

DIATREME RESOURCES LIMITED

ABN 33 061 267 061

FINANCIAL STATEMENTS
for the year ended 31 December 2024

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Directors

Wayne Swan, Non-Executive Chairman
Michael Chapman, Non-Executive Director
Cheng (William) Wang, Non-Executive Director
Karalyn Keys, Non-Executive Director
Brian Flannery, Non-Executive Director
Thomas Cutbush, Non-Executive Director

Chief Executive Officer

Neil McIntyre

CFO and Company Secretary

Tuan Do

Registered Office

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Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

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 2024.

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
Cheng (William) Wang
Michael Chapman
Karalyn Keys
Brian Flannery (appointed 9 October 2024)
Tom Cutbush (appointed 27 November 2024)

The following director resigned during the year:
Gregory Starr (resigned 9 July 2024)

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 2024.

REVIEW OF OPERATIONS

Overview

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

Northern Silica Project

During the 2024 period Diatreme focused on advancing the permitting and approvals process for its flagship NSP, a crucial step in progressing the project's ultimate development.

A significant milestone was achieved on 15 January 2024, when Diatreme announced that the Queensland Government had officially designated the NSP as a 'Coordinated Project'. This designation will streamline the regulatory approval process, with Queensland's Office of the Coordinator-General (OCG) overseeing important approvals. Under this framework, the Environmental Impact Statement (EIS) for the project will be assessed through a bilateral agreement between the State and Commonwealth governments, further accelerating the project timeline.

The Company also improved the quality and volume of its resource base. On 17 April 2024, Diatreme announced a 17% increase in the NSP's Indicated Resource, now totalling 120.5 million tonnes. Additionally, the Company established a maiden Measured Resource of 49.5 million tonnes. This brings Diatreme's total low-iron, high-purity silica resource base in FNQ to over 402 million tonnes, underscoring the scale of its potential production profile.

On 10 May, the Company signed a negotiation protocol with the Walmbaar Aboriginal Corporation (RNTBC) which represents the Dingaal Clan. This protocol sets out a framework for future negotiations, ensuring that the development process maximises benefits and opportunities for the Dingaal people, while aligning with Diatreme's operational and commercial goals.

Following this, on 29 May, Diatreme signed a further cultural heritage management agreement with the Walmbaar Aboriginal Corporation (RNTBC). This agreement outlines a clearance and cultural heritage avoidance protocol, facilitating Diatreme's exploration activities while respecting the cultural significance of the land to its traditional owners.

In the second half of Calendar year 2024 Diatreme advanced its regulatory regime and outcomes. The OCG released the final Terms of Reference (ToR) for the NSP's EIS on 20 September 2024, marking a key step in the regulatory process following a public review period for the draft ToR. The final ToR clarifies the scope of site-based data collection and surveys, with ongoing work focused on environmental, social, heritage, and economic impact assessments.

Diatreme also ramped up its community engagement efforts, particularly in the towns of Hope Vale and Cooktown. These sessions in September 2024, provided updates on the EIS process, potential project impacts, and the steps being taken to ensure social and cultural considerations are addressed. The consultations emphasised the importance of workforce preparedness and social impact, reinforcing Diatreme's commitment to working closely with local stakeholders.

A key development in Diatreme's commercialisation efforts came in the form of a non-binding Memorandum of Understanding (MOU) signed with Mitsui & Co., a global trading company based in Tokyo. This MOU, effective until 1 November 2025 with automatic annual renewals, outlines discussions regarding the potential sale and purchase of silica sand products from Diatreme's North Queensland projects.

This agreement opens the door for further business opportunities, reflecting Diatreme's strategic focus on expanding its market reach. Mitsui's extensive global network and experience in various industries, particularly in Asia, makes it a strong partner for Diatreme. The agreement is especially significant given the growing demand for silica sand in the solar energy sector, where Diatreme's projects are well-positioned to play a pivotal role.

The increasing global demand for solar power and the Queensland Government's recognition of Diatreme's silica sand projects as critical to the global energy transition highlight the strategic importance of the Company's assets. As Diatreme continues to develop its projects, its strong focus on regulatory compliance, community engagement, and commercial partnerships positions it well to capitalise on the global demand for high-quality silica sand.

Cape Flattery Silica Project (CFSP)

Diatreme acquired 100% of the CFSP following its successful takeover of Metallica Minerals Ltd (ASX:MLM). Located near the Cape Flattery Silica Mines operation and in close proximity to Diatreme's projects, the CFSP has an estimated Ore Reserve of 47Mt, with a total JORC Mineral Resource of 61Mt.

Initial exploration drilling by MLM in 2019 confirmed the existence of high-purity silica sand, with further drilling undertaken in 2020 and 2021 followed by the successful completion of a Pre-Feasibility Study in March 2022, a Definitive Feasibility Study in July 2023 and Updated Definitive Feasibility Study in November 2023.

The Updated Definitive Feasibility Study proposed extracting and processing raw sand to produce a high purity silica sand product of suitable quality for glassmaking in the manufacture of display panels, e-glass and in particular solar PV glass, of which over 80% of global supply is manufactured in the Asia Pacific region. Export by ship was planned from Cape Flattery to glass manufacturing companies, most likely in Asia.

Diatreme is now undertaking detailed assessments of the assets and development optionality of the CFSP, given these now form part of a larger strategic regional silica tenement holding controlled by Diatreme. This review incorporates a detailed review and assessment of updated Definitive Feasibility Study published in November 2023 by MLM in order to confirm potential synergies with the NSP, including shared infrastructure and reduced capital expenditures.

Cyclone Zircon/Heavy Mineral (HM) Project

In October 2024, Diatreme successfully completed a drilling program comprising 106 holes for 3,278m of aircore at its Cyclone Zircon Project in Western Australia. The program aimed to update metallurgical testwork and confirm previous drilling results from the zircon-rich heavy mineral sands project.

More than 11 tonnes of sand containing heavy minerals were collected from the Cyclone Deposit, representing the first three years of planned production under the current mine design. The program collected sufficient samples for processing testwork which will utilise recent innovative processes and advancements to produce market-demanded products for potential customers and investors.

Diatreme engaged Mineral Technologies to conduct a six-month metallurgical testwork program on the bulk sample. The objective is to improve recovery rates and product quality for zircon and titanium minerals, while optimising the process flowsheets for the wet concentrator and mineral separation plants.

These advancements are expected to enhance the project's economics by producing higher-quality products for potential customers, especially in China and the USA. Results are anticipated by the second quarter of 2025.

Diatreme also expanded its exploration area around the Cyclone project by securing the E69/4143 tenement, which provides additional protection for the project's existing tenements.

Diatreme continues to engage with a range of stakeholders to unlock value from the Cyclone Zircon Project, which has the potential to become one of Australia's key critical minerals assets. Discussions are progressing, and the Company expects to uncover several opportunities for Cyclone's development, with both domestic and international interest in this high-grade zircon project.

Clermont Copper/Gold Project

Following the successful conclusion of its takeover of Metallica Minerals Limited, the Clermont Copper/Gold Project is now wholly owned by Diatreme. Located in a highly prospective region of central Queensland, the project remains well positioned for future exploration and development.

Previous drilling conducted by Metallica Minerals included five RC holes totalling 301m at the Leo Grande prospect in December 2023, with the results announced on 19 February 2024. The holes drilled by Metallica were "twins" of holes drilled by Plutonic in 1989 and 1990 which had noted moderate to high levels of graphite associated with gold mineralisation in the geological logs.

The best gold intercept recorded was in hole LGRC058, which intersected 21m @ 2.35 g/t Au from 40m, which included a 10m zone from 49m which assayed 3.05 g/t Au. The highest graphite intercept was 14m @ 0.53%TC in hole LGRC055 from 40m, with the hole also intersecting 45m @ 1.03 g/t Au from 6m.

Metallica stated that the next stage of exploration at Leo Grande would comprise the drilling of two or three diamond holes to obtain core for metallurgical testwork to determine how to extract the gold and graphite from the mineralised mylonite.

Other potential gold prospects located near Leo Grande include the Rolfe Creek, Petersens and Gold Finger Prospects. Further information is available in MLM's ASX announcement released on 19 February 2024.

Diatreme continues to advance discussions with potential partners and stakeholders, with the aim of unlocking the project's full potential and maximising returns for shareholders.

Takeover of Metallica Minerals Ltd ('Metallica' or 'MLM')

On 16 February 2024, Diatreme announced a conditional takeover bid for Metallica Minerals Ltd, offering 1.3319 Diatreme shares for each Metallica share. The offer provided a 22.08% premium based on the closing share prices.

Diatreme lodged the Bidder's Statement on 28 March, with the offer opening on 11 April. The offer became unconditional on 17 June, and by 6 August 2024, Diatreme held 92.7% of Metallica's shares. Diatreme announced on 18 September it had completed the takeover following the compulsory acquisition process being concluded.

Metallica Minerals Limited was delisted from the Australian Securities Exchange (ASX) on 16 August 2024 and changed its name to Metallica Minerals Pty Ltd on 3 January 2025.

The benefits of the takeover include the creation of a focused silica development company optimising resources, capital expenditures, staffing, regional engagement and export solutions. This is expected to create value for the shareholders of both companies, as well as external stakeholders such as traditional owners, local business and the broader Cooktown and Hope Vale communities.

Corporate

Mr Greg Starr resigned as a Director of Diatreme on 9 July 2024, following his appointment to the Board of MLM as Managing Director.

Diatreme strengthened its silica sand development focus by appointing two new Non-Executive Directors during the December quarter: globally experienced mining executive and major shareholder Mr Brian Flannery, and former Sibelco Global Operations Manager Mr Tom Cutbush. Additionally, existing Director, Ms Kara Keys was appointed Deputy Chairperson to further enhance stakeholder engagement.

OPERATING RESULTS

The net loss of the Group for the financial year ended 31 December 2024 was (\$439,527) (2023: profit of \$10,366,209).

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

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:	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
 Special responsibilities: Chair of Audit Committee
 Interests in shares: None
 Interests in options: 10,000,000 options

Name: Brian Flannery
 Title: Non-Executive Director
 Qualifications: BE Mining
 Experience: Mr Flannery was appointed to the Board on 9 October 2024. He is a mining engineer with more than 50 years' experience in the development, engineering, construction and management of open-cut and underground mining projects in Australia and overseas. Brian Flannery was Managing Director of White Mining Limited prior to its merger with Felix Resources Limited in April 2005. Subsequent to that merger he held the position of Managing Director of Felix Resources Limited and Yancoal Australia Limited until September 2010.

Other current directorships: White Energy Company Limited
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: 1,116,249,750
 Interests in options: None

Name: Thomas Cutbush
 Title: Non-Executive Director
 Qualifications: Master of Arts
 Experience: Mr Cutbush was appointed to the Board on 27 November 2024. He has over 30 years of executive and board experience, specializing in mining projects, particularly in the silica sands industry. He is currently a director of Sibelco Australia, where he previously held senior roles including CEO of Sibelco Europe. A nominee of Sibelco Asia Pacific (22% shareholder).

Earlier, Mr. Cutbush spent 15 years at Exxon and later led Normandy Industrial Minerals and its divestment in 2000 to Unimin/Sibelco Group. He joined Sibelco Europe in 2007, retiring from executive management in 2020 but remains a director of Sibelco Australia.

Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: None
 Interests in options: None

COMPANY SECRETARY

Tuan Do – B Comm., CA

Mr. Do is a Chartered Accountant with extensive corporate experience in industries such as coal and gold mining. His expertise includes financial reporting, treasury management, capital raisings, and the development and implementation of financial systems and procedures. Mr. Do has worked in senior financial roles, overseeing financial operations and ensuring compliance with regulatory requirements.

He holds a degree in Commerce & Business Administration and is a member of Chartered Accountants Australia and New Zealand. His experience spans both corporate governance and financial management in diverse sectors.

MEETINGS OF DIRECTORS

The number of meetings of Directors held during the year ended 31 December 2024, 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	12	12	2	2	-	-
Gregory Starr	8	8	1	1	-	-
Cheng (William) Wang	12	12	-	-	1	1
Michael Chapman	12	12	-	-	1	1
Karalyn Keys	12	12	1	1	-	-
Brian Flannery	2	2	-	-	-	-
Tom Cutbush	-	-	-	-	-	-

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
- Cheng (William) Wang - Non-Executive Director
- Michael Chapman - Non-Executive Director
- Karalyn Keys - Non-Executive Director
- Brian Flannery - Non-Executive Director
- Gregory Starr – Non-Executive Director
- Thomas Cutbush - 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. Following shareholder approval at the Annual General Meeting on 23 May 2024, the Directors' fee pool limit was increased by \$200,000 from \$300,000 to a maximum sum of \$500,000 (inclusive of 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	2020	2021	2022	2023	2024
Share price at year end	\$/share	0.018	0.021	0.027	0.024	0.022
Market capitalisation	\$	46,313,220	63,288,069	100,703,496	89,514,219	110,182,201
Revenue and other income	\$	21,279	23,938	8,392,012	14,304,394	5,393,218
Total assets	\$	25,622,323	33,135,877	55,333,890	66,531,895	95,452,771
Net profit/(loss) after tax	\$	(1,041,547)	(2,149,567)	4,978,378	10,366,209	(439,527)

(d) Details of remuneration

2024	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	
Name	Salary & fees \$	Cash bonus \$	Annual Leave \$	Superannuation \$	Long service leave \$	Options \$	Total \$
Non-Executive Directors							
W Swan	80,000	-	-	9,000	-	32,164	121,164
G Starr ⁽¹⁾	24,765	-	-	2,731	-	6,617	34,113
W Wang	47,000	-	-	5,288	-	6,617	58,905
M Chapman	47,000	-	-	5,288	-	6,617	58,905
K Keys	47,000	-	-	5,288	-	75,660	127,948
B Flannery ⁽²⁾	10,559	-	-	1,214	-	-	11,773
T Cutbush ⁽³⁾	4,439	-	-	510	-	-	4,949
Other KMP							
N McIntyre	393,750	18,750	(112)	49,843	19,411	69,436	551,078
T Do	231,000	11,000	(11,783)	29,152	7,852	46,291	313,512
Total	885,513	29,750	(11,895)	108,314	27,263	243,402	1,282,347

(1) Up to date of resignation 9/7/2024

(2) From date of appointment 9/10/2024

(3) From date of appointment 27/11/2024

The terms of the cash bonus provided to the KMP are as follow:

- Cash bonus and performance criteria: The cash bonus, granted at Board's discretion on 30 January 2024, was based on key 2023 milestones, including the early completion of Sibelco's \$24 million investment, NSP's project of regional significance status, an offtake Memorandum Of Understanding with Flat Glass Group, and the completion of the Scoping Study.
- Bonus paid to KMP: The bonus, equivalent to 5% of KMP's 2023 base salary, was paid in January 2024.
- Forfeited bonus payments: The bonus for 2023 performance bonus was approved and paid in January 2024, with no further payments due for this grant.
- Bonus value: The bonus is fixed at 5% of the 2023 base salary, with no anticipated changes in future years.

In 2024, the group also made the following payments: \$102,000 for specialist market and consultancy services from Fortune Corporation Australia Pty Limited (director-related entity of William Wang), \$132,901 for corporate advice from Tearum Advisors Pty Limited (director-related entity of Greg Starr), and \$150,025 for community engagement and risk management from KTL Collective Pty Ltd (director-related entity of Kara Keys).

2023	Short-term benefits		Post-employment benefits	Long-term benefits	Share based payments	
Name	Salary & fees \$	Annual Leave \$	Superannuation \$	Long service leave \$	Options \$	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 \$71,197 in 2023 for specialist market and consultancy services from Fortune Corporation Australia Pty Limited, a director-related entity of W Wang, \$129,922 and for corporate advice from Tearum Advisors Pty Limited (director – related entity of Greg Starr).

(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 2024.

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 appointment /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	-	-	-	-	-
B Flannery	-	-	-	1,116,249,750	1,116,249,750
T Cutbush	-	-	-	-	-
N McIntyre	10,731,670	-	820,000	-	11,551,670
T Do	270,301	-	-	-	270,301
Total	19,269,226	-	820,000	1,116,249,750	1,136,338,976

Share options

Key Management Personnel	Balance at the start of the year	Granted as remuneration	Exercised	Expired/forfeit	Change due to appointment / 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
B Flannery	-	-	-	-	-	-
T Cutbush	-	-	-	-	-	-
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	70,000,000	-	-	-	-	70,000,000

END OF AUDITED REMUNERATION REPORT

(h) Realised Remuneration - Voluntary information not audited (Non – IFRS)

Table below identifies the Realised Remuneration received by Directors and other KMP in respect of the financial year. Realised Remuneration reflects the take home remuneration of the Directors and other KMP and includes:

- Total Fixed remuneration inclusive of Company superannuation contributions; and
- Any short-term incentive awarded as cash for the financial year but paid after the end of the financial year.

The table below has been provided to assist shareholders to understand the remuneration received in respect to the financial year ending 31 December 2024. The table is a voluntary disclosure and as such has not been prepared in accordance with the disclosure requirements of the Accounting Standards or Corporation Act 2001.

Realised Remuneration – Voluntary information (Non-IFRS)

Name	Period	Total Fixed Remuneration \$	Cash bonus \$	Superannuation \$	Total \$
Non-Executive Directors					
W Swan	2024	80,000	-	9,000	89,000
G Starr ⁽¹⁾	2024	24,765	-	2,731	27,496
W Wang	2024	47,000	-	5,288	52,288
M Chapman	2024	47,000	-	5,288	52,288
K Keys	2024	47,000	-	5,288	52,288
B Flannery ⁽²⁾	2024	10,559	-	1,214	11,773
T Cutbush ⁽³⁾		4,439	-	510	4,949
Other KMP					
N McIntyre	2024	393,750	18,750	49,843	462,343
T Do	2024	231,000	11,000	29,152	271,152
Total		885,513	29,750	108,314	1,023,577

(1) Up to date of resignation 9/7/2024

(2) From date of appointment 9/10/2024

(3) From date of appointment 27/11/2024

The amounts disclosed above are not the same as the remuneration expensed in relation to each KMP in accordance with the accounting standards totalled \$1,282,347 (see section (d) in the audited remuneration report). The directors believe that the remuneration received is more relevant to users for the following reasons:

- The statutory remuneration expensed is based on fair value determined at grant date but does not reflect the fair value of the equity instruments when they are actually received by the KMP's.
- The statutory remuneration shows benefits before they are actually received by the KMP's, noting that some components of the remuneration may not be received at all.
- Share-based payments awards are treated differently under the accounting standards depending on whether the performance conditions are market conditions (no reversal of expense) or non-market conditions (reversal of expense where shares fail to vest), even though the benefit received by the KMP is the same (nil where equity instruments fail to vest).

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option as at 31 December 2024 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, 7 March 2025

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 2024, 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
Partner

Brisbane, 7 March 2025

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2024

	Note	2024 \$	2023 \$
Revenue	2	385,094	456,496
Gain on acquisition of subsidiary	3	4,260,404	-
Other gains	8	-	13,818,643
Share of joint venture income	8	501,370	12,010
Other income	2	246,349	17,245
Total revenue and income		5,393,217	14,304,394
Employee benefit expenses		(1,833,048)	(1,163,783)
Depreciation expense	2	(347,301)	(214,220)
Exploration expenditure written off	11	(16,131)	(20,779)
Share based payment expense	18	(243,401)	(458,262)
Other expenses	2	(3,280,822)	(1,951,252)
Finance costs		(112,041)	(129,889)
Total expenses		(5,832,744)	(3,938,185)
(Loss)/profit before income tax		(439,527)	10,366,209
Income tax expense	4	-	-
Net (loss)/profit for the year		(439,527)	10,366,209
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year		(439,527)	10,366,209
		Cents	Cents
(Loss)/earnings per share			
Basic (loss)/earnings per share	5	(0.01)	0.3
Diluted (loss)/earnings per share	5	(0.01)	0.3

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 2024

	Note	2024 \$	2023 \$
Current Assets			
Cash and cash equivalents	6	5,187,296	10,772,458
Trade and other receivables	7	191,684	313,731
Total Current Assets		5,378,980	11,086,189
Non-current Assets			
Investment in joint venture	8	39,449,507	38,948,137
Property, plant and equipment	9	741,053	693,962
Right-of-use assets	10	171,462	215,699
Exploration and evaluation assets	11	49,594,306	15,540,443
Other assets	12	117,463	47,465
Total Non-current Assets		90,073,791	55,445,706
Total Assets		95,452,771	66,531,895
Current Liabilities			
Trade and other payables	13	1,089,348	1,044,277
Borrowings	14	1,016,876	1,525,313
Lease liabilities	15	149,709	95,957
Provisions	16	191,865	102,644
Total Current Liabilities		2,447,798	2,768,191
Non-current Liabilities			
Lease liabilities	15	37,810	125,359
Provisions	16	26,803	67,567
Total Non-current Liabilities		64,613	192,926
Total Liabilities		2,512,411	2,961,117
Net Assets		92,940,360	63,570,778
Equity			
Issued capital	17	124,320,539	93,637,615
Reserves	18	1,260,752	1,017,351
Accumulated losses		(32,640,931)	(31,084,188)
Total Equity		92,940,360	63,570,778

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 2024

	Note	Issued capital	Share- based payment reserve	Accumulated losses	Total
		\$	\$	\$	\$
At 1 January 2023		93,637,615	559,089	(41,450,397)	52,746,307
Total comprehensive (loss)/income for the year		-	-	10,366,209	10,366,209
Transactions with owners in their capacity as owners:					
Options expensed	18	-	458,262	-	458,262
Balance at 31 December 2023		93,637,615	1,017,351	(31,084,188)	63,570,778
At 1 January 2024		93,637,615	1,017,351	(31,084,188)	63,570,778
Total comprehensive (loss)/income for the year		-	-	(439,527)	(439,527)
Transactions with owners in their capacity as owners:					
Options expensed	18	-	243,401	-	243,401
Shares issued on acquisition of subsidiary	17	30,682,924	-	-	30,682,924
Transaction costs for acquiring of non-controlling interest	3	-	-	(1,117,216)	(1,117,216)
Balance at 31 December 2024		124,320,539	1,260,752	(32,640,931)	92,940,360

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 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts in the course of operations		-	7,890
Payments to suppliers and employees		(6,555,627)	(2,645,027)
Interest received		434,741	420,466
Finance costs		(120,478)	(102,850)
Other receipts		240,202	-
Net cash used in operating activities	6(a)	<u>(6,001,162)</u>	<u>(2,319,521)</u>
Cash flows from investing activities			
Cash from acquisition of Subsidiary (MLM)	3	2,756,360	-
Payments for property, plant and equipment		(185,736)	(289,682)
Payments for exploration and evaluation assets		(1,519,012)	(193,706)
Proceeds from sale of property, plant and equipment		8,182	30,000
Payments for security deposits		-	(9,100)
Net cash used in investing activities		<u>1,059,794</u>	<u>(462,488)</u>
Cash flows from financing activities			
Repayment of borrowings		(500,000)	-
Repayment of lease liabilities		(143,794)	(86,472)
Net cash from financing activities		<u>(643,794)</u>	<u>(86,472)</u>
Net increase in cash and cash equivalents		(5,585,162)	(2,868,481)
Cash and cash equivalents at the beginning of the financial year		<u>10,772,458</u>	<u>13,640,939</u>
Cash and cash equivalents at the end of the financial year	6	<u>5,187,296</u>	<u>10,772,458</u>

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 6 March 2025.

(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 2028. 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 loss after tax for the year ended 31 December 2024 of \$1,556,743 and a net cash outflow from operations of \$6,001,162. At 31 December 2024, the Group had \$5,187,296 in cash and cash equivalents (2023: \$10,772,458). In addition, the joint venture had \$16,336,728 in cash at 31 December 2024.

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.

Business combination

For the takeover of Metallica Minerals Ltd, the Group applied judgement in determining whether the transaction met the definition of a business combination or an asset acquisition, determination of the acquisition date, fair value measurement of the total purchase consideration transferred, fair value measurement of identifiable assets and liabilities at acquisition date and calculate of bargain purchase gain.

2. Revenue, other income and expenses

	2024	2023
	\$	\$
a) Revenue		
Interest	385,094	448,606
Rent	-	7,890
	<u>385,094</u>	<u>456,496</u>

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

Profit on sale of property, plant & equipment	6,667	17,245
Other	239,682	-
	<u>246,349</u>	<u>17,245</u>

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

Plant and equipment	205,620	135,077
Right-of-use assets – buildings	141,681	79,143
	<u>347,301</u>	<u>214,220</u>

d) Other expenses

Professional fees	241,257	184,939
Short term lease payments	33,186	22,795
Listing and share registry expenses	138,872	115,503
Administration costs	1,426,456	1,628,015
Costs associated with the acquisition of Metallica Minerals Ltd	1,441,051	-
	<u>3,280,822</u>	<u>1,951,252</u>

3. Business Combination

On 17 June 2024, Diatreme Resources Ltd ('DRX' or 'Diatreme') had acquired 57.34% of the issued capital of Metallica Minerals Ltd ('MLM' or 'Metallica') pursuant to a takeover offer announced on 16 February 2024. The acquisition date represents the date that the takeover became unconditional, and the date Diatreme had acquired control of Metallica. Since obtaining control, at the close of the takeover offer period on 6 August 2024, Diatreme had a relevant interest in 92.7% of Metallica shares. Following completion of the compulsory acquisition process, Diatreme had a relevant interest in 100% of Metallica shares on 18 September 2024.

The acquisition aims to consolidate high-quality silica assets in the Cape Flattery region of Far North Queensland, creating a larger entity with enhanced project development capabilities and market relevance.

Management have reviewed the books and records of MLM and determined that there are no other material assets or liabilities that should be recognised that have not already been recognised for the year ended 31 December 2024.

Two contracts have been identified that constitute the right to the receipt of consideration that are contingent on future events that may or may not occur, as such they have not been recognised in the financial statements as they fail the recognition criteria of accounting standards.

The purchase price acquisition summary relating to MLM is as follows:

Details of the acquisition are as follows:	Final Fair values at 17 June 2024 \$	Provisional Fair values at 17 June 2024 \$
Cash and cash equivalents	2,756,360	2,756,360
Property, plant and equipment	78,960	78,960
Right-of-use assets	321,937	321,937
Exploration and evaluation assets (comprising book value of \$12,579,199 plus uplift of \$19,920,801)	32,500,000	20,594,845
Other assets	96,815	96,815
Trade and other payables	(356,366)	(356,357)
Lease liabilities	(356,404)	(356,404)
Provisions	(97,974)	(97,974)
Total identifiable net assets acquired	34,943,328	23,038,182
Acquisition-date fair value of the total consideration transferred	17,593,588	11,729,059
Non-controlling interests	13,089,336	9,828,093
Total	30,682,924	21,557,152
Gain on acquisition	4,260,404	1,481,030
Acquisition costs expensed to profit or loss	1,441,051	1,441,051
Cash acquired on business combination	2,756,360	2,756,360
Less: cash and cash equivalents used to acquire business	-	-
Net cash acquired	2,756,360	2,756,360

The fair value of the exploration and evaluation assets were determined by an independent valuation expert. The net assets and consideration recognised in the half-year ended 30 June 2024 financial statements were based on a provisional fair value assessment in accordance with AASB 3. Diatreme had 12 months from the acquisition date to finalise these fair values, with the period ending on 16 June 2025. The fair values are now finalised.

The acquired business contributed revenues of \$34,273 and a loss after tax of \$1,262,326 to the consolidated entity for the period from 17 June 2024 to 31 December 2024. If the acquisition had occurred at the beginning of the reporting period, the revenue of the consolidated group was \$5,439,860 and the loss after tax was \$2,757,138.

Acquisition consideration

Pursuant to the takeover offer announced on 16 February 2024, the consideration payable is equivalent to 1.3319 DRX shares for each MLM share. Total DRX shares issued for the acquisition of MLM shares are:

Description	Number of DRX shares issued	Fair value of DRX share issued \$	Total consideration \$
Acquisition of 57.34% of MLM shares on 17 June 2024	733,066,184	0.024	17,593,588
Acquisition of remaining 42.66% of MLM shares	545,456,531	0.024	13,089,336
Total	1,278,522,715		30,682,924

MLM total shares on issue was 959,923,922. Of these balances, 550,391,309 shares (57.34%) were acquired on 17 June 2024 and the remaining 409,532,613 (42.66%) were acquired subsequent to the initial acquisition date.

Measurement period adjustments

The initial accounting for the business combination was based on provisional fair values of total consideration transferred, acquired assets and liabilities. During the measurement period (12 months from the acquisition date of 17 June 2024), the Group identified the following adjustments based on new information about conditions that existed at the acquisition date:

Adjustment Description	Impact on net assets acquired \$	Impact on gain on acquisition \$
Increase in fair value of the total consideration transferred	-	(5,864,529)
Increase in fair value of non-controlling interest	-	(3,261,243)
Increase in the fair value of exploration and evaluation assets	+11,905,155	+11,905,155
Increase in trade and other payables	(9)	(9)
Net impact	+11,905,146	+2,779,374

The fair value of the of DRX shares used as acquisition consideration was determined to be \$0.024 per share. This was valued using the fair value of the net assets of DRX, divided by total DRX shares on issued and discounted by a minority discount factor. The fair value of the non-controlling interest was determined using \$0.024 DRX share price.

The total impact of these adjustments was a net increase of \$11,905,146 of the identifiable net assets acquired and a \$2,779,334 net increase in the gain on acquisition. The measurement period adjustments were finalised on 31 December 2024.

Acquisition of the remaining shares in MLM

Diatreme continued to acquire the remaining shares in MLM after the 17 June 2024 acquisition date. On 18 September 2024, Diatreme has completed the compulsory acquisition process and acquired 100% of the Metallica shares.

The details of the subsequent acquisition are as follows:

Details	\$
Fair value of 42.66% non-controlling interest (NCI) at acquisition date 17 June 2024	13,089,336
Fair value of consideration paid up to 18 September 2024 to acquire the NCI	(13,089,336)
Net gain from subsequent acquisition	-
Transaction costs for acquiring of NCI recognised in accumulated losses	1,117,216

Accounting policy - business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Accounting policy – transaction with non-controlling interest that do not result in change of control

Changes in parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. No gain or loss is recognised in the consolidated statement of profit or loss.

Transaction costs for acquiring of non-controlling interest is recognised directly as accumulated losses in the equity.

4. Income Tax

	2024 \$	2023 \$
The prima facie tax on accounting loss differs from the income tax provided in the financial statements. The difference is reconciled as follows:		
(Loss)/profit before income tax	(439,527)	10,366,209
Prima facie income (tax benefit) / expense at 25% (2023: 30%)	(109,882)	3,109,863
Tax effect of amounts which are not deductible in calculating taxable income:		
Gain on acquisition of subsidiary	(1,065,101)	-
Other	62,267	133,902
	(1,112,716)	3,243,765
Deferred tax assets not recognised	1,112,716	(3,243,765)
Total income tax benefit	-	-

(a) Tax losses

Unused tax losses	143,649,024	93,599,577
Potential tax effect at 25% (2023: 30%)	35,912,256	28,079,873

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.

5. (Loss)/income per share

	2024 \$	2023 \$
(Loss)/income after income tax attributable to the owners of Diatreme Resources Limited	(439,527)	10,366,209
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	4,303,460,126	3,729,759,126
Weighted average number of ordinary shares used in calculating diluted earnings per share	4,303,460,126	3,731,981,349
Shares under option which have not been included in the calculation of diluted earnings per share as they are antidilutive	70,000,000	-
	Cents	Cents
Basic earnings (loss) per share	(0.01)	0.3
Diluted earnings (loss) per share	(0.01)	0.3

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.

6. Cash and cash equivalents

	2024 \$	2023 \$
Cash on hand	89	67
Cash at bank	1,187,207	1,772,391
Cash on deposit	4,000,000	9,000,000
	5,187,296	10,772,458

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

	2024	2023
	\$	\$
(Loss)/income for the year	(439,527)	10,366,209
Transaction costs for acquiring of non-controlling interest	(1,117,216)	-
Non-cash items		
Gain on acquisition of subsidiary	(4,260,404)	-
Gain on dilution of interest in CSHPL	-	(13,818,643)
Profit on sale of property, plant & equipment	-	(17,245)
Depreciation	347,301	214,220
Exploration expenditure written off	16,131	20,779
Share based payment expense	243,401	458,262
Share of joint venture income	(501,370)	(12,010)
Interest expense for leases	-	11,102
Movements in operating assets and liabilities		
Decrease / (increase) in receivables	83,116	(11,378)
Decrease / (increase) in other assets	258,510	19,004
Increase / (decrease) in payables	(675,723)	359,054
Increase / (decrease) in provisions	44,619	91,125
Net cash used in operating activities	(6,001,162)	(2,319,521)

7. Trade and other receivables

	2024	2023
	\$	\$
Trade receivable (Cape Silica Holdings Pty Ltd)	93,431	168,062
Other receivables	98,253	145,669
	<u>191,684</u>	<u>313,731</u>

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

8. 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 2024 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	
		2024	2023			2024	2023
		%	%			\$	\$
Cape Silica Holdings Pty Ltd	Australia	73.2	73.2	Joint Venture ⁽¹⁾	Equity Method	39,449,507	38,948,137

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

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.

	2024 \$	2023 \$
Reconciliation of carrying amount in joint venture		
Opening balance 1 January	38,948,137	25,117,484
Gain on dilution of investment	-	13,818,643
Share of profit in joint venture	501,370	12,010
Closing balance 31 December	39,449,507	38,948,137

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 2024, CSHPL has not called upon the Group to fund tenement expenditure.

Contingent liabilities

As of 31 December 2024, the Group had no contingent liabilities in respect of CSHPL.

DIATREME
Resources

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	
	2024	2023
	\$	\$
<i>Summarised statement of comprehensive income</i>		
Interest income	1,013,998	434,064
Expenses	(329,066)	(424,339)
Income tax benefit/(expense)	2,431	(2,431)
Profit for the period	687,363	7,294
Other comprehensive income	-	-
Total comprehensive income	687,363	7,294
 Summarised balance sheet		
Current assets		
Cash and cash equivalents	16,336,728	26,685,193
Other current assets	171,627	264,411
Total current assets	16,508,355	26,949,604
Non-current assets		
Exploration and evaluation assets	36,590,859	25,439,926
Property, plant and equipment	211,213	166,043
Security deposit	9,750	9,100
Total non-current assets	36,811,822	25,615,069
Total assets	53,320,177	52,564,673
Current liabilities – trade and other payables	706,442	638,401
Non-current liabilities	-	-
Total liabilities	706,442	638,401
Net assets	52,613,735	51,926,272
 Reconciliation of carrying amounts:		
Opening net assets 1 January	51,926,372	27,919,078
Capital contribution	-	23,999,900
Profit for the period	687,363	7,294
Closing net assets 31 December	52,613,735	51,926,272

9. Property, plant & equipment

	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

	Furniture and fittings	Motor vehicles	Plant and Equipment	Total
	\$	\$	\$	\$
Year ended 31 December 2024				
Opening net book amount	32,294	370,402	291,266	693,962
Acquisition of subsidiary - Metallica Minerals Ltd	-	52,659	26,301	78,960
Additions	481	204,963	28,998	234,442
Disposals	-	(51,795)	(8,895)	(60,690)
Depreciation charge	(6,644)	(126,916)	(72,061)	(205,621)
Closing net book amount	26,131	449,313	265,609	741,053

At 31 December 2024				
Cost	89,253	707,638	889,250	1,686,141
Accumulated depreciation	(63,122)	(258,325)	(623,641)	(945,088)
Net book amount	26,131	449,313	265,609	741,053

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%

10. Right-of-use assets

	2024 \$	2023 \$
Opening balance	215,699	29,174
Acquisition of subsidiary - Metallica Minerals Ltd	97,444	-
Additions	-	265,668
Depreciation charge	(141,681)	(79,143)
Closing balance	171,462	215,699

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.

11. Exploration and evaluation assets

	2024 \$	2023 \$
Exploration and evaluation assets – at cost less impairment	49,594,306	15,540,443
Opening balance	15,540,443	15,363,583
Acquisition of subsidiary – Metallica Minerals Ltd (including fair value uplift attributable to mineral assets)	32,500,000	-
Costs capitalised during the year	1,569,994	197,639
Exploration expenditure written off	(16,131)	(20,779)
Closing balance	49,594,306	15,540,443

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 \$49,594,306 – a significant proportion of which, \$32,500,000 was attributable to newly acquired subsidiary Metallica Minerals Ltd and \$15,254,999 was attributable to the Group's Cyclone Zircon Project.

Farm-out Arrangement

On 5 August 2021, Diatreme entered into a binding MOU with Metallica Minerals Limited (ASX: MLM) regarding the Clermont Copper-Gold Project (EPM 17968).

Under the agreement:

- Metallica was to spend a minimum of \$300,000 by 29 April 2022 to earn 25% interest.
- An additional \$700,000 could be spent within 12 months to earn another 26%.
- Following this, Metallica had the right to sole-fund the first \$1 million of project expenditure to earn an additional 24%.

On 4 July 2023, Metallica met the \$1 million expenditure condition and held a 51% interest. On 12 October 2023, Metallica elected to earn a further 24% by committing to sole fund an additional \$1 million, but this commitment remains incomplete.

Takeover by Diatreme: On 18 September 2024, Diatreme successfully completed the takeover of Metallica, acquiring 100% ownership of the company. As a result, the farm-out arrangement related to the Clermont Project was terminated, and the ownership of EPM 17968 has reverted to Diatreme, now holding 100% of the project.

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.

12. Other non-current assets

	2024	2023
	\$	\$
Rent guarantee deposit	22,465	22,465
Security deposits	94,998	25,000
	<u>117,463</u>	<u>47,465</u>

13. Trade, other payables and employee benefits

	2024	2023
	\$	\$
Unsecured		
Trade payables	351,447	313,914
Other payables and accruals	307,302	376,933
Employee benefits	430,599	353,430
	<u>1,089,348</u>	<u>1,044,277</u>

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.

14. Borrowings

	2024	2023
	\$	\$
Unsecured loan	1,016,876	1,525,313
Total borrowings	<u>1,016,876</u>	<u>1,525,313</u>
Current liability	<u>1,016,876</u>	<u>1,525,313</u>
Non-current liability	<u>-</u>	<u>-</u>

The loan's interest rate is 7.5% per annum and has a maturity date of 30 May 2025.

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.

15. Lease liabilities

	2024 \$	2023 \$
Current liability	149,709	95,957
Non-current liability	37,810	125,359
	<u>187,519</u>	<u>221,316</u>
The lease liabilities are presented as below:		
Opening balance	221,316	31,819
Acquisition of subsidiary – Metallica Minerals Ltd	109,997	-
Additions during the year	-	264,868
Payments recognised as financial cash outflow	(158,703)	(86,473)
Interest charges during the year	14,909	11,102
	<u>187,519</u>	<u>221,316</u>

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.

16. Provisions

	2024 \$	2023 \$
Current liabilities		
Long service leave	<u>191,865</u>	<u>102,644</u>
Non-current liabilities		
Long service leave	21,945	67,567
Other	4,858	-
	<u>26,803</u>	<u>67,567</u>

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

17. Issued Capital

	2024 \$	2023 \$
5,008,281,841 (Dec 2023: 3,729,759,126) ordinary shares	124,320,539	93,637,615

(a) Movements in ordinary share capital

	31 Dec 2024 Number of shares	31 Dec 2024 \$	31 Dec 2023 Number of shares	31 Dec 2023 \$
Balance at start of the year	3,729,759,126	93,637,615	3,729,759,126	93,637,615
Shares issued on acquisition of Metallica Minerals Ltd (MLM)	1,278,522,715	30,682,924	-	-
Total issued capital	5,008,281,841	124,320,539	3,729,759,126	93,637,615

Value of shares issued on acquisition of MLM is made up of:

	Number of MLM shares acquired	DRX shares issued per MLM share	Total DRX shares issued	Value per DRX share	Total value of DRX shares issued
From 17 June 2024 to 18 September 2024	959,923,954	1.3319	1,278,852,715	\$0.024	\$30,682,924

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 2024	Exercise Price	Number at end of year	
			2024	2023
27 May 2026 (unlisted – Tranche 1) ⁽¹⁾	Vested	\$0.025	10,000,002	10,000,002
27 May 2026 (unlisted – Tranche 2) ⁽¹⁾	Vested	\$0.030	9,999,999	9,999,999
27 May 2026 (unlisted – Tranche 3) ⁽¹⁾	Vested	\$0.035	9,999,999	9,999,999
26 May 2027 (unlisted – Tranche 1) ⁽²⁾	Vested	\$0.025	3,333,334	3,333,334
26 May 2027 (unlisted – Tranche 2) ⁽²⁾	Vested	\$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⁾	Vested	\$0.035	6,666,666	6,666,666
25 July 2027 (unlisted – Tranche 2) ⁽³⁾	Vested	\$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 2028 (unlisted – Tranche 1) ⁽⁴⁾	Vested	\$0.035	3,333,334	3,333,334
8 August 2028 (unlisted – Tranche 2) ⁽⁴⁾	Unvested	\$0.040	3,333,333	3,333,333
8 August 2028 (unlisted – Tranche 3) ⁽⁴⁾	Unvested	\$0.045	3,333,333	3,333,333
Total			70,000,000	70,000,000

⁽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.

Movement in unlisted share options	Number at end of year	
	2024	2023
Opening balance	70,000,000	60,000,000
Issued 8 August 2023	-	10,000,000
Exercised	-	-
Lapsed	-	-
Closing balance	70,000,000	70,000,000

18. Share-based payment reserve

	2024	2023
	\$	\$
Opening balance	1,017,351	559,089
Options expense	243,401	458,262
Closing balance	1,260,752	1,017,351

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.

19. Share-based payments

	2024 \$	2023 \$
(a) Share-based payment expense in the financial statements		
Payment to Directors for services – options	127,675	192,291
Payment to CEO and CFO as part of their remuneration – options	115,727	265,971
Recognised in statement of profit or loss and other comprehensive income	243,402	458,262

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	Holders	Type	Number of instruments at 1 Jan 2024	Granted in current period	Vested and shares issued	Lapsed in current period	Closing balance as at 31 Dec 2024	Exercisable at 31 Dec 2024	Weighted average exercise price
27 May 2021	Directors	Options	30,000,000	-	-	-	30,000,000	30,000,000	0.031
26 May 2022	Directors	Options	10,000,000	-	-	-	10,000,000	6,666,667	0.031
25 July 2022	CEO and CFO	Options	20,000,000	-	-	-	20,000,000	13,333,333	0.040
8 August 2023	Directors	Options	10,000,000	-	-	-	10,000,000	3,333,334	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.

20. 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

	2024 \$	2023 \$
Financial assets		
Cash and cash equivalents	5,187,296	10,772,458
Trade and other receivables	191,684	313,731
Security and other deposits	117,463	47,465
Total financial assets	5,496,443	11,133,654

	2024 \$	2023 \$
Financial liabilities		
Trade and other payables	1,089,348	1,044,277
Borrowings	1,016,876	1,525,313
Lease liabilities	187,519	221,316
Total financial liabilities	2,293,743	2,790,906

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:

	2024 \$	2023 \$
Cash at bank	1,187,207	1,772,391
Cash on deposit	4,000,000	9,000,000
	<u>5,187,207</u>	<u>10,772,391</u>

(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 2024						
Trade and other payables	1,089,348	1,089,348	1,089,348	-	-	-
Borrowings	1,016,876	1,016,876	1,016,876	-	-	-
Lease liabilities	187,519	193,862	118,545	37,768	37,549	-
	<u>2,293,743</u>	<u>2,300,086</u>	<u>2,224,769</u>	<u>37,768</u>	<u>37,549</u>	<u>-</u>

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	-
	<u>2,790,906</u>	<u>2,812,068</u>	<u>2,624,069</u>	<u>75,133</u>	<u>112,866</u>	<u>-</u>

(f) Fair values

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

21. Interests in subsidiaries

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2024. 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	
			2024	2023
Regional Exploration Management Pty Ltd	Australia	Logistical support	100%	100%
Chalcophile Resources Pty Ltd ⁽¹⁾	Australia	Metals exploration	100%	100%
Lost Sands Pty Ltd	Australia	Mineral sands exploration	100%	100%
Casuarina Silica Pty Ltd	Australia	Dormant	100%	100%
Metallica Minerals Pty Ltd	Australia	Investment holding	100%	-
The following entities were subsidiaries of Metallica Minerals Pty Ltd:				
NORNICO Pty Ltd	Australia	Dormant	100%	-
Greenvale Operations Pty Ltd ⁽²⁾	Australia	Dormant	100%	-
Lucky Break Operations Pty Ltd	Australia	Dormant	100%	-
PGE Minerals Pty Ltd ⁽³⁾	Australia	Metals exploration	100%	-
Cape Flattery Silica Pty Ltd	Australia	Mineral sands exploration	100%	-
Phoenix Lime Pty Ltd	Australia	Dormant	100%	-
Touchstone Resources Pty Ltd	Australia	Dormant	100%	-

(1) This entity is 100% owned by Regional Exploration Management Pty Ltd.

(2) This entity is 100% owned by NORNICO Pty Ltd

(3) This entity is 100% owned by Lucky Break Operations Pty Ltd

22. Parent Entity Information

	2024 \$	2023 \$
Financial position		
Current assets	4,728,672	11,067,531
Non-current assets	90,422,079	58,055,916
Total assets	95,150,751	69,123,447
Current liabilities	2,194,998	2,748,760
Non-current liabilities	390,822	192,926
Total liabilities	2,585,820	2,941,686
Net assets	92,564,931	66,181,761
Shareholders' equity	124,320,539	93,637,615
Reserves	1,260,752	1,017,351
Accumulated losses	(33,016,360)	(28,473,205)
Total equity	92,564,931	66,181,761
(Loss)/profit for the year	(3,425,939)	10,423,492
Total comprehensive (loss)/income for the year	(3,425,939)	10,423,492

Non-Current Assets

Non-current assets include \$16,547,478 (2023: \$15,407,152) of intercompany receivables balances with recoverability of the debt based on successful exploitation of various tenement sites, \$39,449,507 of investment in joint venture, and \$30,682,924 of investment in subsidiary Metallica Minerals Ltd.

Contingent Liabilities

The parent entity had no contingent liabilities at 31 December 2024 (2023: nil).

Contractual commitments

The parent entity had no contractual commitments for property, plant and equipment at 31 December 2024 (2023: nil).

Guarantees

The parent entity had no guarantees as 31 December 2024 (2023: nil).

23. 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:

	2024	2023
	\$	\$
Payable within 1 year	71,281	140,090
Payable between one and five years	1,056,677	1,092,254
	<u>1,127,958</u>	<u>1,232,344</u>

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 2024 cash security bonds totalling \$94,998 were held by the relevant governing authorities to ensure compliance with granted tenement conditions (2023: \$25,000).

24. Contingent Liability

The Group does not have any contingent liability at 31 December 2024 (2023: Nil).

25. 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.

26. 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 21.

(c) Joint Ventures

Interest in joint ventures is set out in Note 8.

(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.

	2024	2023
	\$	\$
Short-term employee benefits	903,368	914,778
Post-employment benefits	108,314	93,799
Long-term benefits	27,263	66,225
Share-based payments	243,402	458,262
	<u>1,282,347</u>	<u>1,533,064</u>

(e) Transactions with related parties

The following transactions occurred with related parties

	2024	2023
	\$	\$
Payment for specialist market and consultancy services from Fortune Corporation Australia Pty Limited (director-related entity of William Wang	102,000	71,197
Payment for corporate advice from Tearum Advisors Pty Limited (director-related entity of Greg Starr).	132,901	129,922
Payment for community engagement and risk from KTL Collective Pty Limited (director-related entity of Kara Keys).	150,025	-

(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	2024	2023
	\$	\$
Cape Silica Holdings Pty Ltd	93,431	168,062

27. Remuneration of auditors

William Buck (Qld)

Audit and review of the financial statements	44,000	27,940
Audit of Lost Sands Pty Ltd	5,350	20,000
	<u>49,350</u>	<u>47,940</u>

The auditors did not provide any other services.

28. Events subsequent to balance date

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.

29. 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 2024, 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.

30. 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.

Consolidated entity disclosure statement

for the year ended 31 December 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Diatreme Resources Limited	Body Corporate	Australia	N/A	Australia
Regional Exploration Management Pty Ltd	Body Corporate	Australia	100	Australia
Chalcophile Resources Pty Ltd	Body Corporate	Australia	100	Australia
Lost Sands Pty Ltd	Body Corporate	Australia	100	Australia
Casuarina Silica Pty Ltd	Body Corporate	Australia	100	Australia
Metallica Minerals Pty Ltd	Body Corporate	Australia	100	Australia
NORNICO Pty Ltd	Body Corporate	Australia	100	Australia
Greenvale Operations Pty Ltd	Body Corporate	Australia	100	Australia
Lucky Break Operations Pty Ltd	Body Corporate	Australia	100	Australia
PGE Minerals Pty Ltd	Body Corporate	Australia	100	Australia
Cape Flattery Silicia Pty Ltd	Body Corporate	Australia	100	Australia
Phoenix Lime Pty Ltd	Body Corporate	Australia	100	Australia
Touchstone Resources Pty Ltd	Body Corporate	Australia	100	Australia

Diatreme Resources Limited and its Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

Directors' Declaration for the year ended 31 December 2024

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 2024 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 information disclosed in the attached consolidated entity disclosure statement is true and correct.

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, 7 March 2025

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 2024 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 2024,
- 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,
- the consolidated entity disclosure statement, 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.

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.

Carrying Value of Exploration and Evaluation Assets	Area of focus (refer also to note 11)	How our audit addressed the key audit matter
	Capitalised exploration and evaluation assets represent 52% 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.

**Business
Combination**

**Area of focus
(refer also to note 3)**

The Group acquired Metallica Resources Limited on 17 June 2024 pursuant to a takeover offer announced on the Australian Securities Exchange (ASX) on 16 February 2024.

Accounting for this transaction is complex and required significant judgements and estimates by management on the initial entries recorded, specifically:

- to assess whether a business had been acquired;
- to determine the fair value of consideration paid; and
- to determine the fair value of assets acquired and liabilities assumed in the context of the Australian Accounting Standards.

As such this matter has been determined as a key area of focus for our audit.

**How our audit addressed the
key audit matter**

Our audit procedures included:

- Assessing that the acquisition meets the definition of a business under *AASB 3 – Business Combination*;
- Reviewing the key terms and conditions of the takeover bid, including the date that control passed to the Group;
- Assessing the Group's determination of fair value of consideration paid and net assets acquired;
- Assessing the competence, capabilities and objectivity of management expert and the appropriateness of the expert's work on valuation of assets; and
- We assessed the adequacy of the Group's disclosures in respect of the acquisition in the financial report.

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 2024, 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 (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of 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 the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf

This description forms part of our 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 2024, 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 2024.

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. Monaghan

M J Monaghan
Partner

Brisbane, 7 March 2025