 December 2023 are as follows:

Issue date	Expiry date	Exercise price	Number under option	Type
25 June 2021	27 May 2026	2.5 cents	10,000,002	Unlisted
25 June 2021	27 May 2026	3.0 cents	9,999,999	Unlisted
25 June 2021	27 May 2026	3.5 cents	9,999,999	Unlisted
26 May 2022	26 May 2027	2.5 cents	3,333,334	Unlisted
26 May 2022	26 May 2027	3.0 cents	3,333,333	Unlisted
26 May 2022	26 May 2027	3.5 cents	3,333,333	Unlisted
25 July 2022	25 July 2027	3.5 cents	6,666,666	Unlisted
25 July 2022	25 July 2027	4.0 cents	6,666,667	Unlisted
25 July 2022	25 July 2027	4.5 cents	6,666,667	Unlisted
8 August 2023	8 August 2028	3.5 cents	3,333,334	Unlisted
8 August 2023	8 August 2028	4.0 cents	3,333,333	Unlisted
8 August 2023	8 August 2028	4.5 cents	3,333,333	Unlisted

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

ENVIRONMENTAL REGULATION

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

INDEMNITY AND INSURANCE OF OFFICERS

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

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

INDEMNITY AND INSURANCE OF AUDITOR

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

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

On behalf of the directors

Wayne Swan
Non-Executive Chairman

Brisbane, 14 March 2024

Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Diatreme Resources Limited

As lead auditor for the audit of Diatreme Resources Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

– no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

– no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Diatreme Resources Limited and the entities it controlled during the year.

William Buck

William Buck (Qld)
ABN 21 559 713 106

M. Monaghan

M J Monaghan
Director

Brisbane, 14 March 2024

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Note	2023 $	2022 $
Revenue	2	456,496	110,137
Other gains	7	13,818,643	8,212,269
Share of joint venture income	7	12,010	-
Other income	2	17,245	69,606
Total revenue and income		14,304,394	8,392,012
Employee benefit expenses		(1,163,783)	(1,204,037)
Depreciation expenses	2	(214,220)	(171,278)
Exploration expenditure written off	10	(20,779)	-
Share based payment expense	18	(458,262)	(339,331)
Other expenses	2	(1,951,252)	(1,578,016)
Finance costs		(129,889)	(120,972)
Total expenses		(3,938,185)	(3,413,634)
Profit before income tax		10,366,209	4,978,378
Income tax expense	3	-	
Net profit for the year		10,366,209	4,978,378
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	
Total comprehensive income for the year		10,366,209	4,978,378

		Cents	Cents
Earnings per share			
Basic earnings per share	4	0.3	0.1
Diluted earnings per share	4	0.3	0.1

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

Consolidated Statement of Financial Position
as at 31 December 2023

	Note	2023 $	2022 $
Current Assets			
Cash and cash equivalents	5	10,772,458	13,640,939
Trade and other receivables	6	313,731	562,984
Total Current Assets		11,086,189	14,203,923
Non-current Assets			
Investment in joint venture	7	38,948,137	25,117,484
Property, plant and equipment	8	693,962	581,361
Right-of-use assets	9	215,699	29,174
Exploration and evaluation assets	10	15,540,443	15,363,583
Other assets	11	47,465	38,365
Total Non-current Assets		55,445,706	41,129,967
Total Assets		**66,531,895**	**55,333,890**
Current Liabilities			
Trade and other payables	12	1,044,277	967,303
Borrowings	13	1,525,313	-
Lease liabilities	14	95,957	31,819
Provisions	15	102,644	8,950
Total Current Liabilities		2,768,191	1,008,072
Non-current Liabilities			
Borrowings	13	-	1,509,375
Lease liabilities	14	125,359	-
Provisions	15	67,567	70,136
Total Non-current Liabilities		192,926	1,579,511
Total Liabilities		**2,961,117**	**2,587,583**
Net Assets		**63,570,778**	**52,746,307**
Equity			
Issued capital	16	93,637,615	93,637,615
Reserves	17	1,017,351	559,089
Accumulated losses		(31,084,188)	(41,450,397)
Total Equity		**63,570,778**	**52,746,307**

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2023

	Note	Issued capital $	Share-based payment reserve $	Accumulated losses $	Total $
At 1 January 2022		**76,964,871**	**225,251**	**(46,428,775)**	**30,761,347**
Total comprehensive income for the year		-	-	4,978,378	4,978,378
Transactions with owners in their capacity as owners:					
Shares issued		17,756,384	-	-	17,756,384
Share issue costs		(1,089,133)	-	-	(1,089,133)
Options and performance rights issued	18 (a)	-	466,012	-	466,012
Exercise of vested performance rights		5,493	(5,493)	-	-
Reverse portion relating to lapsed options and performance rights		-	(126,681)	-	(126,681)
Balance at 31 December 2022		**93,637,615**	**559,089**	**(41,450,397)**	**52,746,307**
At 1 January 2023		**93,637,615**	**559,089**	**(41,450,397)**	**52,746,307**
Total comprehensive income for the year		-	-	10,366,209	10,366,209
Transactions with owners in their capacity as owners:					
Shares issued		-	-	-	-
Options issued	18 (a)	-	458,262	-	458,262
Balance at 31 December 2023		**93,637,615**	**1,017,351**	**(31,084,188)**	**63,570,778**

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts in the course of operations		7,890	17,018
Payments to suppliers and employees		(2,645,027)	(2,426,947)
Interest received		420,466	26,008
Finance costs		(102,850)	(124,243)
Net cash used in operating activities	5(a)	(2,319,521)	(2,508,164)
Cash flows from investing activities			
Payments for property, plant and equipment		(289,682)	(479,751)
Payments for exploration and evaluation assets		(193,706)	(6,583,010)
Proceeds from sale of property, plant and equipment		30,000	107,954
Payments for security deposits		(9,100)	-
Net cash used in investing activities		(462,488)	(6,954,807)
Cash flows from financing activities			
Proceeds from issue of shares		-	17,756,384
Payments for share issue costs		-	(1,089,134)
Repayment of lease liabilities		(86,472)	(63,357)
Net cash from financing activities		(86,472)	16,603,893
Net increase in cash and cash equivalents		(2,868,481)	7,140,922
Cash and cash equivalents at the beginning of the financial year		13,640,939	6,500,017
Cash and cash equivalents at the end of the financial year	5	10,772,458	13,640,939

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

1. Material accounting policy information

(a) Basis of preparation

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

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

The financial statements were approved by the Board of Directors on 14 March 2024.

(b) Basis of measurement

The Group financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

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

(d) Accounting policies

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

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

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

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

(e) Adoption of new and revised accounting standards

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

The consolidated entity has early adopted AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* which are required to be applied for annual reporting periods beginning on or after 1 January 2025. With the adoption of this accounting standard, the consolidated entity has recognised the gain resulting from the transaction involving the formation of the joint venture in the profit or loss only to the extent of the unrelated investors' interests in the joint venture.

(f) Going Concern

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

The Group has incurred a net profit after tax for the year ended 31 December 2023 of $10,366,209 and a net cash outflow from operations of $2,319,521. At 31 December 2023, the Group had $10,772,458 in cash and cash equivalents (2022: $13,640,939). In addition, the joint venture had $26,685,193 in cash at 31 December 2023.

During 2022 Diatreme and Sibelco Silica Pty Ltd (Sibelco) entered into a binding agreement for the formation of a Joint Venture (J/V), Cape Silica Holdings Pty Ltd (CSHPL) to develop Diatreme's silica sand projects. Sibelco's investment in the Joint Venture occurred in two tranches, for a total subscription amount of $35,000,000.

The first tranche of $11,000,000 by Sibelco to obtain 9.99% ownership in the J/V was completed on 1 December 2022. The second tranche of $24,000,000 by Sibelco to increase its ownership to 26.8% was completed on 17th October 2023.

Considering the above factors, the Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate. They believe the Group has the ability to continue as a going concern and pay its debts as and when they fall due, undertake exploration and subsequent exploitation of the Group's tenements, securing product offtake agreements for the Projects, and/or sale of non-core assets.

(g) Critical accounting estimates and judgements

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

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

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

Determination of fair value of investment upon formation of joint venture
The Group applied judgement in 2022 in determining the fair value of the investment in the joint venture. The value was derived based on the first tranche of $11,000,000 that Sibelco paid to obtain its 9.99% stake in the joint venture. Sibelco is a third-party market participant, therefore it was assumed the amount paid by the entity to acquire its interest represents fair value. On this basis, the Group determined the total fair value of CSHPL was $110,110,110 and its 90.01% shareholding had a fair value of $99,110,110 at the joint venture formation date.

2. Revenue, other income and expenses

	2023 $	2022 $
a) Revenue		
Interest	448,606	93,816
Rent	7,890	16,321
	456,496	110,137

Accounting policy: revenue recognition

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

b) Other income

	2023 $	2022 $
Profit on sale of property, plant & equipment	17,245	68,909
Other	-	697
	17,245	69,606

Accounting policy: other income

Other income is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer.

c) Depreciation

	2023 $	2022 $
Plant and equipment	135,077	112,932
Right-of-use assets – buildings	79,143	58,346
	214,220	171,278

d) Other expenses

	2023 $	2022 $
Professional fees	184,939	75,473
Short term lease payments	22,795	27,260
Listing and share registry expenses	115,503	115,642
Administration costs	1,628,015	1,359,641
	1,951,252	1,578,016

3. Income Tax

	2023 $	2022 $
The prima facie tax on accounting loss differs from the income tax provided in the financial statements. The difference is reconciled as follows**:**		
Profit (loss) before income tax	10,366,209	4,978,378
Prima facie income tax benefit at 30% (2022: 25%)	3,109,863	1,244,595
Tax effect of amounts which are not deductible in calculating taxable income:		
Other	133,902	91,940
	3,243,765	1,336,535
Deferred tax assets not recognised	(3,243,765)	(1,336,535)
Total income tax benefit	-	-

(a) Tax losses

	2023 $	2022 $
Unused tax losses	93,599,577	90,656,382
Potential tax effect at 30% (2022: 25%)	28,079,873	22,664,096

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

Accounting policy: income tax

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

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

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

Tax consolidation legislation

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

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

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

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

4. Income/(loss) per share

	2023 $	2022 $
Income after income tax attributable to the owners of Diatreme Resources Limited	10,366,209	4,978,378
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	3,729,759,126	3,367,748,394
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,731,981,349	3,367,748,394
	Cents	**Cents**
Basic earnings (loss) per share	0.3	0.1
Diluted earnings (loss) per share	0.3	0.1

Accounting policy: earnings/loss per share

Basic earnings per share

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

Diluted earnings per share

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

5. Cash and cash equivalents

	2023 $	2022 $
Cash on hand	67	345
Cash at bank	1,772,391	3,640,594
Cash on deposit	9,000,000	10,000,000
	10,772,458	13,640,939

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

	2023 $	2022 $
Income for the year	10,366,209	4,978,378
Non-cash items		
Gain on formation of joint venture	-	(8,212,269)
Gain on dilution of interest in CSHPL	(13,818,643)	-
Profit on sale of property, plant & equipment	(17,245)	(68,909)
Depreciation	214,220	171,278
Exploration expenditure written off	20,779	-
Share based payment expense	458,262	339,331
Share of joint venture income	(12,010)	-
Interest expense for leases	11,102	5,479
Movements in operating assets and liabilities		
Decrease / (increase) in receivables	(11,378)	17,824
Decrease / (increase) in other assets	19,004	(18,584)
Increase / (decrease) in payables	359,054	254,227
Increase / (decrease) in provisions	91,125	25,081
Net cash used in operating activities	(2,319,521)	(2,508,164)

6. Trade and other receivables

	2023 $	2022 $
Trade receivable (Cape Silica Holdings Pty Ltd)	168,062	440,911
Other receivables	145,669	122,073
	313,731	562,984

Trade and other receivables do not contain impaired assets and are not past due.

7. Investment in Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.
The carrying amount of equity-accounted investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Cape Silica Holdings Pty Ltd (CSHPL)

On 1 December 2022, Diatreme Resources Limited and Sibelco Silica Pty Ltd (Sibelco) entered a Shareholder's Deed outlining the intent of the parties to conduct a joint venture for the purposes of exploring and developing silica sand assets in the Cape Flattery and Cape Bedford regions. Sibelco subscribed for a 9.99% interest in CSHPL for AU$11 million. At this date the Group's control of CSHPL ceased; the remaining interest in the entity is accounted for using the equity method in the consolidated financial statements. On 17 October 2023 Sibelco subscribed for a further 16.8% in CSHPL for AU$24 million, for a total of 26.8% interest in CSHPL.

Set out below is the joint venture of the group as at 31 December 2023 which, in the opinion of the directors, is material to the group. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of Entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying Amount	
		2023	2022			2023	2022
		%	%			$	$
Cape Silica Holdings Pty Ltd	Australia	73.2	90.01	Joint Venture (1)	Equity Method	38,948,137	25,117,484

(1) A joint venture between Diatreme Resources Ltd and Sibelco Silica Pty Ltd.

On 3 June 2022 Diatreme Resources Limited incorporated Cape Silica Holdings Pty Ltd, which became a wholly-owned subsidiary of the Group.

On 3 June 2022, Cape Silica Holdings Pty Ltd Incorporated Northern Silica Pty Ltd as a wholly owned subsidiary.

On 17 June 2022, Diatreme Resources Limited sold Galalar Silica (Qld) Pty Ltd, a dormant company, to Cape Silica Holdings Pty Ltd for a nominal amount.

On 25 November 2022 Diatreme Resources Limited completed an internal restructuring to transfer existing tenement assets in the Cape Flattery and Cape Bedford region silica sands project to the newly created entity Cape Silica Holdings Pty Ltd and its two wholly-owned subsidiaries.

Significant judgement: existence of joint control
The Shareholder Agreement requires the approval of both Diatreme and Sibelco in relation to significant financial and operating decisions of the joint venture (known as reserve matters). This requirement demonstrates Diatreme, despite its 73.2% voting rights, is unable to unilaterally direct the relevant activities of Cape Silica Holdings Pty Ltd. The Group has therefore determined that it has joint control over CSHPL.

The Group controlled CSHPL prior to the formation of the joint venture. The Group lost control of CSHPL when the joint venture was formed as the Group is unable to unilaterally direct the relevant activities of CSHPL. The table below provides a reconciliation of the gain on formation of joint venture, CSHPL at 31 December 2022 and the gain on dilution of the Group's investment in CSHPL at 31 December 2023:

	2023 $	2022 $
Cape Silica Holdings Pty Ltd Group – deconsolidation and gain on dilution		
Recognition of investment in CSHPL	99,110,110*	99,110,110*
Carrying value of tenement assets transferred (see note 10)	(16,905,215)	(16,905,215)
Unrealised gain on investment in CSHPL (based on Diatreme's 90.01% interest)	-	(73,992,626)
Unrealised gain on investment in CSHPL (based on Diatreme's 73.2% interest)	(60,173,983)	-
Total gain on formation of joint venture	-	8,212,269
Less gain already recognised in 2022	(8,212,269)	-
Gain on loss of control of subsidiary in Statement of Profit or Loss in current period	**-**	**8,212,269**
Gain on dilution of interest in CSHPL	**13,818,643**	**-**

*This represents the fair value of the Group's investment in CSHPL at the date the joint venture was formed. See note 1 (g) for details of the significant judgements and estimates applied in determining the fair value. Upon loss of control of CSHPL, the Group's retained interest in CSHPL is remeasured to the fair value associated with the portion sold to Sibelco, with the excess amount over the previous carrying value recognised as a gain in profit or loss.

Commitments and contingent liabilities in respect of joint ventures

Commitments

Under the Joint Venture Constitution, the Group has a commitment to provide funding for tenement expenditure if called upon by the joint venture. As of 31 December 2023, CSHPL has not called upon the Group to fund tenement expenditure.

Contingent liabilities

As of 31 December 2023, the Group had no contingent liabilities in respect of CSHPL.

Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for the joint venture that is material to the group. The information disclosed reflects the amounts presented in the financial statements of the joint ventures and not Diatreme Resources Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Cape Silica Holdings Pty Ltd	
	2023 $	**2022 $**
Summarised statement of comprehensive income		
Interest income	434,064	10,864
Expenses	(424,339)	-
Income tax expense	(2,431)	-
Profit for the period	**7,294**	**10,864**
Other comprehensive income	-	-
Total comprehensive income	**7,294**	**10,864**

	Cape Silica Holdings Pty Ltd	
	31 Dec 2023	**31 Dec 2022**
	$	**$**
Summarised balance sheet		
Current assets		
Cash and cash equivalents	26,685,193	10,857,544
Other current assets	264,411	185,674
Total current assets	26,949,604	11,043,218
Non-current assets		
Exploration and evaluation assets	25,439,926	17,637,315
Property, plant and equipment	166,043	-
Security deposit	9,100	-
Total non-current assets	25,615,069	17,637,315
Total assets	**52,564,673**	**28,680,533**
Current liabilities – trade and other payables	638,401	761,455
Non-current liabilities	-	-
Total liabilities	**638,401**	**761,455**
Net assets	**51,926,272**	**27,919,078**
Reconciliation of carrying amounts:		
Opening net assets 1 January	27,919,078	-
Capital contribution	23,999,900	27,908,214
Profit for the period	7,294	10,864
Closing net assets	**51,926,272**	**27,919,078**

	2023	2022
	$	**$**
Reconciliation of carrying amount in joint venture		
Opening balance 1 January	25,117,484	-
Carrying value of tenement transferred	-	16,905,215
Gain on formation of joint venture	-	8,212,269
Gain on dilution of investment	13,818,643	-
Share of profit in joint venture	12,010	-
Closing balance 31 December	**38,948,137**	**25,117,484**

8. Property, plant & equipment

	Furniture and fittings	Motor vehicles	Plant and Equipment	Total
	$	$	$	$
Year ended 31 December 2022				
Opening net book amount	1,574	171,752	80,260	253,586
Additions	420	115,133	364,198	479,751
Disposals	-	-	(39,072)	(39,072)
Depreciation charge	(388)	(48,241)	(64,275)	(112,904)
Closing net book amount	1,606	238,644	341,111	581,361
At 31 December 2022				
Cost	135,143	428,588	756,762	1,320,493
Accumulated depreciation	(133,537)	(189,944)	(415,651)	(739,132)
Net book amount	1,606	238,644	341,111	581,361

	Furniture and fittings	Motor vehicles	Plant and Equipment	Total
	$	$	$	$
Year ended 31 December 2023				
Opening net book amount	1,606	238,644	341,111	581,361
Additions	33,435	230,822	25,855	290,112
Disposals	-	(42,004)	(430)	(42,434)
Depreciation charge	(2,747)	(57,060)	(75,270)	(135,077)
Closing net book amount	32,294	370,402	291,266	693,962
At 31 December 2023				
Cost	160,244	552,285	775,189	1,487,718
Accumulated depreciation	(127,950)	(181,883)	(483,923)	(793,756)
Net book amount	32,294	370,402	291,266	693,962

Accounting policy: property, plant and equipment

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

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

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

9. Right-of-use assets

	2023 $	2022 $
Opening balance	29,174	87,520
Additions	265,668	-
Depreciation charge	(79,143)	(58,346)
Closing balance	215,699	29,174

The Company right-of-use assets consist of leases for its offices.

Accounting policy: Right-of-use assets

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

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

10. Exploration and evaluation assets

	2023 $	2022 $
Exploration and evaluation assets – at cost less impairment	15,540,443	15,363,583
Opening balance	15,363,583	26,094,898
Costs capitalised during the year	197,639	6,173,900
Derecognition of assets - deconsolidation *	-	(16,905,215)
Exploration expenditure written off	(20,779)	-
Closing balance	15,540,443	15,363,583

*The Group deconsolidated its subsidiary Cape Silica Holdings Ltd Pty during the prior year. Also refer to Note 7.

Accounting policy: Exploration and evaluation assets

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

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

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

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

At balance date the carrying amount of exploration and evaluation assets was $15,540,443 – a significant proportion of which, $14,780,385, was attributable to the Group's Cyclone Zircon Project.

Farm-out Arrangement

Diatreme announced on 5 August 2021 a binding Memorandum of Understanding (MOU) with Metallica Minerals Limited (ASX: MLM) for the Company's Clermont Copper-Gold Project (EPM 17968).

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

On 4 July 2023, Metallica met the expenditure conditions of spending $1 million on the project and thus held 51% share of the Clermont Project.

On 12 October 2023, Metallica elected to earn an additional 24% in the Clermont Project by committing to sole fund $1 million for further exploration.

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

Accounting policy: impairment of non-financial assets

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

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

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

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

11. Other non-current assets

	2023 $	2022 $
Rent guarantee deposit	22,465	13,365
Security deposits	25,000	25,000
	47,465	38,365

12. Trade, other payables and employee benefits

	2023 $	2022 $
Unsecured		
Trade payables	313,914	582,089
Other payables and accruals	376,933	148,249
Employee benefits	353,430	236,965
	1,044,277	967,303

Accounting policy: trade and other payables

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

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

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

13. Borrowings

	2023 $	2022 $
Unsecured loan	1,525,313	1,509,375
Total borrowings	1,525,313	1,509,375
Current liability	1,525,313	-
Non-current liability	-	1,509,375

The loan's interest rate is 7.5 per annum and has a maturity date of 30 May 2024.

Accounting Policy: borrowings

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

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

14. Lease liabilities

	2023 $	2022 $
Current liability	95,957	31,819
Non-current liability	125,359	-
	221,316	31,819
The lease liabilities are presented as below:		
Opening balance	31,819	89,697
Additions	264,868	-
Payments recognised as financial cash outflow	(86,473)	(63,357)
Interest charges during the year	11,102	5,479
	221,316	31,819

Accounting policy: lease liability

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

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

15. Provisions

	2023 $	2022 $
Current liabilities		
Long service leave	102,644	8,950
Non-current liabilities		
Long service leave	67,567	70,136

Accounting policy: employee benefits - Long Service Leave

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

16. Issued Capital

	2023 $	2022 $
3,729,759,126 (Dec 2022: 3,729,759,126) ordinary shares	93,637,615	93,637,615

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	$
31 Dec 2021	Balance	3,013,717,560		76,964,871
10 Jan 2022 [(1)]	Shares issued	190,066	0.029	5,493
Jan-Feb 2022 [(2)]	Shares issued	24,275,000	0.020	485,500
27 Jun 2022 [(3)]	Shares issued	559,465,000	0.025	13,968,096
29 Aug 2022 [(3)]	Shares issued	132,111,500	0.025	3,302,788
	Shares issue costs	-		(1,089,133)
31 Dec 2022	Balance	3,729,759,126		93,637,615
	Shares issued	-		-
31 Dec 2023		3,729,759,126		93,637,615

[(1)] Shares issued on vesting of performance rights to Neil McIntyre and Peter Brown (Ex-KMP and ex-employee).

[(2)] Shares issued to various shareholders on exercise of options Shares issued to Neil McIntyre and Peter Brown on vesting of performance rights

[(3)] During 2022 the Company completed several placements to sophisticated and professional investors, including a placement to Sibelco completed on 27 June 2022

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

Accounting policy: issued capital

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

b) Share options

Expiry date	Status at 31 December 2023	Exercise Price	Number at end of year 2023	Number at end of year 2022
27 May 2026 (unlisted – Tranche 1) [(1)]	Vested	$0.025	10,000,002	10,000,002
27 May 2026 (unlisted – Tranche 2) [(1)]	Unvested	$0.030	9,999,999	9,999,999
27 May 2026 (unlisted – Tranche 3) [(1)]	Unvested	$0.035	9,999,999	9,999,999
26 May 2027 (unlisted – Tranche 1) [(2)]	Unvested	$0.025	3,333,334	3,333,334
26 May 2027 (unlisted – Tranche 2) [(2)]	Unvested	$0.030	3,333,333	3,333,333
26 May 2027 (unlisted – Tranche 3) [(2)]	Unvested	$0.035	3,333,333	3,333,333
25 July 2027 (unlisted – Tranche 1) [(3)]	Unvested	$0.035	6,666,666	6,666,666
25 July 2027 (unlisted – Tranche 2) [(3)]	Unvested	$0.040	6,666,667	6,666,667
25 July 2027 (unlisted – Tranche 3) [(3)]	Unvested	$0.045	6,666,667	6,666,667
8 August 2024 (unlisted – Tranche 1) [(4)]	Unvested	$0.035	3,333,334	-
25 July 2027 (unlisted – Tranche 2) [(4)]	Unvested	$0.040	3,333,333	-
25 July 2027 (unlisted – Tranche 3) [(4)]	Unvested	$0.045	3,333,333	-
Total			**70,000,000**	**60,000,000**

[(1)] 40,000,000 unlisted Director Options issued for nil cash consideration and as part remuneration for Director services and approved at the May 2021 AGM

(2) 10,000,000 unlisted Director Options issued for nil cash consideration and as part remuneration for Director services and approved at the May 2022 AGM

(3) 20,000,000 unlisted Employee Options issued for nil cash consideration and as part KMP remuneration approved by the Board in July 2022

(4) 10,000,000 unlisted Director Options issued for nil cash consideration and as part remuneration for Director services

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

	Number at end of year	
Movement in unlisted share options	**2023**	**2022**
Opening balance	60,000,000	219,214,365
Issued 14 June 2022 (subsequent to approval at 26 May 2022 AGM)	-	10,000,000
Issued 27 July 2022 (subsequent to Board approval 25 July 2022)	-	30,000,000
Issued 8 August 2023	10,000,000	-
Exercised	-	(24,275,000)
Lapsed	-	(174,939,365)
Closing balance	70,000,000	60,000,000

17. Share-based payment reserve

	2023 $	2022 $
Opening balance	559,089	225,251
Options expense	458,262	461,025
Performance rights expense	-	4,987
Transfer to share capital on vesting of performance rights	-	(5,493)
Reverse amounts relating to expired options and performance rights	-	(126,681)
Closing balance	1,017,351	559,089

Nature and purpose of share-based payment reserve

The share-based payment reserve is used to recognise the fair value of options issued under the employee share option plan, options issued to the directors, CEO and CFO.

18. Share-based payments

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

	2023 $	2022 $
Expensed:		
Incentive based payment to CEO & COO – performance rights	-	4,987
Payment to Directors for services – options	192,291	308,350
Payment to CEO and CFO as part of their remuneration – options	265,971	152,675
Total KMP share-based payments	458,262	466,012
Reverse portions of performance rights and options that have lapsed	-	(126,681)
Recognised in statement of profit or loss and other comprehensive income	458,262	339,331

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

Type	Holder(s)	Services provided
Options	Directors	Employment – corporate governance
Options	CEO and CFO & Company Secretary (CFO)	Employment – incentive with vesting conditions

Grant Date	Holder(s)	Type	Number of instruments at 1 Jan 2023	Granted in current period	Vested and shares issued	Lapsed in current period	Closing balance as at 31 Dec 2023	Weighted average exercise price
27 May 2021	Directors	Options	30,000,000	-	-	-	30,000,000	0.031
26 May 2022	Directors	Options	10,000,000	-	-	-	10,000,000	0.031
25 July 2022	CEO and CFO	Options	20,000,000	-	-	-	20,000,000	0.040
8 August 2023	Directors	Options	-	10,000,000	-	-	10,000,000	0.040

(b) Accounting Policy: share-based payment transactions

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

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

(c) Summary of share-based payments

Options to Directors (2023)
The Company issued 10,000,000 Director Options, in 3 tranches to Karalyn Keys. The Director Options were issued for nil cash consideration and as part remuneration for Director services provided by the Directors to the Company.

Options to Director (2022)
Following approval by shareholders at the May 2022 AGM, the Company issued 10,000,000 Director Options, in 3 tranches, to Non-executive Chairman, Mr Wayne Swan. The Director Options were issued for nil cash consideration and as part remuneration for Director services provided by the Directors to the Company.

Options to CEO, COO & CFO (2022)
Following Board approval in July 2022, the Company issued 30,000,000 Employee Options, in 3 tranches, to the CEO, COO and CFO. The Employee Options were issued for nil cash consideration and formed part of their remuneration. 10,000,000 of these options lapsed following the resignation of the COO on 16 December 2022.

(d) Fair value of options

The fair value of the options granted to non-executive director, Ms Karalyn Keys, in 2023 is estimated as at the date of grant using the Binomial valuation model taking into account the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Grant date	8 August 2023	8 August 2023	8 August 2023
Exercise price	$0.035	$0.040	$0.045
Maximum option life in years	5 years	5 years	5 years
Volatility	123.0%	123.0%	123.0%
Risk-free rate	3.75%	3.75%	3.75%
Dividend yield	0.0%	0.0%	0.0%
Trinomial steps	200	200	200
Exercise multiple	4	4	4
Employee exit rate	0.00%	0.00%	0.00%
Expiry date	8 August 2028	8 August 2028	8 August 2028
Vesting date	8 August 2024	8 August 2025	8 August 2026
Option Value	0.0160	0.0157	0.0155
Number of options	3,333,334	3,333,333	3,333,333

19. Financial instruments

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

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

(a) Categories of financial instruments

	2023 $	2022 $
Financial assets		
Cash and cash equivalents	10,772,458	13,640,939
Trade and other receivables	313,731	562,984
Security and other deposits	47,465	38,365
Total financial assets	11,133,654	14,242,288

	2023 $	2022 $
Financial liabilities		
Trade and other payables	1,044,277	967,303
Borrowings	1,525,313	1,509,375
Lease liabilities	221,316	31,819
Total financial liabilities	2,790,906	2,508,497

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

(b) Capital risk management

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

(c) Market risk

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

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

	2023 $	2022 $
Cash at bank	1,772,391	3,640,594
Cash on deposit	9,000,000	10,000,000
	10,772,391	13,640,594

(d) Credit risk

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

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

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

(e) Liquidity risk

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

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

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

The following are the contractual maturities of financial liabilities:

Consolidated	Carrying amount $	Contractual cash flow $	< 6 months $	6-12 months $	1-3 years $	> 3 years $
31 Dec 2022						
Trade and other payables	967,303	967,303	967,303	-	-	-
Borrowings	1,509,375	1,668,750	65,625	56,250	1,546,875	-
Lease liabilities	31,819	31,819	31,819	-	-	-
	2,508,497	2,667,872	1,064,747	56,250	1,546,875	-

Consolidated	Carrying amount $	Contractual cash flow $	< 6 months $	6-12 months $	1-3 years $	> 3 years $
31 Dec 2023						
Trade and other payables	1,044,277	1,044,277	1,044,277	-	-	-
Borrowings	1,525,313	1,525,313	1,525,313	-	-	-
Lease liabilities	221,316	242,478	54,479	75,133	112,866	-
	2,790,906	2,812,068	2,624,069	75,133	112,866	-

(f) Fair values

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

20. Interests in subsidiaries

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2023. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Set out below are details of the subsidiaries held directly by the Group:

Name of subsidiary	Country of Incorporation	Principal activity	Ownership Interest 2023	Ownership Interest 2022
Regional Exploration Management Pty Ltd	Australia	Logistical support	100%	100%
Chalcophile Resources Pty Ltd *	Australia	Metals exploration	100%	100%
Lost Sands Pty Ltd	Australia	Mineral sands exploration	100%	100%

* This entity is 100% owned by Regional Exploration Management Pty Ltd.

21. Parent Entity Information

	2023 $	2022 $
Financial position		
Current assets	11,067,531	14,146,937
Non-current assets	58,055,916	43,723,904
Total assets	69,123,447	57,870,841
Current liabilities	2,748,760	1,000,698
Non-current liabilities	192,926	1,570,136
Total liabilities	2,941,686	2,570,834
Net assets	66,181,761	55,300,007
Shareholders' equity		
Contributed equity	93,637,615	93,637,615
Reserves	1,017,351	559,089
Accumulated losses	(28,473,205)	(38,896,697)
Total equity	66,181,761	55,300,007
Profit for the year	10,423,492	4,929,908
Total comprehensive income for the year	10,423,492	4,929,908

Non-Current Assets

Non-current assets include $15,407,152 (2022: $15,285,842) of intercompany receivables balances with recoverability of the debt based on successful exploitation of various tenement sites, and $38,948,137 of investment in joint venture.

Contingent Liabilities

The parent entity had no contingent liabilities at 31 December 2023 (2022: nil).

Contractual commitments

The parent entity had no contractual commitments for property, plant and equipment at 31 December 2023 (2022: nil).

Guarantees

The parent entity had no guarantees as 31 December 2023 (2022: nil).

22. Commitments

(a) Tenement expenditure commitments

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

	2023 $	2022 $
Payable within 1 year	140,090	62,860
Payable between one and five years	1,092,254	853,277
	1,232,344	916,137

The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished. In 2023 cash security bonds totalling $25,000 were held by the relevant governing authorities to ensure compliance with granted tenement conditions (2022: $25,000).

23. Contingent Liability

The Group does not have any contingent liability at 31 December 2023 (2022: Nil).

24. Financial reporting by segments

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

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

25. Related parties

(a) Parent entity
The ultimate parent entity in the Group is Diatreme Resources Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in Note 20.

(c) Joint Ventures
Interest in joint ventures is set out in Note 7.

(d) Key management personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2023.

	2023 $	2022 $
Short-term employee benefits	914,778	1,036,007
Post-employment benefits	93,799	97,989
Long-term benefits	66,225	20,599
Share-based payments	458,262	365,085
	1,533,064	1,519,680

(e) Transactions with related parties

The following transactions occurred with related parties:	2023 $	2022 $
Payment for specialist market and consultancy services from Fortune Corporation Australia Pty Limited (director-related entity of William Wang).	71,197	-
Payment for corporate advice from Tearum Pty Limited (director-related entity of Greg Starr).	129,922	9,685

(f) Outstanding balances arising from sales/purchases of goods and services
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Current receivables	2023 $	2022 $
Cape Silica Holdings Pty Ltd	168,062	440,911

26. Remuneration of auditors

William Buck (Qld)		
Audit and review of the financial statements	27,940	25,400
Audit of Lost Sands Pty Ltd for 2020, 2021, 2022 and 2023	20,000	-
	47,940	25,400

The auditors did not provide any other services.

27. Events subsequent to balance date

On 16 February 2024, Diatreme announced to the market its conditional intention to make a takeover bid for all of the ordinary shares in Metallica Minerals Limited (MLM or Metallica).

Metallica shareholders will receive 1.3319 fully paid ordinary shares in Diatreme (Diatreme Share) for every one (1) ordinary share in Metallica held by Metallica shareholders on the record date subject to conditions.

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

28. New accounting standards and interpretations

At the date of authorisation of the financial report, certain Standards and Interpretations were on issue but not yet effective. These Standards and Interpretations have not been adopted in the preparation of the financial report for the year ended 31 December 2023, except as disclosed in note 1(e). None of these Standards and Interpretations are expected to have significant effect on the consolidated financial statements of the Group.

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

29. Corporate information

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

Directors' Declaration
for the year ended 31 December 2023

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1(a) to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Wayne Swan
Non-Executive Chairman

Brisbane, 14 March 2024

For personal use only

Independent auditor's report to the members of Diatreme Resources Limited

Report on the audit of the financial report

Our opinion on the financial report

In our opinion, the accompanying financial report of Diatreme Resources Limited (the Company) and its subsidiaries (the Group) is in accordance with the *Corporations Act 2001*, including:

— giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and

— complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

– the consolidated statement of financial position as at 31 December 2023,
– the consolidated statement of profit or loss and other comprehensive income for the year then ended,
– the consolidated statement of changes in equity for the year then ended,
– the consolidated statement of cash flows for the year then ended,
– notes to the financial statements, including material accounting policy information, and
– the directors' declaration.

Basis for opinion

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

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

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Key Audit Matters

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

Key audit matter 1: Carrying Value of Exploration and Evaluation Assets	Area of focus (refer also to note 10)	How our audit addressed the key audit matter
	Capitalised exploration and evaluation assets represent 23.4% of the Group's total assets. The carrying value of exploration and evaluation assets is impacted by the Group's ability, and intention, to continue to explore and evaluate these assets. The results of these activities then determine the extent to which it may or may not be commercially viable to develop and extract identified reserves. Due to the significance of this asset and the subjectivity involved in determining its carrying value and recoverable amount, this is a key audit matter.	Our audit procedures included: — A review of the directors' assessment of the criteria for the capitalisation of exploration and evaluation expenditure and their assessment of whether there are any indicators of impairment to capitalised costs; — Considering the Group's intention and ability to continue activities necessary to support a decision to develop the exploration and evaluation assets, which included an assessment of the Group's ability to fund such activities and a review of their future budgets; — Performing an assessment of whether any indicators of impairment existed in line with requirements of Australian Accounting Standards, including a review of the integrity of tenement title status and total commitments value; and — We assessed the adequacy of the Group's disclosures in respect of the carrying value of exploration and evaluation assets.

Key audit matter 2: Valuation of Investment in Joint Venture	Area of focus (refer also to note 7)	How our audit addressed the key audit matter
	The Group lost control of a subsidiary as a result of a transaction setting up a joint venture that is accounted for using the equity method in the prior year. The investment in joint venture represents 59% of the Group's total assets. Upon the formation of the joint venture in the prior year, the Group recognised the investment retained in the former subsidiary at its fair value at the date when control was lost. The gain resulting from the transaction was recognised in the profit or loss only to the extent of the unrelated investors' interest in that joint venture. The remaining part of the gain was offset against the carrying amount of the investment in the joint venture. The Group's interest in the joint venture was further diluted from 90.01% to 73.20% in the current financial year on a further investment by the other party to the joint venture under the terms of the formation of the joint venture. A portion of the previously unrecognised gain from the formation of the joint venture was recognised in profit and loss as a result of the dilution of interest in the joint venture. Due to the significance of this asset and the subjectivity involved in determining its fair value and the accounting for the initial investment and its subsequent dilution of interest, this is a key audit matter.	Our audit procedures included: – A review of contractual arrangements to determine the existence of joint control over the joint venture; – Considering the significant judgements involved in the determination of fair value of the investment upon the formation of the joint venture; – Reviewed management's assessment of the accounting considerations upon establishment of the joint venture and its subsequent dilution of interest, including review by our in-house technical specialists; and – We assessed the adequacy of the Group's disclosures in respect of the loss of control of a subsidiary, the formation of the joint venture and dilution of interest.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

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

Report on the Remuneration Report

Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of Diatreme Resources Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2023.

Responsibilities

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

William Buck

William Buck (Qld)
ABN 21 559 713 106

M J Monaghan
Director

Brisbane, 14 March 2024