

ASX ANNOUNCEMENT

16 September 2022

Further export optionality identified for Galalar Project

- **Further development and permitting option identified to facilitate exports from Diatreme’s Galalar Silica Sand Project (GSSP), through use of onshore infrastructure corridor predominantly within existing EPM 17795 to Port of Cape Flattery**
- **Company working with port authority, Far North Queensland Ports Corporation (Ports North), on forward planning for silica exports**
- **Move has potential to enhance regulatory certainty and economic outcomes, boosting project synergies and reducing marine environmental impacts**
- **Preliminary engineering review underway prior to lodging Mining Lease (Infrastructure) application to facilitate GSSP’s northern product export corridor, together with further revised economics, project planning and implementation studies**

Emerging silica sands developer and explorer, Diatreme Resources Limited (ASX:DRX) has identified an additional potential transport pathway for exports from its Galalar Silica Sand Project (GSSP) predominantly through its existing EPM 17795 to the Port of Cape Flattery, potentially providing enhanced permitting and approvals certainty while reducing marine impacts and transport costs.

The move follows the Company’s signing of a Memorandum of Understanding (MOU) with government-owned corporation Far North Queensland Ports Corporation (Ports North), the relevant port authority for the Port of Cape Flattery, concerning planned silica exports from Diatreme’s Northern Silica Project (NSP) (refer ASX announcement 18 August 2022).

While working on the option of product delivery and export via Nob Point (MLA infrastructure application MLA 100285), this new potential option is being examined in more detail and key parameters for further studies and regulatory engagement are being established.



Diatreme is assessing the best outcomes for GSSP's development and is consulting with regulatory and permitting agencies, both State and Federal, about the new potential alternative export pathway.

The new export corridor is consistent with the Sustainable Ports Development Act and Reef 2050 Plan as it confines marine barging and loading operations to the existing port limits, which are already excluded from the Great Barrier Reef Marine Park.

Rationale

The establishment of an alternative export corridor for the Company's most advanced project, the GSSP has the potential to provide a number of benefits:

- Greater regulatory and permitting certainty (de-risking approvals process);
- Leverages and builds on the existing EIS permitting studies and extensive regional stakeholder engagement, whilst potentially allowing for a simpler permitting pathway via an EA process;
- Significant reduction in carbon emissions from the use of a low impact slurry pipeline compared to barging from Nob Point to the Port of Cape Flattery;
- Potential for enhancing fundamental economics by reducing costs of production and transport of product to market.
- Potential for examination of higher product processing targets (product delivery tonnage)
- Potential for cost saving initiatives from sharing of associated delivery infrastructure

Investigation of the pipeline corridor alignment, the use of open access infrastructure at Cape Flattery Port and undertaking barging and shipping activities within the port limits will form part of further studies, including revised economics, environmental, project planning and other matters of practical implementation.

The next steps to proceed could include lodgment of a new Mining Lease (Infrastructure) application to facilitate the planned alternative export corridor, adding to the recent lodgment of MLA's for the Northern Silica Development (refer ASX release 5 July 2022). The Company is progressing new drilling and exploration programs at both the GSSP and NSP with the aim of increasing its high-grade silica sand resource (refer ASX release 30 August 2022).

Diatreme's CEO, Neil McIntyre, said the potential alternative pathway was an important further option for the delivery of its high-grade silica product to export markets.



“Diatreme aims to become a world leader in the production and export of high quality, low iron silica from Far North Queensland, supplying the fast-growing solar PV and other markets and contributing to global decarbonisation,” Mr McIntyre said.

“Achieving our goal requires balancing economic and environmental outcomes, such as ensuring we are in the lowest quartile in costs to produce, whilst minimising impacts on the marine environment and delivering on our high ESG standards.

“Whilst remaining separate and distinct Projects at different stages of the development cycle, we have identified substantial synergies between the Galalar project and NSP that can potentially enhance economic, social and regulatory outcomes, also allowing for the use of shared infrastructure such as the Cape Flattery Port for the benefit for all stakeholders.”

Background

Diatreme is advancing the GSSP and NSP in parallel, allowing for the development of two high-grade silica sand mining operations. Diatreme’s ESG principles govern its delivery of low impact projects, aligned to Australia’s 2022 Critical Minerals Strategy, which recognises the importance of silica in the transition to lower global carbon emissions.

The NSP involves the establishment and operation of a high-grade silica sand mining operation, with the ability to export product via the Port of Cape Flattery.

Whilst the GSSP remains more advanced in terms of the permitting, approvals and financial studies process, Diatreme has identified considerable synergies with the NSP, including the shared use of product export methodologies and associated infrastructure, the use of shared plant and equipment and the use of hybrid power solutions such as solar, wind and hydrogen to minimise the Company’s carbon footprint.

The recent signing of a non-binding MOU with Ports North (whilst specific to the NSP) has allowed for effective planning, project design, establishment of key capital cost parameters and related matters, including further investigation of onshore and offshore infrastructure, land access, shipping activities and review of approvals documentation.

As these matters progress and Diatreme continues its internal economic and development assessments, broader development options are being explored to ensure Diatreme achieves its objective of becoming a tier one asset developer of scale with the lowest possible quartile production costs.



Next steps

Diatreme now plans the following activities to further progress the development of its silica sand projects:

- Review lodgment of revised MLA (Infrastructure) for the northern pipeline transport option;
- Finalise discussions with State and federal regulatory agencies to facilitate the GSSP delivery option decision making process;
- Revision of any required Galalar PFS studies and environmental studies;
- Further rapid advancement of the NSP, in parallel with Galalar's development.

The latest advances by Diatreme follow the announcement of a strategic partnership with global material solutions company, Sibelco (refer ASX release 27 June 2022). The two partners have agreed on a joint venture to develop the Galalar Silica Project and Northern Silica Project, supported by a significant initial investment from Sibelco of \$35 million, subject to regulatory approvals and finalisation of remnant supporting agreements.

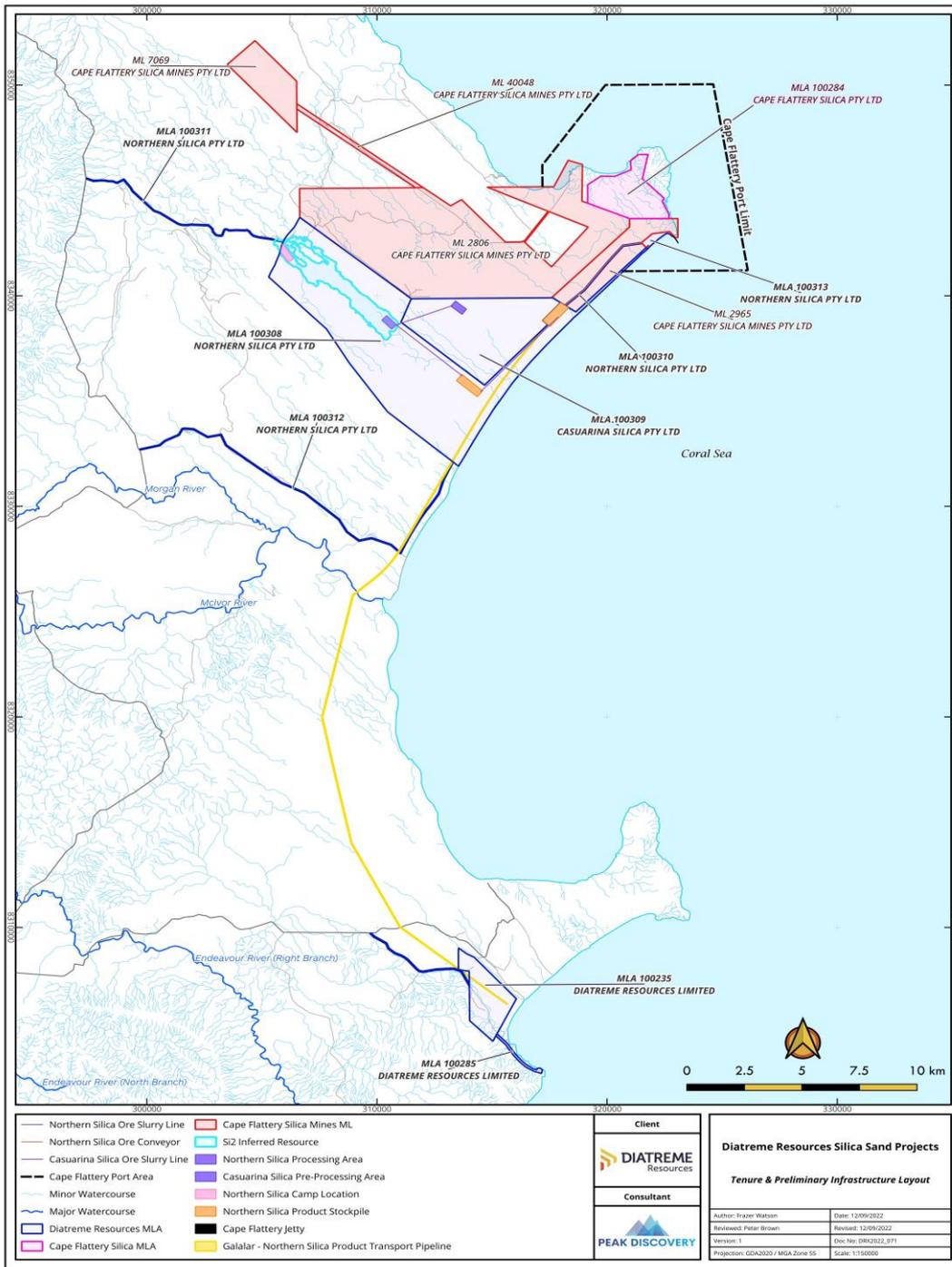


Figure 1: Cape Bedford project locations showing MLA's & conceptual infrastructure corridor

Note: The infrastructure corridor is conceptual and subject to further engineering and design inputs, including final route determination.



This announcement was authorised for release by:

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About Diatreme Resources

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

In Western Australia's Eucla Basin, Diatreme's 'shovel-ready' Cyclone Zircon Project is considered one of a handful of major zircon-rich discoveries of the past decade.

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

Diatreme's silica sand resources will contribute to global decarbonisation by providing the necessary high-grade silica for use in the solar PV industry. The Company has a strong focus on ESG, working closely with Traditional Owners and all other key stakeholders to ensure the long-term sustainability of our operations, including health, safety and environmental stewardship.

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



References to previous ASX releases

This announcement contains references to the following ASX releases:

- New drilling and exploration underway on silica projects – 30 August 2022
- MOU signed with Ports North on Northern Silica Project – 18 August 2022
- Quarterly Activities Report – 29 July 2022
- Mining Lease Application lodged for Northern Silica Project – 5 July 2022
- Transformational strategic partnership and placement – 27 June 2022
- Resource grows to 200Mt across high-grade silica projects – 17 March 2022
- Diatreme expands Northern Resource Project exploration – 23 February 2022
- Diatreme discovers 2nd major high-grade silica deposit – 10 January 2022

Forward-looking statements

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