

DIATREME RESOURCES LIMITED

ABN 33 061 267 061

Financial Report Half year ended 30 June 2024

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These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

They do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors

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

Securities Exchange

Australian Securities Exchange
ASX Code: DRX

Chief Executive Officer

Neil McIntyre

Auditors

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

Company Secretary

Tuan Do

Registered Office

Unit 8, 55-61 Holdsworth Street
Coorparoo QLD 4151
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Share Registry

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

Directors' Report

The directors present their report on the Group consisting of Diatreme Resources Limited ('the Company' or 'Diatreme') and the entities it controlled at the end of, or during, the half-year ended 30 June 2024.

Directors

The following persons were directors of Diatreme Resources Limited during the whole of the half-year and up to the date of this report:

Mr Wayne Swan	Non-Executive Chairman
Mr Michael Chapman	Non-Executive Director
Mr William Wang	Non-Executive Director
Ms Karalyn Keys	Non-Executive Director

Mr Gregory Starr resigned as a Non-Executive Director on 9 July 2024

Review of operations

Company overview

Diatreme Resources Limited (DRX) is an Australian developer and explorer of mineral/silica sands. The Company is maintaining its focus on advancing development and exploration activities of its Northern Silica Sand Project and Cyclone Zircon Project.

Results of operations

The net loss of the Group for the half year to 30 June 2024 was \$937,701 (2023: loss of \$1,137,828). During the half year, \$1,481,030 was recognised as a gain on acquisition of Metallica Minerals Ltd, offset by total acquisition cost of 1,441,051.

No dividends were proposed or paid during the period (2023: nil). At 30 June 2024, the Group had \$9,997,552 (including MLM's cash of \$2,315,553) in cash and cash equivalents (31 December 2023: \$10,772,458). In addition, the joint venture had \$21,686,263 in cash at 30 June 2024.

Northern Silica Project

During the half-year, the Company continued with its focus on advancing permitting & approvals process for its flagship Northern Silica Project.

Key highlights during the period in review include:

- On 15 January, Diatreme announced that the Queensland government had declared the Northern Silica Project (NSP), as a coordinated project. This status is designed to streamline the development process and means the NSP will have its regulatory approvals coordinated by the Office of the Coordinator-General, with an Environmental Impact Statement (EIS) to be assessed through a bilateral agreement between the state and Commonwealth governments.
- On 17 April, the company announced a 17 per cent increase in the indicated resource to 120.5 million tonnes, and the establishment of a maiden 49.5 million tonnes measured resource. The company's total low-iron, high-purity silica resource base now exceeds 402 million tonnes.
- On 10 May, Diatreme signed negotiation protocol with Walmbaar Aboriginal Corporation RNTBC, representing the Dingaal Clan based in Far North Queensland. Negotiation protocol establishes a framework and set of principles which will guide the parties during future negotiations and aims to ensure future

Directors' Report

agreements reached between the parties maximise benefits and opportunities for the Dingaal Clan, while ensuring mutually beneficial development outcomes which will enable Diatreme to develop the NSP.

- On 29 May, Diatreme announced the signing of a cultural heritage management agreement with Walmbaar Aboriginal Corporation. Under the agreement, both parties have developed a clearance and aboriginal cultural heritage avoidance protocol, which will facilitate Diatreme's exploration work in Dingaal Country.

Cyclone Zircon/Heavy Mineral (HM) Project

Diatreme continues to engage with a range of parties to unlock shareholder value from the Cyclone Zircon Project, which has potential to become one of Australia's important critical minerals projects.

Talks continue to progress, and the Company anticipates a number of opportunities for Cyclone's development, with both domestic and international interest in this high-grade zircon project.

In its Quarterly Review released on 23 January 2024, major producer Iluka Resources reported a weighted average zircon price (premium and standard) in the fourth quarter 2023 of US\$2,045 per tonne, compared with US\$2,054/t in Q4 2022. The company's full year weighted average zircon price was up 6% on 2022.

Iluka also reported a Q2 2024 rutile price of US\$1,690/t and a synthetic rutile price of US\$1,194/t.

These positive market dynamics support Diatreme's aim to maximise value from Cyclone by attracting a suitable investment partner to develop this shovel-ready project.

Takeover of Metallica Minerals Ltd ('Metallica')

- On 16 February, Diatreme announced a conditional intention to make an off-market takeover bid for all the fully paid ordinary shares of Metallica Minerals Limited (ASX: MLM) (the **Offer**). Under the proposed terms, Metallica shareholders were offered 1.3319 Diatreme shares for every Metallica share they hold. Based on Diatreme's last closing price of \$0.022 on 15 February, the offer translated to a premium of 22.08% over Metallica's concurrent closing price of \$0.024 and based on Diatreme's 30-day volume-weighted average price, the offer represented a premium of 37.33%.
- On 28 March, the Company announced it had formally lodged the Bidder's Statement with ASIC in relation to the Offer and served on Metallica on the same day. This was followed by an announcement on 11 April that the offer was open for acceptance
- As at 30 June 2024, Diatreme had acquired 68.30% of the issued capital of Metallica pursuant to a takeover offer that became unconditional on 17 June 2024 being the deemed acquisition date.

Corporate

Diatreme's Annual General Meeting was held on 23 May 2024 and all resolutions were passed on a poll, with voting results available via the ASX release dated 23 May 2024.

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

Directors' Report

Matter subsequent to reporting date

Subsequent to period end, Diatreme continued to acquire Metallica shares from Metallica shareholders accepting the takeover offer. The extended offer close date was 6 August 2024. As at 6 August 2024, the percentage of Metallica shares held by Diatreme was 92.65% and Diatreme had commenced compulsory acquisition of the remaining Metallica shares.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

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 5.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



Wayne Swan
Non-Executive Chairman
Brisbane, 26 August 2024

The Directors
Diatreme Resources Limited
Unit 8
61 Holdsworth Street
Coorparoo QLD 4151

Auditor's Independence Declaration

As lead auditor for the review of Diatreme Resources Limited for the half-year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

William Buck

William Buck (Qld)
ABN 21 559 713 106

M. Monaghan

Matthew Monaghan
Partner

Brisbane, 26 August 2024

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 30 June 2024

	Note	30 June 2024 \$	30 June 2023 \$
Revenue		213,170	207,273
Gain on acquisition of subsidiary	5	1,481,030	-
Share of profit in joint venture	7	299,921	116,346
Other income		125,637	-
Total revenue and income		2,119,758	323,619
Employee benefits expenses		(416,296)	(430,511)
Depreciation expense		(136,820)	(89,675)
Exploration expenditure written off		-	(20,779)
Share based payment expense	11	(168,209)	(277,752)
Acquisition costs	5	(1,441,051)	-
Other expenses		(831,157)	(584,794)
Finance costs		(63,926)	(57,936)
Total expenses		(3,057,459)	(1,461,447)
Loss before income tax		(937,701)	(1,137,828)
Income tax expense		-	-
Net loss for the half-year attributable to owners		(937,701)	(1,137,828)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to owners		(937,701)	(1,137,828)
Net loss for the half-year is attributable to:			
Owners of Diatreme		(849,152)	(1,137,828)
Non-controlling interests		(88,549)	-
		(937,701)	(1,137,828)
Loss per share		Cents	Cents
Basic earnings per share		(0.02)	(0.03)
Diluted earnings per share		(0.02)	(0.03)

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
At 30 June 2024

		30 Jun	31 Dec
	Note	2024	2023
		\$	\$
Current assets			
Cash and cash equivalents		9,997,552	10,772,458
Trade and other receivables		349,436	313,731
Total current assets		10,346,988	11,086,189
Non-current assets			
Investment in joint venture	7	39,248,058	38,948,137
Property, plant and equipment		844,808	693,962
Right-of-use assets		263,183	215,699
Exploration and evaluation assets	8	36,194,124	15,540,443
Other assets		117,463	47,465
Total non-current assets		76,667,636	55,445,706
Total assets		87,014,624	66,531,895
Current liabilities			
Trade and other payables		1,049,157	1,044,277
Borrowings	9	1,022,501	1,525,313
Lease liabilities		196,430	95,957
Provisions		286,001	102,644
Total current liabilities		2,554,089	2,768,191
Non-current liabilities			
Lease liabilities		88,800	125,359
Provisions		13,305	67,567
Total non-current liabilities		102,105	192,926
Total liabilities		2,656,194	2,961,117
Net assets		84,358,430	63,570,778
Equity			
Issued capital	10	107,795,097	93,637,615
Reserves	11	1,185,560	1,017,351
Accumulated losses		(31,933,340)	(31,084,188)
Parent entity interest		77,047,317	63,570,778
Non-controlling interest	6	7,311,113	-
Total equity		84,358,430	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 half year ended 30 June 2024

	Issued capital	Share based payments reserve	Accumulated losses	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$
At 1 January 2023	93,637,615	559,089	(41,450,397)	-	52,746,307
Total comprehensive income:					
Profit/(loss) for the half-year	-	-	(1,137,828)	-	(1,137,828)
Transactions with owners in their capacity as owners:					
Options and performance rights issued	-	277,752	-	-	277,752
At 30 June 2023	93,637,615	836,841	(42,588,225)		51,886,231

	Issued capital	Share based payments reserve	Accumulated losses	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$
At 1 January 2024	93,637,615	1,017,351	(31,084,188)	-	63,570,778
Total comprehensive income:					
Loss for the half-year	-	-	(849,152)	(88,549)	(937,701)
Transactions with owners in their capacity as owners:					
Options and performance rights issued (Note 11)	-	168,209	-	-	168,209
Shares issuable on acquisition of subsidiary	11,729,059	-	-	-	11,729,059
Initial recognition of non- controlling interests in subs	-	-	-	9,828,085	9,828,085
Shares issuable on acquisition of non-controlling interests	2,428,423	-	-	(2,428,423)	-
At 30 June 2024	107,795,097	1,185,560	(31,933,340)	7,311,113	84,358,430

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

Consolidated Statement of Cash Flows
For the half year ended 30 June 2024

	30 June 2024 \$	30 June 2023 \$
Cash flows from operating activities		
Receipts in the course of operations	-	7,890
Payments to suppliers and employees	(3,022,168)	(838,583)
Interest received	228,695	184,733
Finance costs	(66,738)	(39,186)
Other income	125,637	-
Net cash outflow from operating activities	(2,734,574)	(685,146)
Cash flows from investing activities		
Cash from acquisition of subsidiary (Metallica)	2,756,360	-
Proceeds from sale of plant & equipment	8,182	-
Payments for plant & equipment	(168,361)	(68,702)
Payments for exploration and evaluation assets	(90,430)	(20,569)
Payments for security deposit	-	(9,100)
Net cash inflow (outflow) from investing activities	2,505,751	(98,371)
Cash flows from financing activities		
Repayment of borrowings	(500,000)	-
Repayments of lease liabilities	(46,083)	(31,820)
Net cash outflow from financing activities	(546,083)	(31,820)
Net decrease in cash and cash equivalents	(774,906)	(815,337)
Cash and cash equivalents at the beginning of the half-year	10,772,458	13,640,939
Cash and cash equivalents at the end of the half-year	9,997,552	12,825,602

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

1. REPORTING ENTITY

These condensed consolidated interim financial statements ('interim financial statements') for the half year to 30 June 2024 comprise Diatreme Resources Limited ('Diatreme' or 'the Company') and the entities it controlled during or at the end of the half year ended 30 June 2024 ('the Group').

2. BASIS OF PREPARATION

Statement of Compliance

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

They do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated in the financial statements, the principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. These interim financial statements were authorised for issue by the Company's Board of Directors on 29 August 2023.

Judgements and Estimates

The accounting policies include the capitalisation of exploration and evaluation expenditure which as at 30 June 2024 amounts to \$36,194,124 (31 December 2023: \$15,540,443). This represents a significant asset of the Group.

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.

These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the relevant areas of interest. Where activities in these areas have not reached a stage which permits reasonable assessment of the existence of economically recoverable reserves, these costs are carried forward if the tenements are active and significant operations in relation to these areas of interest are continuing.

The provisional fair values of the exploration and evaluation assets acquired as part of the takeover of Metallica Minerals Ltd comprise of book value of \$12,579,199 plus an uplift of \$8,015,646. The determination of the fair value of these exploration and evaluation assets requires significant judgments and estimates because of the inherent uncertainties and complexities involved in the valuation process.

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 half year ended 30 June 2024 of \$937,701 and a net cash outflow from operations of \$2,734,574. At 30 June 2024, the Group had \$9,997,552 (including MLM's cash of \$2,315,553) in cash and cash equivalents (31 December 2023: \$10,772,458). In addition, the joint venture had \$21,686,263 in cash at 30 June 2024.

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

Notes to the Financial Statements

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

Accounting Standards and Interpretations adopted

The Group 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. They do not have a material impact on the Group's financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

4. SEGMENT INFORMATION

The Group currently operates in one business segment and one geographical segment, namely exploration 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.

Notes to the Financial Statements

5. 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. The consideration payable at that date, to be settled in DRX shares to be issued subsequent to reporting date, amounted to \$11,729,059 representing the value of Diatreme shares on that date that became issuable to MLM shareholders that had accepted the takeover offer. The fair value of the DRX ordinary shares issuable was based on the listed share price of the Company at the date of acquisition being \$0.016.

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.

The acquired business contributed revenues of \$697 and a loss after tax of \$165,142 to the consolidated entity for the period from 17 June 2024 to 30 June 2024. If the acquisition had occurred on 1 July 2023, the full year contributions of MLM to the group result would have been revenues of \$139,810 and a loss after tax of \$2,572,121. The values of assets and liabilities identified in relation to the acquisition of MLM are provisional as at 30 June 2024.

Details of the acquisition are as follows:	Provisional fair values at 17 June 2024 \$
Cash and cash equivalents	2,756,360
Property, plant and equipment	78,960
Right-of-use assets	321,937
Exploration and evaluation assets (comprising book value of \$12,579,199 plus uplift of \$8,015,646)	20,594,845
Other assets	96,815
Trade and other payables	(356,357)
Lease liabilities	(356,404)
Provisions	(97,974)
Total identifiable net assets acquired	23,038,182
Acquisition-date fair value of the total consideration transferred	11,729,059
Representing:	
Fair value of DRX shares issuable to MLM shareholders	11,729,059
Acquisition costs expensed to profit or loss	1,441,051
Cash acquired on business combination	2,756,360
Less: cash and cash equivalents used to acquire business	-
Net cash acquired	2,756,360

Fair values measured on a provisional basis

Given the close proximity of the acquisition date to the reporting date, the fair value of assets acquired and liabilities and contingent liabilities assumed have been measured on a provisional basis at reporting date.

A full purchase price allocation exercise will be undertaken after reporting date which may impact the allocation of values assigned to the composition of net assets acquired (including the potential for the identification of additional assets and liabilities not identified at acquisition date), depreciation and amortisation reported, and the discount recognised on acquisition of MLM recognised in the statement of profit or loss at 30 June 2024. Any adjustments identified will be retrospectively applied to the amounts recognised at acquisition date providing that they represent facts and circumstances that existed at the date of acquisition. The measurement of the consideration paid, based on the observable share price of DRS on acquisition date, should not be impacted.

	17 June 2024
Discount on acquisition (provisional)	\$
The excess of DRX's interest in the provisional fair value of net assets acquired over the value of consideration payable amounted to:	1,481,030

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.

6. EQUITY: NON-CONTROLLING INTEREST

On 17 June 2024, Diatreme Resources Ltd had acquired 57.34% of the issued capital of Metallica Mineral Ltd ('MLM') pursuant to a takeover offer announced on 16 February 2024. Refer to note 5 for details relating to the acquisition of net assets of MLM. The group has initially recognised non-controlling interests in MLM at fair value.

Details of non-controlling interests ('NCI') recognised as at acquisition date were as follows:

	17 Jun 2024 \$
Total fair value of MLM shares on issue at acquisition date	23,038,182
Non-controlling interests at 42.66%	
Fair value of NCI at acquisition date of MLM (17 June 2024)	9,828,085
Consideration payable to MLM shareholders accepting the DRX takeover offer between 17 and 30 June 2024	(2,428,423)
Net loss for the period 17 June 2024 to reporting date attributable to MLM	(88,549)
Total NCI as at 30 June 2024 of 31.70%	7,311,113

Accounting policy - non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the parent company. The Group recognizes non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Group loses control over a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss.

Notes to the Financial Statements

7. INVESTMENT IN JOINT VENTURE

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 30 June 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	
		Jun 2024	Dec 2023			Jun 2024	Dec 2023
		%	%			\$	\$
Cape Silica Holdings Pty Ltd	Australia	73.2	73.2	Joint Venture(1)	Equity Method	39,248,058	38,948,137

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

	30 Jun 2024 \$	31 Dec 2023 \$
Reconciliation of carrying amount in joint venture		
Opening balance	38,948,137	25,117,484
Gain on dilution of investment	-	13,818,643
Share of profit in joint venture	299,921	12,010
	<u>39,248,058</u>	<u>38,948,137</u>

8. EXPLORATION AND EVALUATION ASSETS

	30 Jun 2024 \$	31 Dec 2023 \$
Exploration and evaluation assets – at cost	<u>36,194,124</u>	<u>15,540,443</u>
Opening balance	15,540,443	15,363,583
Acquisition of subsidiary – Metallica Minerals Ltd	20,594,845	-
Costs capitalised	58,836	197,639
Costs written off during the period	-	(20,779)
	<u>36,194,124</u>	<u>15,540,443</u>

Notes to the Financial Statements

9. BORROWINGS

	30 Jun 2024 \$	31 Dec 2023 \$
Unsecured loan	1,022,501	1,525,313
Total borrowings	1,022,501	1,525,313

During the period the Company repaid \$0.5 million of the \$1.5 million loan, with balance of \$1 million extended for further 12 months to 30 May 2025. The loan's interest rate of 7.5% per annum remains unchanged.

10. ISSUED CAPITAL

	30 Jun 2024 Number of shares	30 Jun 2024 \$	31 Dec 2023 Number of shares	31 Dec 2023 \$
Ordinary shares - fully paid	3,729,759,126	93,637,615	3,729,759,126	93,637,615
Value of shares issuable on acquisition of MLM	-	14,157,482	-	-
Total issued capital	3,729,759,126	107,795,097	3,729,759,126	93,637,615

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

	Number of MLM shares acquired	DRX shares issuable per MLM share	Total DRX shares issuable	Value per DRX share	Total value of DRX shares issuable
MLM shares acquired as at 17 June 2024	550,391,309	1.3319	733,066,184	\$0.016	\$11,729,059
Additional MLM shares acquired from 17 to 30 June 2024	105,232,804	1.3319	140,159,572	\$0.017	\$2,428,423
Total	655,624,113		873,225,756		\$14,157,482

There have not been any other movements in ordinary share capital during the reporting period.

Notes to the Financial Statements

11. SHARE-BASED PAYMENTS RESERVE

	30 Jun 2024	31 Dec 2023
	\$	\$
Opening balance	1,017,351	559,089
Options expense	168,209	458,262
	<u>1,185,560</u>	<u>1,017,351</u>

Nature and purpose of share-based payment reserve

The share-based payment reserve is used to recognise the fair value of options issued to the directors and other KMP. The Group provides benefits in the form of share-based payment transactions as follows:

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

Grant Date	Holder(s)	Type	Number of instruments at 1 Jan 2024	Granted in current period	Vested and shares issued	Lapsed in current period	Closing balance as at 30 June 2024	Weighted average exercise price
27 May 2021	Directors	Options	30,000,000	-	-	-	30,000,000	0.031
26 May 2022	Directors	Options	10,000,000	-	-	-	10,000,000	0.031
25 July 2022	CEO and CFO	Options	20,000,000	-	-	-	20,000,000	0.040
8 August 2023	Directors	Options	10,000,000	-	-	-	10,000,000	0.040

12. CONTINGENCIES

There are no contingent liabilities (31 December 2023: nil) as at the reporting date.

13. COMMITMENTS

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 are as follows:

	30 Jun 2024	31 Dec 2023
	\$	\$
Payable within 1 year	184,853	140,090
Payable between one and five years	1,102,819	1,092,254
	<u>1,287,672</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. At 30 June 2024 cash security bonds totalling \$25,000 were held by the relevant governing authorities to ensure compliance with granted tenement conditions (31 Dec 2023: \$25,000).

14. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to period end, Diatreme continued to acquire Metallica shares from Metallica shareholders accepting the takeover offer. The extended offer close date was 6 August 2024. As at 6 August 2024, the percentage of Metallica shares held by Diatreme was 92.65% and Diatreme had commenced compulsory acquisition of the remaining Metallica shares.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 6 to 18 are in accordance with the Corporations Act 2001 and:

- (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the half-year ended on that date.

In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



Wayne Swan
Non-executive Chairman
Brisbane, 26 August 2024

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

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Diatreme Resources Limited (the Company), and its subsidiaries (the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 30 June 2024,
- the consolidated of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including material accounting policy information, and
- the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review 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 and 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

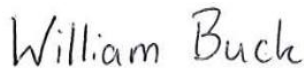
Responsibilities of the directors for the financial report

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

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



William Buck (Qld)
ABN 21 559 713 106



Matthew Monaghan
Partner

Brisbane, 26 August 2024