


ASX ANNOUNCEMENT

27 June 2022

Transformational Strategic Partnership & Placement with Global Material Solutions Leader Sibelco

Highlights

- **Diatreme to raise up to circa \$52 million, subject to satisfaction of certain conditions (including shareholder approval for certain parts), via a Placement of new fully paid ordinary shares and a two-tranche asset joint venture, as follows:**
 - **Sibelco has become a significant shareholder in Diatreme via a \$13.97 million strategic placement, representing a 15% shareholding in Diatreme post-raising**
 - **Diatreme's largest shareholder, Ilwella, has strongly endorsed the new partnership with Sibelco and Diatreme's strategic development plans with a \$3.3 million placement commitment alongside of Sibelco. The placement to Ilwella is subject to approval by Diatreme shareholders and if approved will see Ilwella hold circa 19.99% of Diatreme shares**
 - **Diatreme agrees long-term joint venture with Sibelco to develop Diatreme's Galalar Silica Project and Northern Resource Project, with a progressive two tranche investment of up to \$35 million, earning a 26.8% project interest post tranche two of the investment, subject to satisfaction of certain conditions including Foreign Investment Review Board (FIRB) approval**
- **Co-Operation principles for the asset joint venture to include joint product marketing, pursuit of onshore silica processing downstream opportunities and assistance in accessing project finance**
- **New Non-Executive Director to be nominated by Sibelco and to assist in progressing Diatreme's projects towards successful production.**



Emerging silica sands developer and explorer, Diatreme Resources Limited (ASX:DRX) announced today a strategic partnership with a subsidiary of globally based, European headquartered material solutions company, SCR-Sibelco N.V. (**Sibelco**), to progress the development of Diatreme’s emerging silica sand projects in Far North Queensland (**the Transaction**).

Sibelco has become a major shareholder in Diatreme through the placement of 559,465,000 new ordinary shares at a combined issue price of \$0.025 (2.5 cents) per share to raise a total of \$13.97 million. Diatreme has also agreed the binding terms of a placement to existing major shareholder Ilwella Pty Ltd (**Ilwella**) of 132,111,500 new ordinary shares at \$0.025 (2.5 cents) per share to raise a further \$3.3 million, resulting in a total capital raise of \$17.27 million (before costs).

The placement to Ilwella is subject to Diatreme receiving the approval of shareholders at an Extraordinary General Meeting, the timing of which will be notified shortly. Following completion of the placements to Sibelco and Ilwella, their respective undiluted shareholdings in Diatreme will be 15% and 19.99%.

The combined issue price per share under each placement represents a small premium (4%) to the 30-day VWAP of 2.4 cents at the time discussions regarding the Transaction commenced in late May 2022 and a 22% discount to the closing 30-day VWAP prior to the date of this announcement. Shares issued under the placements will be on the same terms and rank equally in all respects with the existing fully paid ordinary shares of Diatreme.

In addition, Sibelco and Diatreme have agreed a joint venture to develop Diatreme’s emerging Galalar Silica Project and Northern Resource Project, supported by an investment from Sibelco of \$35 million, split into two tranches of \$11 million and \$24 million respectively. The Sibelco investment will be made into Diatreme’s silica assets holding company.

The investment quantum and resultant 26.8% fully diluted interest are based upon progressive group silica project valuations of \$110m and \$160m respectively. It is anticipated that the first tranche investment will complete within the next six months (following satisfaction of the conditions precedent), with the second tranche to complete 12 months post the first tranche completion.

Diatreme’s CEO Neil McIntyre commented: *“We thank our major shareholder Ilwella for their participation in the placement and ongoing support and assistance to the Company in attracting world class development partners to realise our development ambitions.*

“Sibelco’s investment into Diatreme at both the corporate and silica projects portfolio level is a vote of confidence in our Company, our strategy to date and the inherent quality of our high-grade, world class silica sand projects.



“Having access to Sibelco’s world-leading technical, processing and marketing expertise is a step change for Diatreme that propels us onto the global stage, enhancing the successful development of our projects.”

“Sibelco is the perfect partner for us to unlock the value of our world-class silica sand deposits for the benefit of both companies and all our stakeholders, including our First Nations partners and other local communities.”

“Having grown our silica sand resource base to around 200 million tonnes (refer ASX release 17 March 2022) and with room for further expansion, we are now perfectly placed with Sibelco’s support to secure a leading position in the fast-growing global high quality silica sands industry and assist in powering Asia’s solar energy revolution.”

Sibelco CEO Hilmar Rode said: *“I am pleased to welcome Diatreme as a strategic partner in Australia.*”

“Diatreme’s silica sand projects are strategically located to service fast-growing Asian markets. This partnership therefore extends our access to high quality silica sand reserves in this region, while remaining in line with our strong sustainability ambitions.”

“In this partnership, Sibelco will benefit from Diatreme’s strong local presence and relationships while sharing our expertise in the silica sand business, based on our 150 years of international experience.”


“We see a bright future for our partnership and look forward to Diatreme’s further development towards production.”

Placement Details

The allotment of the shares to Sibelco under the placement is not subject to shareholder approval and has been finalised within Diatreme’s 15% placement capacity under ASX Listing Rule 7.1 (455,727,393 shares at an issue price of \$0.0248 (2.48 cents)) and additional 10% placement capacity under ASX Listing Rule 7.1A (103,737,607 shares at an issue price of \$0.257 (2.57 cents)). Diatreme has a further 201,160,477 shares remaining and available to it pursuant to ASX Listing Rule 7.1A.

The placement of 132,111,500 shares to Ilwella at an issue price of \$0.025 (2.5 cents) is subject to shareholder approval under ASX Listing Rule 10.11. Accordingly, Diatreme expects to give notice of an Extraordinary General Meeting shortly, at which Diatreme shareholders will be asked to consider the proposed placement to Ilwella.

Settlement of the placement shares to Sibelco has occurred and Diatreme has received funds for the placement from Sibelco. Diatreme has also received a binding and irrevocable commitment from Ilwella to subscribe for its placement shares, subject to receipt of Diatreme shareholder approval.



Under the terms of the placement agreement with Sibelco, Diatreme has agreed to provide warranties regarding Diatreme and its business, including in respect of the tenements for the Galalar and Northern Resource silica sands projects, environmental, occupational health and safety, and native title. The liability of Diatreme for a warranty claim or for breach of the Placement Agreement is limited to amounts not exceeding (in aggregate) the subscription amount paid by Sibelco.

While Sibelco maintains a shareholding in Diatreme of 10% or more, Sibelco will be entitled to nominate one director for appointment to Diatreme's Board. Appointment of Sibelco's initial nominee director is expected to be formalised in the next few weeks.

Application of placement funds

Diatreme will utilise the funds received from the placements to:

- fund any potential stamp duty/transaction tax costs that will be incurred in connection with the transfer of Diatreme's tenements to establish the joint venture structure required under the Subscription Agreement for the joint venture. These costs are likely to be substantive based on initial external advice received to date by Diatreme, this transaction structuring impost is triggered by the contemplated second tranche of the JV and is being independently examined for an appropriate minimisation and mitigation strategy. Diatreme has agreed under the terms of the Subscription Agreement (refer below) to fund these costs.
- further the development of all its portfolio of projects, maintenance of tenements and the associated ongoing obligations for exploration, permitting and approvals processes currently underway, pending formation and capitalization of the Sibelco JV, including specifically advancement of the Galalar Silica Project and the Northern Silica Project.
- Other works, such as community obligations pertaining to these activities (above); and
- general working capital.

Cape Silica Joint Venture

Diatreme and Sibelco have entered into a subscription agreement (**Subscription Agreement**), pursuant to which Sibelco will acquire shares in a newly incorporated joint venture company, Cape Silica Holdings Pty Ltd (**CSHPL** or the **Joint Venture**). CSHPL will be responsible for developing and managing the Galalar and Northern Resource silica sands projects.

Under the Subscription Agreement, Diatreme agrees to transfer its existing tenements into two entities – Galalar Silica (Qld) Pty Ltd and Northern Silica Pty Ltd. These companies are wholly owned subsidiaries of CSHPL.

The key terms of the Subscription Agreement are as follows:

Parties	<ul style="list-style-type: none"> • Cape Silica Holdings Pty Ltd • Sibelco Silica Pty Ltd • Diatreme Resources Limited • Sibelco Asia Pacific Pty Ltd • Galalar Silica (QLD) Pty Ltd • Northern Silica Pty Ltd
Subscription	<p>Sibelco’s investment in the Joint Venture will occur in two tranches, for a total subscription amount of \$35 million. On completion of the Second Tranche, it is anticipated that Diatreme and Sibelco will hold interests in the Joint Venture of 73.2% and 26.8%, respectively.</p> <ul style="list-style-type: none"> • (First Tranche) Subscription for shares in CSHPL equal to 9.99% of the fully diluted share capital in CSHPL on issue for an initial subscription amount of \$11 million. • (Second Tranche) Subscription for shares in CSHPL equal to, together with the First Tranche, 26.8% of the fully diluted share capital in CSHPL on issue for an additional subscription amount of \$24 million.
Conditions precedent	<ul style="list-style-type: none"> • (First Tranche) Completion of the First Tranche is subject to satisfaction of the following conditions precedent, which is expected to occur no later than six months following the date of this announcement (Conditions Precedent): <ul style="list-style-type: none"> ○ Sibelco obtaining approval from the Foreign Investment Review Board to proceed with its investment in CSHPL. ○ Diatreme transferring to CSHPL and/or its subsidiaries the relevant tenement interests in the Galalar and Northern Resource silica sands projects. ○ Entry into formal shareholder agreements between Diatreme, Sibelco and CSHPL, addressing shareholder rights and the principles of cooperation for the Joint Venture which have been agreed, in principle, under the Subscription Agreement. • (Second Tranche) Completion of the Second Tranche is conditional on completion of the First Tranche, and is expected to occur on the date 12 months after completion of the First Tranche.
Warranties	<p>CSHPL and Diatreme have agreed to provide warranties regarding themselves and their business, including in respect of the tenements that will form part of the Joint Venture, environmental, occupational health and safety, and native title.</p>



	The liability of CSHPL and Diatreme for a warranty claim or for breach of the Subscription Agreement is limited to amounts not exceeding (in aggregate) the subscription amount paid by Sibelco SubCo.
Use of funds	Funds received by CSHPL from Sibelco's investment will be applied towards furthering development of the joint venture projects in accordance with a plan and budget to be agreed between the parties.
Offtake	The parties have agreed that each of Diatreme and Sibelco will be entitled to exclusive offtake and marketing rights over such proportion of the production of the Galalar and Northern Resource silica sands projects as is proportionate to their direct interest in CSHPL. Entry into any offtake and marketing agreement between Sibelco SubCo and CSHPL may be subject to approval of Diatreme shareholders and will be strictly negotiated on arm's length standard commercial terms.
Exclusivity	<p>Diatreme has agreed to an exclusivity arrangement with Sibelco for the period commencing from the date of the Subscription Agreement until the earlier of completion of the First Tranche or termination of the Subscription Agreement (Exclusivity Period).</p> <p>During the Exclusivity Period:</p> <ul style="list-style-type: none"> • in respect of any proposal for a transaction which affects, prejudices or jeopardises, or might reasonably be expected to affect, prejudice or jeopardise the completion of the transaction contemplated under the Subscription Agreement (Competing Proposal), Diatreme must not <ul style="list-style-type: none"> ○ directly or indirectly solicit, initiate, invite or encourage any enquiry from, negotiation or discussion with, or communicate by any means any intention or wiliness to do any of these things, to any person in relation to (or which may reasonably be expected to lead to) a Competing Proposal; ○ grant access to non-public information of Diatreme or permit access to representatives of Diatreme, to any other person who has submitted, or might reasonably be expected to submit, a Competing Proposal (including their representatives; or ○ engage in any discussions with regard to a Competing Proposal. • Diatreme must suspend any existing discussions or negotiations relating to any Competing Proposal. • in respect to a control transaction for Diatreme (e.g. change in control, takeover, scheme of arrangement) (DRX Corporate Action), Diatreme must not directly or



	<p>indirectly solicit, initiate, invite or encourage any enquiry from, negotiation or discussion with, or communicate by any means any intention or wiliness to do any of these things, to any person in relation to (or which may reasonably be expected to lead to) a DRX Corporate Action.</p> <ul style="list-style-type: none">• Diatreme must notify Sibelco if it is approached, directly or indirectly, by any third party with regard to a Competing Proposal or DRX Corporate Action.• Diatreme must provide details and regular updates to Sibelco regarding the status of any DRX Corporate Action and whether the Diatreme Board intends to support the DRX Corporate Action. <p>During the Exclusivity Period, Diatreme is permitted to continue existing negotiations with Traditional Owner groups with respect to the Galalar and Northern Resource silica projects and any other negotiations unrelated to those projects. Diatreme also has a standard fiduciary out right with respect to any Competing Proposal or DRX Corporate Action.</p>
Deferral of Completion for DRX Corporate Action	<p>If a DRX Corporate Action commences at any time prior to completion of the First or Second Tranche, Sibelco may:</p> <ul style="list-style-type: none">• give notice to Diatreme that completion of the relevant tranche is deferred until the DRX Corporate Action is resolved; and• within 30 days of notifying Diatreme of its decision to defer completion, give notice terminating the Subscription Agreement subject to the DRX Corporate Action occurring. If a notice is not given within that 30-day period, Sibelco will not be entitled to terminate the Subscription Agreement if the DRX Corporate Action occurs.
Termination rights	<p>Either party may terminate the Subscription Agreement at any time before completion of the Second Tranche if:</p> <ul style="list-style-type: none">• the Conditions Precedent are not satisfied.• the other party suffers an insolvency event.• any warranty given by a party ceases to be true in all material respects.• a party commits a material breach of the Subscription Agreement that cannot be remedied or is not remedied within 20 business days following notice of the breach.• a party is the subject of a control transaction, which includes:<ul style="list-style-type: none">○ a person acquiring voting power in more than 50% of the ordinary securities in an entity;○ a scheme of arrangement;



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- entry into and agreement for the disposal of the whole or a substantial part of its assets or undertaking; or
 - such other event that results in a change of control of the entity.

Sibelco is also permitted to terminate the Subscription Agreement at any time before completion of the Second Tranche if there is a material adverse change that impacts the tenements for the Galalar or Northern Resource silica sands projects, such as a cancellation of a tenement or new native title claim impacting a material part of the tenement area.

Further Operational Matters Update

Lodgment of MLA's

Diatreme notes that it is currently in the process of preparing for lodgment a series of mining and infrastructure lease applications for its Northern Resource Project (NRP).

These lodgments, subject to review and acceptance by the regulator are likely to take the form of two separate Mining Lease applications and four associated mining infrastructure lease applications that allow access to proposed mining areas related to development of Diatreme's Northern Resource Project (NRP) and access to nearest available port infrastructure.


Diatreme anticipates it will prepare an ASX release regarding this matter as soon as practicable following successful lodgment of the various applications in the coming weeks.

Further Commercial Discussions Regarding Northern Tenement Areas

Diatreme also advises it is in confidential commercial discussions regarding the potential for sale of a small section of its Northern tenement area. These discussions are ongoing and strictly commercial in confidence between the parties and remain incomplete with no certainty of reaching any commercial outcome suitable for both parties.

Should these discussions progress to more formal commercial understanding and agreements meeting relevant disclosure thresholds Diatreme will fully disclose these matters appropriately to the ASX.

Diatreme continues to expand its silica sand resource base, with further exploration planned at the Northern Resource Project including the Si2 North deposit. Diatreme is also advancing the regulatory approval process for its Galalar project, targeting securing the necessary environmental approvals and Mining Lease grant, together with the finalisation of a definitive feasibility study.



With the global decarbonisation drive continuing to pick up speed and record installations of solar power capacity, Diatreme's high-grade silica sand product is in strong demand from Asia's fast-growing solar PV industry.

KPMG Corporate Finance and McCullough Robertson were lead advisers to Diatreme on the Transaction.

Sibelco was advised by ICA Partners, Xenco and Addisons.

This announcement is authorised for release by the Board.

Neil McIntyre

Chief Executive Officer

Wayne Swan

Chairman

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About Diatreme Resources

Diatreme Resources (ASX:DRX) is an emerging Australian producer of mineral and silica sands based in Brisbane. Our key projects comprise the Galalar Silica Project and Northern Silica Resource Project in Far North Queensland, located next to the world's biggest silica sand mine at Cape Flattery.

Diatreme has an experienced Board and management, with expertise across all stages of project exploration, mine development and project financing together with strong community engagement skills.

Diatreme's silica sand resources will contribute to global decarbonisation by providing the necessary high-grade silica for use in the solar PV industry.

The Company has a strong focus on ESG, working closely with Traditional Owners and all other key stakeholders to ensure the long-term sustainability of our operations, including health, safety and environmental stewardship.

For more information, please visit www.diatreme.com.au



About Sibelco

Sibelco is a global leader in material solutions. Sibelco mines, processes and sells specialty industrial minerals – particularly silica, clays, feldspathics and olivine – and is a leader in glass recycling.

Sibelco's solutions support the progress of modern life and serve industries as diverse as glass, ceramics, construction, coatings, polymers and water purification.

The Sibelco Group has production facilities in more than 30 countries and a team of some 5,000 people.

For more information, visit www.sibelco.com