

30 July 2020

CHAIRMAN'S ADDRESS
Presented to Annual General Meeting of Shareholders
Thursday 30 July 2020

Good afternoon and welcome to this year's Annual General Meeting.

Firstly, I would like to thank all our shareholders for supporting the Company in what has been an unprecedented operating conditions.

The COVID-19 pandemic has inflicted a tragic toll on human life, as well as damaging our economy and financial markets. This global health crisis along with other macro issues, have made it an extremely tough environment for small-cap miners.

Fortunately, thanks to shareholder support, your Company has weathered the storm.

We are now moving ever faster towards becoming a producer of valuable silica and mineral sands.

It is with this background I am extremely pleased to outline some of the key highlights over the past year for our key projects, Galalar and Cyclone.

Galalar: A project for the community

Galalar in North Queensland has become a highly promising project, offering a rapid pathway to cash-flow generation for the Company along with enormous community benefits.

Project highlights for the past financial year have been many, including confirming its ability to produce a premium-grade product; expanding the resource; signing offtake MOU's and lodging a Mining Lease Application.

Significantly, a Scoping Study released in September 2019 showed Galalar's strong financial fundamentals, with an estimated pre-tax NPV of \$231 million, a standout internal rate of return of 150% and capital payback within eight months.

This year has also seen further advances, despite the impact of COVID-19.

In February, Diatreme lodged an application to undertake a voluntary Environmental Impact Statement (EIS) for Galalar, a move that is expected to expedite the approval process.

Having received application approval, we have now released the Initial Advice Statement and draft terms of reference for the EIS. These documents are on our website and are available for public comment.



Galalar received a further boost in February, when we announced a 26% increase in the size of the project's total resource. Highlighting the potential for further expansion, in May we announced another 25% increase to a total of 47.5 million tonnes of high-quality silica.

Importantly, Galalar is capable of making a significant contribution to the wellbeing of the local community in Hopevale and Cooktown.

An independent economic study has estimated the project could inject up to \$24 million during the construction phase and up to \$42 million in operation. It could create some 110 full-time equivalent jobs and generate nearly \$1.5 million a year in state royalties.

Working in partnership with Hopevale Congress, which represents the traditional owners, we are determined to maximise the local economic benefits. Galalar could make a big difference to the region, an area of high unemployment, while supporting the post-pandemic recovery.

Hopevale Congress have played a major role in supporting the regulatory approval process and I would like to thank them for their efforts. This is particularly vital as we seek Queensland Government approval of our preferred export option via Nob Point, which would minimise community impacts while also reducing transport costs.

Cyclone: Set for development

Cyclone has long been Diatreme's key project and I am determined to unlock its value for shareholders.

Last year saw some more important steps for the Western Australian project, including an MOU with Hunan Rare Earth Industry Group (HRE) for potential life of mine offtake of heavy mineral concentrate; and an EOI from MCC International, part of the major China Minmetals Group, for the provision of engineering, procurement and construction services.

Cyclone's value was further enhanced with HRE's discovery of the strategic rare metal hafnium within the zircon component of Cyclone's Heavy Metal Concentrate. Hafnium has become a scarce commodity, with prices exceeding US\$1,500 per kilogram, and its addition has made the project even more attractive.

Having advanced Cyclone to 'shovel-ready' status, our focus is on finding the right partner for its development.

Highlighting the interest in high-grade zircon, a number of parties have entered the data room set up by our advisers to examine the project further.

While COVID-19 has had an impact, we are confident of finalising this process.

Investor support

Investor support is crucial, particularly in current volatile financial markets.



Notably, last November we welcomed onto our share registry as a cornerstone investor Ilwella Pty Ltd. Representing the interests of Brian Flannery's family office, Ilwella participated in a \$3.6 million placement undertaken to new and existing sophisticated investors.

Board strengthened

As Chairman I am always on the lookout for talent that can strengthen our Company and Board, complementing existing skill sets.

In this regard, I was delighted to welcome our new Non-Executive Director, Mike Chapman, who will take up his post from the start of August.

Mike is a highly experienced mining engineer with expertise in a range of commodities, including coal, copper, iron ore and nickel. His practical mining and mine management knowledge will be invaluable as we advance our projects towards production.

'Time to shine'

Diatreme's prospects remain extremely bright, despite the current coronavirus gloom over the global economy.

Galalar has a number of milestones ahead as we advance towards production. Assuming a successful EIS process, we are targeting Mining Lease approval next year, with design and construction work leading to first production, potentially as early as the first quarter of 2022.

With the solar PV industry seeing rapid growth from the expanding renewables sector, Galalar has exactly the right product at the right time.

Meanwhile, with the gradual resumption of economic activity in China and elsewhere in Asia, zircon demand is set to rise from increased construction. Cyclone will be a beneficiary of this development.

Once again, I would like to thank shareholders, employees, contractors, suppliers, partners and all others associated with our Company for your support.

Our CEO's recent presentation to the Noosa Mining (virtual conference) was entitled "Time to shine." For Diatreme, there is truly no better time to shine.

Yours sincerely



Gregory B. Starr
Non-Executive Chairman