

The text "ASX" is in a large, bold, dark grey font, with "ANNOUNCEMENT" in a smaller, bold, dark grey font below it. A vertical orange line is to the left of the text.

15 October 2020

Share Purchase Plan – Shareholder Offer

Dear Shareholder

On behalf of the Board of Diatreme Resources Limited (ASX:DRX), I am pleased to offer you the opportunity to participate in a Share Purchase Plan (SPP) to help fund the advancement of our key value-adding Projects particularly the Galalar Silica Project in North Queensland.

Eligible shareholders can subscribe for up to A\$30,000 of new fully paid ordinary shares in Diatreme without incurring brokerage and subject to the Terms and Conditions detailed in this booklet (SPP Offer).

As announced on 9 October 2020, Diatreme conducted a placement of shares to sophisticated and professional investors, raising approximately A\$4.64 million (Placement). The Placement was strongly supported by a range of existing and new sophisticated and institutional investors who see the commercial opportunity in Diatreme and its Projects for delivering shareholder value.

The SPP gives you the opportunity to increase your Diatreme shareholding at the same price as the recent Placement, being A\$0.010 (1 cent) per Share. The issue price of \$0.010 per share equates to (a) a 15% discount to the last closing price of the Company's shares of \$0.012 per share on 6 October 2020, and (b) also a 15% discount to the 15 day VWAP of the Company's shares of \$0.012 per share prior to 6 October 2020 (inclusive), being the last trading day before the announcement of the Placement and SPP.

Diatreme is pleased to be able to offer all shareholders the opportunity to participate in this capital raising on equal terms and the Board commends this offer to you.



Offer Highlights

- The SPP will provide further funding for the **Galalar Silica Project**, which is now advancing through a permitting and approvals process towards development in an environment of growing demand for premium-quality silica for use in manufacture of photovoltaic (solar) panels and other high-tech industries and applications.
- Environmental Impact Statement (EIS) process is well underway following the first public comment period on the draft terms of reference for the relevant studies and follows also the lodgement of our Mining Lease Application in December 2019
- Total Mineral Resource has increased by 25% to an estimated 47.5 million tonnes (Mt) > 99% SiO₂, including a maiden Measured Mineral Resource comprising 30.9 Mt > 99.28% SiO₂.
- Results from our recent August 2020 drilling program shows potential for further resource expansion

Use of Funds

Your Company is determined to protect shareholder value and as such the funds raised from the SPP will be applied to the advancement of our key Galalar Silica project, as well as working capital.

SPP Details

We invite you to review the attached SPP document thoroughly in conjunction with publicly available information relating to the Company which is available from the ASX and from the Company's website (www.diatreme.com.au).

Under the SPP, Eligible Shareholders can subscribe for additional shares, up to a maximum of A\$30,000 worth, without paying brokerage or stamp duty. If appropriate, the SPP may also provide the opportunity for Eligible Shareholders to increase their holding into more than a marketable parcel.

The SPP Offer will open on Thursday, 15 October 2020 and will remain open until 5:00pm (Sydney time) on Thursday, 5 November 2020.

Participation in the Offer is optional and is only open to Eligible Shareholders who are registered as holders of shares in Diatreme Resources Limited at 7:00pm (Sydney time) on Thursday, 8th October 2020 (Record Date) and whose registered address is in Australia or New Zealand. The rights of shareholders to participate under this SPP are not transferable.

AUSTRALIAN SANDS. UNIVERSAL DEMAND.



Full details of the Offer and how to participate are contained within the attached SPP document.

On behalf of the Board, I recommend this SPP for your careful consideration and thank you again for your continued support. Please review this offer carefully and consider seeking financial advice appropriate to your individual circumstances.

Yours faithfully
Greg Starr
Chairman

DIATREME RESOURCES LIMITED

SHARE PURCHASE PLAN 2020 OFFER BOOKLET

An invitation to shareholders of Diatreme Resources Limited to purchase additional fully paid ordinary shares in Diatreme Resources Limited under the terms and conditions of this Share Purchase Plan

Indicative Timetable

Event	Date	Description
Record date	8 October 2020 (7.00 pm Sydney time)	Eligible shareholders determined
Announcement date	9 October 2020	Share Purchase Plan announced
Dispatch date	15 October 2020	Offer Document dispatched
Opening date	15 October 2020	SPP Opens
Closing date	5 November 2020 (5.00 pm Sydney time)	SPP Closes
Issue date	12 November 2020	Shares Issued under SPP
Quotation commences	16 November 2020	Shares issued under SPP expected to commence quotation on ASX

This is an important document and should be read in its entirety.

The Share Purchase Plan provides Eligible Shareholders with the opportunity to purchase additional Diatreme Resources Limited shares without brokerage and transaction costs.

The Share Purchase Plan does not take into account the individual investment objectives, financial situation or particular needs of each Eligible Shareholder. Accordingly, before making a decision whether or not to subscribe for Shares in the Share Purchase Plan, you should consult your financial or other professional adviser.

This document is not a prospectus or other disclosure document under the Corporations Act.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO US PERSONS

TERMS AND CONDITIONS

1. **SPP**

- (a) This SPP is an invitation to Eligible Shareholders made by Diatreme Resources Limited (**Diatreme**) to subscribe for fully paid ordinary shares in Diatreme (**New Shares**) at the Issue Price (refer to clause 5) per New Share.
- (b) The minimum application amount under the SPP is \$2,500.
- (c) The amount an Eligible Shareholder can apply for will be restricted to a cumulative total of \$30,000.
- (d) The SPP is conducted under ASIC Class Order CO09/425. The instrument grants relief from the requirement to prepare a prospectus for the offer of New Shares under the SPP.
- (e) You are not obliged to accept or otherwise participate in the SPP. Participation is optional.
- (f) The SPP is made to each Eligible Shareholder on the same terms and conditions.
- (g) The offer under the SPP is non-renounceable, which means that you may not transfer your right to apply for New Shares under the SPP to any other person.

2. **Closing Date**

The SPP is scheduled to close at 5:00pm (Sydney time) on 5 November 2020.

Diatreme reserves the right to change the closing date of the SPP.

No late applications will be accepted.

3. **Eligible Shareholders**

- (a) You are eligible to participate in the SPP (**Eligible Shareholder**) if you were a registered holder of fully paid ordinary shares in Diatreme (**Shares**) at 7:00pm (Sydney time) on 8 October 2020 (**Record Date**) whose address in the security register of Diatreme is in Australia or New Zealand, unless:
 - (i) you hold Shares on behalf of another person who resides outside Australia or New Zealand and do not hold Shares in any other capacity;
 - (ii) you are resident in the United States or acting for the account or benefit of a person resident in the United States; or
 - (iii) you are ineligible to participate in the SPP because of the aggregate limit explained in clause 7.
- (b) This SPP does not constitute an offer in any jurisdiction in which or to any person to whom it would be unlawful to make such an offer. Diatreme reserves the right to reject any acceptance which it believes comes from a person who is not an Eligible Shareholder.
- (c) (**Single Holders**) If you are the only registered holder of Shares, but you receive more than one offer under the SPP (for example, due to multiple registered holdings), you may only apply for New Shares up to a maximum aggregate value of \$30,000.
- (d) (**Joint Holders**) If you are recorded with one or more other persons as the joint holder of Shares, that joint holding is considered to be a single registered holding for the purposes of the SPP. Subject to the conditions of eligibility as set out in this clause 3, the joint holders are entitled to participate in the SPP in respect of that single holding only. The certification under clause 9 by one of the joint holders will be effective in respect of the other joint holder(s). If the same joint holders receive more than one offer under the SPP due to multiple registered holdings, the joint holders may only apply for New Shares up to a maximum aggregate value of \$30,000.
- (e) (**Custodians**) If you are a custodian within the definition of "Custodian" in ASIC Class Order CO09/425 and you are a registered holder of Shares on behalf of another person

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(Beneficiary) and you apply to acquire New Shares on behalf of the Beneficiary, you must certify in writing Diatreme a number of matters relating to such beneficiaries **(Custodian Certificate)**.

- (f) If you are a Custodian, please contact Diatreme Resources Limited, on +61 7 3397 2222 for the Custodian Certificate required under these SPP terms and conditions.
- (g) If you are a Custodian and you hold shares or interests jointly on behalf of two or more persons, the \$30,000 limit applies jointly in relation to those persons as if you hold the shares or interests on behalf of a single person.
- (h) **(Trustees and Nominees)** If you hold Shares as a trustee or nominee for another person, but are not a Custodian as defined above, you cannot participate as a Beneficiary in the manner described above. In this case, the rules for multiple single holders (as above) will apply.
- (i) Nominees and other registered holders of Shares that are acting on behalf of a person in the United States or any other country outside Australia and New Zealand, must not:
 - (i) send this document or any other document relating to the SPP to any person in the United States or any other country outside Australia and New Zealand; or
 - (ii) purport to exercise rights under this offer on behalf of a person in the United States or any other country outside Australia and New Zealand.

4. Making an application for New Shares

- (a) Applications under the SPP may only be made for the following amounts:

Total investment	\$2,500	\$5,000	\$10,000	\$20,000	\$30,000
New Shares issued	250,000	500,000	1,000,000	2,000,000	3,000,000

- (b) Eligible Shareholders are not permitted to acquire more than \$30,000 worth of New Shares in aggregate, even if you receive more than one SPP Application Form **(Application Form)** or hold Shares in more than one capacity, e.g. if you are both a sole and joint holder of Shares **(Aggregate SPP Participation)**.

5. Issue Price of New Shares under the SPP

- (a) The price per New Share on offer under the SPP **(Issue Price)** will be \$0.010 (1.0 cents).
- (b) The current Share price can be obtained from the ASX website (www.asx.com.au) (ASX code: DRX) and is listed in the financial and business section of major daily newspapers circulated in Australia.
- (c) The issue price of \$0.01 per share equates to (a) a 15% discount to the last closing price of the Company's shares of \$0.012 per share on 6 October 2020, and (b) also a 15% discount to the 15 day VWAP of the Company's shares of \$0.012 per share prior to 6 October 2020 (inclusive), being the last trading day before the announcement of the Placement and SPP.
- (d) You agree to pay the Issue Price for each New Share calculated under clauses 5(a) and 7(b).
- (e) You acknowledge that the market price of Shares may rise or fall between the date of this SPP, the date of calculation of the Issue Price and the date that New Shares are allotted to you under the SPP **(Issue Date)** and that the effect of this is that the Issue Price you pay for the New Shares may exceed the market price of New Shares on the Issue Date.

6. Scale back

- (a) Diatreme does not intend to issue more than 556,635,404 New Shares under the SPP.
- (b) Diatreme reserves the right to allot fewer New Shares than an Eligible Shareholder applies for under the SPP, or no New Shares. Any determination by the Directors in respect of any scale back will be final.
- (c) If a scale back occurs, Diatreme will refund the balance of application monies, without interest, following allotment by way of cheque to the applicant's registered address.

7. Applying for Shares under the SPP

- (a) If you are an Eligible Shareholder and wish to participate in the SPP, you must follow the instructions on the Application Form and:
 - (i) make payment by BPAY[®] equivalent to the value of the parcel of New Shares you wish to apply for, using the information provided on the Application Form; or
 - (ii) complete the Application Form and provide a cheque or money order made payable to "Diatreme Resources Limited", delivered to the Share Registry,so that payment is received by the Share Registry by 5:00pm (Sydney time) on the Closing Date. Payments must be denominated in Australian dollars.

SHARE REGISTRY

Postal delivery

Diatreme Resources Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

- (b) If you apply for New Shares, you will apply for a specified value, rather than a specified number of New Shares. Subject to clause 7(c), Diatreme will divide the parcel value that you select by the Issue Price in order to determine the number of New Shares for which you have applied (rounded down to the nearest whole number of New Shares). Any balance of monies sent by you that is remaining as a result of rounding will be refunded to you except where the amount is less than \$2.00 (or an amount advised by Diatreme).
- (c) Eligible Shareholders who receive more than one offer under the SPP (for example because they hold Shares in more than one capacity) may apply on different Application Forms for New Shares, but may not apply for New Shares with an aggregate value of more than \$30,000.
- (d) Diatreme may accept or reject your application for New Shares, either in whole or in part, at its absolute discretion. For example, Diatreme may reject your application in circumstances such as the following (among others):
 - (i) it appears that you are applying to purchase a number of New Shares that will mean that your Aggregate SPP Participation will exceed \$30,000;
 - (ii) your Application Form is incorrectly completed, incomplete or otherwise determined by Diatreme to be invalid;
 - (iii) your cheque is dishonoured or the cheque or money order that you enclose with your Application Form is not made out for the amount corresponding to the value of the parcel of New Shares for which you have applied;
 - (iv) your Application Form is received after the Closing Date; or
 - (v) Diatreme believes you are not an Eligible Shareholder (subject to compliance with any applicable ASIC or ASX requirements).

Late or otherwise incomplete or invalid payments will be refunded to you.

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- (e) You should be aware that your own financial institution may implement earlier cut off times with regards to electronic payment, and you should therefore take this into consideration when making payment.
- (f) The lodgement of the Application Form with the application monies, or the remittance of funds via BPAY® will constitute the Eligible Shareholder's offer to subscribe for shares on the terms and conditions of this SPP. Once an application has been made, it cannot be revoked. No notice of acceptance of the application will be provided.

8. Shortfall

The offer under the SPP is not underwritten. To the extent that there is a shortfall in the subscription for New Shares under the SPP (**Shortfall**), the Directors reserve the right to place any New Shares under the Shortfall at their absolute discretion at a price no less than the price of New Shares offered under the SPP, to the extent that any such placement of New Shares under the Shortfall can be made having regard to Listing Rule 7.1.

9. Certification by Eligible Shareholders and Custodians

- (a) If you submit a BPAY® payment or complete and return an Application Form together with a cheque or money order:
 - (i) you acknowledge that you are an Eligible Shareholder;
 - (ii) you irrevocably and unconditionally agree to the Terms and Conditions and the terms of the Application Form and agree not to do any act or thing that would be contrary to the spirit, intention or purpose of the SPP or these Terms and Conditions;
 - (iii) you acknowledge that your application is irrevocable, unconditional and cannot be withdrawn once returned;
 - (iv) you certify that the aggregate of the application price for the following does not exceed \$30,000:
 - 1. New Shares under the SPP the subject of your application;
 - 2. any other New Shares or interests under the SPP or any Shares or interests in the class of shares issued that you acquired under any similar arrangement in the 12 months before the date of your application;
 - 3. any other New Shares or interests in the class of shares issued which you have instructed a Custodian to acquire on your behalf under the SPP; and
 - 4. any other Shares or interests in the class of shares issued to a Custodian under an arrangement similar to the SPP in the 12 months before the date of your application as a result of an instruction given by you to the Custodian or another Custodian and which resulted in you holding beneficial interests in the shares or interests in the class,even though you may have received more than one offer under the SPP or received offers in more than one capacity under the SPP;
- (b) If you are a Custodian, you make additional representations that you either:
 - (i) hold an Australian financial services licence that:
 - 1. covers the provision of a custodial or depository service (as defined by section 766E of the Corporations Act); or
 - 2. includes a condition requiring you to comply with the requirements of ASIC Class Order CO13/763; or
 - (ii) are exempt from the requirement to hold an Australian financial services licence for the provision of a custodial or depository service under:
 - 1. paragraph 7.6.01(1)(k) or paragraph 7.6.01(1)(na) of the *Corporations Regulations 2001* (Cth);

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2. ASIC Class Order CO05/1270 to the extent that it relates to ASIC Class Order CO03/184;
 3. ASIC Class Orders CO03/1099, CO03/1100, CO03/1101, CO03/1102, CO04/829 or CO04/1313;
 4. an individual instrument of relief granted by ASIC in terms similar to one of the Class Orders referred to in paragraph (iii) above;
 5. paragraph 911A(2)(h) of the Corporations Act; or
- (iii) are otherwise a Custodian as defined in Class Order CO09/425 and that you have provided a Custodian Certificate to Diatreme;
- (c) you authorise Diatreme to correct minor errors in your Application Form and to complete the Application Form by inserting any missing minor information;
- (d) you accept the risk associated with any refund that may be sent to your address or to your nominated bank account as shown on Diatreme's share register;
- (e) you acknowledge that no interest will be paid on any application monies held pending the allotment of the SPP Shares or subsequently refunded to you for any reason;
- (f) you acknowledge that Diatreme and the Share Registry have not provided any investment advice or financial product advice, and that none of them has any obligation to provide this advice in relation to your consideration as to whether or not to participate in the SPP;
- (g) you acknowledge that Diatreme (and each of its officers and agents) is not liable for any consequences of the exercise or non-exercise of its discretions referred to in the SPP;
- (h) you acknowledge that the SPP Shares have not, and will not be, registered under the US Securities Act of 1933 or the securities law of any other jurisdiction outside Australia or New Zealand and, accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- (i) you agree not to send the SPP or any other material relating to the SPP to any person in the United States or any other country outside Australia and New Zealand;
- (j) you acknowledge that Diatreme may at any time irrevocably determine that your application is valid, in accordance with the terms and conditions of the SPP, even if the Application Form is incomplete, contains errors or is otherwise defective;
- (k) you are responsible for any dishonour fees or other costs that Diatreme may incur in presenting a cheque or money order for payment that is dishonoured; and
- (l) if two or more persons are recorded in Diatreme's register of members as jointly holding Shares or interest in Diatreme, they are taken to be a single registered holder and a certification given by any of them is taken to be a certification given by all of them.

10. Issue of New Shares

Diatreme will not be obliged to allot New Shares and the applicant will not be entitled to receive or be issued New Shares until the Board resolves to allot the New Shares.

New Shares under the SPP will be allotted and issued on or about 12 November 2020. After all New Shares have been allotted, Diatreme will promptly make application to ASX Limited for the New Shares to be admitted to quotation.

Holding statements will be despatched shortly after the Allotment Date.

11. Indicative Timetable

Event	Date	Description
Record date	8 October 2020 (7.00 pm Sydney time)	Eligible shareholders determined
Announcement date	9 October 2020	Share Purchase Plan announced
Dispatch date	15 October 2020	Offer Document dispatched
Opening date	15 October 2020	SPP Opens
Closing date	5 November 2020 (5.00 pm Sydney time)	SPP Closes
Issue date	12 November 2020	Shares Issued under SPP
Quotation commences	16 November 2020	Shares issued under SPP expected to commence quotation on ASX

These dates are indicative only. Diatreme may vary the dates and times of this offer or withdraw it without notice. Accordingly, Eligible Shareholders are encouraged to submit their Application Forms as early as possible.

12. Additional Terms of this SPP

The requirements of the Australian Securities and Investments Commission's Class Order CO 09/425 are incorporated into this SPP.

Under that Class Order, the yearly limit that can be raised from a participant in a share purchase plan is \$30,000. Accordingly, no Eligible Shareholder (including through joint holdings, multiple share accounts or any holding in which the Eligible Shareholder may have a beneficial interest) will be issued with shares under this or any other share purchase plan with an application value totalling more than \$30,000 in any consecutive 12 month period.

All New Shares issued under the SPP will rank equally with existing Shares.

The SPP is administered by the Board or Diatreme which may determine in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP whether generally or in relation to any participant, or application, or Shares and the determination of the Board will be conclusive and binding on all participants and other persons to whom the determination relates.

The Board reserves the right to withdraw this SPP and any offer under it at any time prior to the allotment of Shares and to waive strict compliance with any provision of these terms and conditions, to amend or vary these terms and conditions and to suspend or terminate the SPP at any time. If the SPP is withdrawn, all application monies will be refunded without interest.

13. Costs of Participation

There is no brokerage, commissions or other participation costs payable by you in respect of any acquisition of New Shares under this SPP.

14. Risks

Potential investors should consider the risks that could affect Diatreme before deciding to invest. Risk factors include:

- (a) the speculative nature of the investment;
- (b) risks related to general market conditions including exchange rate risk, interest rates, market sentiment and circumstances and conditions which are not within Diatreme's control;

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- (c) mining and exploration risks;
- (d) environmental regulation risks;
- (e) regulatory risks in general, including the risk of legislative and regulatory changes, native title and Aboriginal cultural heritage risks;
- (f) commercial risks including transport, power and carbon sale and pricing risk;
- (g) reliance on key management personnel and employees; and
- (h) financing risks.

Potential investors should carefully consider the risks in light of their personal circumstances (including financial and taxation issues) and seek professional advice from their stockbroker, accountant, lawyer or other professional adviser.

15. New Zealand

- (a) The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of Diatreme with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).
- (b) This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

16. United States

- (a) This document may not be released or distributed in the United States. The Shares have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States.
- (b) The Shares may not be taken up by persons in the United States or by persons who are acting for the account or benefit of a person in the United States. The Shares may not be offered, sold or resold in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction in the United States.

17. Queries

If you have any queries concerning the SPP, please call please call the Company on +61 7 3397 2222

Further Information

Please refer to the latest releases on Diatreme's website www.diatreme.com.au.

In addition, information on Diatreme's recent activities is available from the Company's ASX announcements which can be accessed on the ASX website at www.asx.com.au (ASX Code: DRX).

Diatreme Resources Limited
ABN 33 061 267 061