

Diatreme Resources Limited

ACN 061 267 061

Notice of Extraordinary General Meeting

An Extraordinary General Meeting of Diatreme Resources Limited will be held at:

- Mayflower Room, Level 1, Christies Conference Spaces, 320 Adelaide Street, Brisbane.
- 2:00 pm (AEST) on 25 August 2022.

This notice of extraordinary general meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting.

Please contact the Company Secretary on +61 7 33 972 222 or tuan.do@diatreme.com.au if you wish to discuss any matter concerning the Meeting.

Diatreme Resources Limited
ACN 061 267 061

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of the Shareholders of Diatreme Resources Limited will be held at 2.00pm (AEST) Mayflower Room, Level 1, Christies Conference Spaces, 320 Adelaide Street, Brisbane on 25 August 2022.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Statement and Proxy Form form part of this Notice of Meeting.

Shareholders are urged to vote by returning a completed Proxy Form. Instructions on how to complete a Proxy Form are set out in the Explanatory Statement.

Proxy Forms must be received by no later than 2:00 pm (AEST) on 23 August 2022.

Terms and abbreviations used in this Notice and Explanatory Statement are defined in Schedule 1 of the Explanatory Statement.

Agenda

RESOLUTION 1 - ISSUE OF SHARES TO ILWELLA PTY LTD

To consider, and if thought fit, to pass the following as an **ordinary resolution**:

“That for the purposes of ASX Listing Rules 10.11 and for all other purposes, approval is given for the issue of 132,111,500 Shares to Ilwella Pty Ltd at an issue price of \$0.025 per Share as detailed in the Explanatory Statement.”

A voting exclusion statement is set out below.

RESOLUTION 2 - RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 455,727,393 Shares at an issue price of \$0.0248 per Share to Sibelco Asia Pacific Pty Ltd to raise approximately \$11.3 million undertaken by the Company on 27 June 2022, and otherwise on the terms set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

VOTING PROHIBITION AND EXCLUSION STATEMENTS

Under Listing Rule 14.11, the Company will disregard any votes cast in favour of a resolution by or on behalf of:

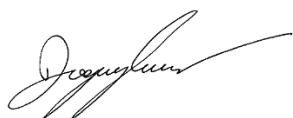
- (a) the below named person or class of persons excluded from voting; or
- (b) an associate of that person or those persons:

Resolution	Persons excluded from voting
Resolution 1 - Issue of Shares to Ilwella Pty Ltd	The person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity), or any associate of those persons.
Resolution 2 - Ratification of prior issue of Placement Shares	Persons who participated in the issue or is a counterparty to the agreement being approved, or any associate of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

By order of the Board of Directors



Tuan Do - Company Secretary
Diatreme Resources Limited
26 July 2022

DIATREME RESOURCES LIMITED
ACN 061 267 061

Explanatory Statement

INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Mayflower Room, Level 1, Christies Conference Spaces, 320 Adelaide Street, Brisbane on 25 August 2022 at 2:00 pm (AEST). The purpose of this Explanatory Statement is to provide information to Shareholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Statement should be read in conjunction with and forms part of the accompanying Notice, and includes the following:

1	ACTION TO BE TAKEN BY SHAREHOLDERS	3
2	RESOLUTION 1 - ISSUE OF SHARES TO ILWELLA PTY LTD	5
3	RESOLUTION 2 - RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES	7

A Proxy Form is located at the end of this Explanatory Statement.

Please contact the Company Secretary on +61 733 972 222 or tuan.do@diatreme.com.au if you wish to discuss any matter concerning the Meeting.

1 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Statement carefully before deciding how to vote on the Resolutions.

The Directors **STRONGLY ENCOURAGE ALL SHAREHOLDERS TO LODGE A DIRECTED PROXY FORM PRIOR TO THE MEETING.**

1.1 Voting by Proxy

Shareholders can appoint a proxy to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Company in accordance with the instructions on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has the right to appoint a proxy;
- (b) the proxy need not be a Shareholder of the Company; and
- (c) a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not

specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on each Resolution.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 2:00pm (AEST) on 23 August 2022. Any Proxy Form received after that time will not be valid for the Meeting. Proxy Form must be received at the following address:

By mail: Automic
GPO Box 5193
Sydney NSW 2001

By email: meetings@automicgroup.com.au

Online: <https://investor.automic.com.au/#/loginsah>

Shareholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

1.2 Voting in person

Ordinary resolutions require the support of more than 50% of the votes cast. Special resolutions require the support of at least 75% of the votes cast.

All resolutions at the Meeting will be voted on by poll and Shareholders who are entitled to vote may vote either prior to the Meeting by appointing a proxy or by poll during the Meeting

1.3 Corporate representatives

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

An appointment of corporate representative form is available from the website of the Company's share registry (Automic).

1.4 Eligibility to vote

For the purposes of regulations 7.11.37 and 7.11.38 of the Corporations Act Regulations, the Directors have determined that, for the purposes of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 7:00 pm (AEST) on 23 August 2022.

1.5 Poll

All Resolutions will be determined by poll.

2 RESOLUTION 1 - ISSUE OF SHARES TO ILWELLA PTY LTD

2.1 Introduction

On 27 June 2022 the Company announced that it had agreed the binding terms of a placement to existing major shareholder Ilwella Pty Ltd of 132,111,500 new ordinary shares in the capital of the Company at a price of \$0.025 per Share to raise \$3,302,787.50. The issue of Shares to Ilwella Pty Ltd is subject to the Company obtaining Shareholder approval under Listing Rule 10.11.

Ilwella Pty Ltd is an existing Shareholder, with a shareholding in the Company of 17.05% at the date of this Notice. Mr Michael Chapman, a Director of the Company, is considered a nominee director of Ilwella Pty Ltd.

2.2 Listing Rules

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, an ASX-listed company must not issue or agree to issue equity securities to:

- (a) a related party (Listing Rule 10.11.1);
- (b) a person who is, or was at any time in the six months before the issue or agreement, a substantial (30%+) holder in the company (Listing Rule 10.11.2);
- (c) a person who is, or was at any time in the six months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of directors of the company pursuant to a relevant agreement which gives them a right or expectation to do so (Listing Rule 10.11.3);
- (d) an associate of a person referring to in ASX Listing Rules 10.11.1 to 10.11.3 (Listing Rule 10.11.4); or
- (e) a person whose relationship with the company or a person referred to in ASX Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders (Listing Rule 10.11.5),

unless it obtains the approval of its shareholders.

The issue of Shares to Ilwella Pty Ltd that is the subject of Resolution 1 falls within Listing Rule 10.11.3 and does not fall within any of the exceptions in ASX Listing Rule 10.12. The issue therefore requires the approval of Shareholders under Listing Rule 10.11. Resolution 1 therefore seeks the required Shareholder approval for the issue of Shares to Ilwella Pty Ltd that is the subject of Resolution 1 under and for the purposes of ASX Listing Rule 10.11.

If Shareholders approve the issue of Shares to Ilwella Pty Ltd under this Resolution 1, then 132,111,500 Shares will be issued to Ilwella Pty Ltd pursuant the binding commitment given by Ilwella Pty Ltd to subscribe for the Shares, taking its total shareholding in the Company to 745,577,120 Shares (19.99%).

If Shareholders do not approve the issue of Shares to Ilwella Pty Ltd under this Resolution 1, the 132,111,500 Shares will not be issued to Ilwella Pty Ltd and the

binding commitment given by Ilwella Pty Ltd to subscribe for the Shares will immediately terminate. As a result, the Company may need to raise additional capital in the future earlier than anticipated. If required, the Company would seek to engage its existing network of brokers to assist with any capital raising.

2.3 Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided in respect of the proposed issue of Shares that are the subject of Resolution 1:

- (a) The person to be issued the Shares is Ilwella Pty Ltd ACN 003 220 371.
- (b) At the date of this Notice, Ilwella Pty Ltd had a shareholding in the Company of 17.05%. Listing Rule 10.11.3 applies to Ilwella Pty Ltd, as it is a person who is a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company (Mr Michael Chapman) pursuant to a relevant agreement between Ilwella Pty Ltd and the Company which gives Ilwella Pty Ltd the right or expectation to do so.
- (c) The number of securities that the Company has agreed to issue to Ilwella Pty Ltd is 132,111,500 fully paid ordinary shares in the capital of the Company, ranking equally with existing Shares on issue.
- (d) The Shares will be issued to Ilwella Pty Ltd as soon as possible following the Meeting but not more than one (1) month after the date of the Meeting.
- (e) The Shares will be issued to Ilwella Pty Ltd at an issue price of \$0.025 per Share.
- (f) The Shares are being issued to raise \$3,302,787.50. The funds will be used in conjunction with funds already raised under the Placement that was announced by the Company on 27 June 2022. A summary of the intended use of funds is set out in section 3.1.
- (g) The issue of Shares to Ilwella Pty Ltd is not being done to remunerate or incentivise a director of the Company. Ilwella Pty Ltd is not controlled by any director of the Company.
- (h) Other than as set out in this section 2, there are no other material terms in relation to the issue.
- (i) A voting exclusion statement is included in the Notice.

2.4 Directors' recommendation

The Board (excluding Mr Michael Chapman) recommend that Shareholders vote in favour of Resolution 1.

3 RESOLUTION 2 - RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

3.1 Introduction

On 27 June 2022 the Company announced that it had completed a strategic placement of 559,465,000 new ordinary shares to Sibelco Asia Pacific Pty Ltd to raise approximately \$13.97 million at an average issue price of \$0.025 per Share (Placement).

The Shares were agreed to be issued under the Placement without Shareholder approval using the Company's capacity under Listing Rule 7.1 (455,727,393 Shares at an issue price of \$0.0248 (2.48 cents)) and Listing Rule 7.1A (103,737,607 Shares at an issue price of \$0.257 (2.57 cents)). The Placement Shares were issued on 27 June 2022.

As announced on 27 June 2022, the funds raised under the Placement will be utilised:

- (a) to fund any potential stamp duty/transaction tax costs that will be incurred in connection with the transfer of the Company's tenements to establish the joint venture structure agreed under the joint venture subscription agreement with Sibelco. The Company has agreed under the terms of the joint venture subscription agreement with Sibelco to fund these costs;
- (b) to further the development of the Company's 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 joint venture with Sibelco, including specifically advancement of the Galalar Silica Project and the Northern Silica Project;
- (c) for other works, such as community obligations pertaining to the above activities; and
- (d) for general working capital.

As announced on 30 June 2022, ASX advised the Company that the decision to issue the Placement Shares under its Listing Rule 7.1 and 7.1A capacities at different issue prices was inconsistent with ASX's published guidance, as the average issue price for the Placement Shares (\$0.025 (2.5 cents)) was, at the relevant time, less than the minimum issue price permitted under Listing Rule 7.1A.3(a) (\$0.257 (2.57 cents)) for equity securities issued under Listing Rule 7.1A.2.

The issue of 103,737,607 of the Placement Shares was deemed to have been made by the Company in excess of its capacity under Listing Rule 7.1. As a result, the Company cannot seek Shareholder approval under Listing Rule 7.4 to ratify the issue of 103,737,607 of the Placement Shares, being those Placement Shares that the Company had purported to issue under Listing Rule 7.1A.

The Company has also been advised by ASX of a placement holiday effective until 19 September 2022. This means that the Company must not issue any equity securities under its Listing Rule 7.1 or 7.1A capacities from the time it was advised of the

placement holiday until 19 September 2022. The Company may still issue equity securities before 19 September 2022 if an exception to Listing Rule 7.1 applies or the issue is approved by Shareholders.

The effect on the capital structure of the Company and dilution effect from the issue of the Placement Shares is as follows:

Shares on issue prior to the Placement		3,038,182,626	84.45%
Placement	7.1 capacity	455,727,393	12.67%
	In excess of 7.1 capacity	103,737,607	2.88%
	7.1A capacity	Nil	0%
Shares allotted between completion of the Placement and the date of this Notice		Nil	0%
Total Shares on issue as at the date of this Notice*		3,597,647,626*	100.0%

* This does not account for the equity securities that the Company has agreed to issue to Ilwella Pty Ltd and which are subject to Shareholder approval under Resolution 1 above.

3.2 Listing Rules

Broadly speaking and subject to a number of exceptions, Listing Rule 7.1 limits the number of equity securities a company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid up ordinary securities it had on issue at the start of that period.

Listing Rule 7.4 allows shareholders to ratify an issue of, or agreement to issue, equity securities after it has been made or agreed to be made. If they do, the issue or agreement is taken to have been approved under Listing Rule 7.1, and so does not reduce the company's capacity to issue further equity securities without shareholder approval under those rules.

Resolution 2 seeks Shareholder approval under Listing Rule 7.4 to ratify the issue of 455,727,393 of the Placement Shares. As noted in paragraph 3.1 above, Shareholder approval cannot be obtained under Listing Rule 7.4 to ratify the issue of 103,737,607 of Placement Shares. As a result, the Company's placement capacity under Listing Rule 7.1 will be reduced by 103,737,607 equity securities for the 12 months commencing from 27 June 2022.

If Resolution 2 is passed, 455,727,393 of the Placement Shares will be excluded in calculating the Company's 15% capacity under Listing Rules 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 months following the issue.

If Resolution 2 is not passed, the issue will be included in calculating the Company's 15% capacity limit under Listing Rule 7.1, effectively decreasing the number of equity

securities it can issue without Shareholder approval under Listing Rule 7.1 over the 12 months following the issue. In this case, the Company will have exhausted its 15% capacity limit under Listing Rule 7.1 until 28 June 2023.

3.3 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided for the ratification of the issue of the Placement Shares:

- (a) The Placement Shares were issued to Sibelco Asia Pacific Pty Ltd ACN 092 916 811.
- (b) The number of securities issued by the Company under the Placement was 559,465,000 Shares. The number of securities issued under the Placement that the Company is seeking to be ratified by Shareholders is 455,727,393 Shares. The Company is not permitted under Listing Rule 7.4 to seek ratification for the balance of securities issued under the Placement, being 103,737,607 Shares.
- (c) The Placement Shares are fully paid ordinary shares in the capital of the Company, ranking equally with existing Shares on issue.
- (d) The Shares were issued on 27 June 2022.
- (e) The Placement Shares that the Company is seeking to be ratified were issued at an issue price of \$0.0248 per Share.
- (f) The Placement Shares that the Company is seeking to be ratified were issued to raise \$11,302,039.34. The intended use of funds is set out in section 3.1.
- (g) A material term under the agreement for the issue of the Placement Shares was an entitlement for Sibelco Asia Pty Ltd to nominate one director for appointment to the Board while it maintains a shareholding in the Company of 10% or more. As at the date of this notice, Sibelco Asia Pacific Pty Ltd has not exercised its right to nominate a director for appointment to the Board.
- (h) A voting exclusion statement is included in the Notice.

3.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 2.

SCHEDULE 1 DEFINITIONS

In this Notice and Explanatory Statement:

AEST	means Australia Eastern Standard Time.
ASX	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
Board	means the board of Directors.
Chair, Chairman or Chairperson	means the chair of the Company.
Company or DRX	means Diatrema Resources Limited (ACN 061 267 061).
Constitution	means the constitution of the Company as amended.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth) as amended.
Director	means a director of the Company.
Equity Securities	has the same meaning given in the Listing Rules.
Explanatory Statement	means this Explanatory Statement.
Listing Rule	means the listing rules of the ASX.
Meeting	means the extraordinary general meeting of Shareholders convened by this Notice (as adjourned from time to time).
Notice	means this notice of meeting.
Placement	has the meaning given in section 3.
Placement Share	means a Share issued under the Placement.
Proxy Form	means the proxy form attached to this Notice.
Resolution	means a resolution set out in the Notice.
Securities	has the meaning given in the Listing Rules.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.

Proxy Voting Form

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **2.00pm (AEST) on Tuesday, 23 August 2022**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).