

Diatreme Resources Limited

ACN 061 267 061

Notice of Annual General Meeting

The Annual 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 26 May 2022.

This notice of annual 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 Annual General Meeting

Notice is hereby given that the Annual 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 26 May 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 24 May 2022.

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

Agenda

ANNUAL REPORT

To receive and consider the financial statements of the Company and the reports of the Directors (**Directors' Report**) and Auditors for the financial year ended 31 December 2021 (**Annual Report**).

RESOLUTION 1 - REMUNERATION REPORT (NON-BINDING)

To consider, and if thought fit, to pass the following as a **non-binding resolution**:

“That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as set out in the Directors' Report for the financial year ended on 31 December 2021.”

A voting exclusion statement is set out below.

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 - ELECTION OF DIRECTOR - MR WAYNE SWAN

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

“That Mr Wayne Swan, who retires following his casual appointment as a Director in accordance with ASX Listing Rule 14.4 and rule 12.8 of the Company’s Constitution, and offers himself for election, be elected as a Director.”

RESOLUTION 3 - RATIFICATION OF PRIOR ISSUE OF SHARES UNDER THE PLACEMENT

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 438,260,914 Shares at an issue price of \$0.023 per Share to institutional and sophisticated investors to raise approximately \$10 million undertaken by the Company on 14 September 2021, and otherwise on the terms set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

RESOLUTION 4 - APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass the following as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”

RESOLUTION 5 - ISSUE OF OPTIONS TO A RELATED PARTY - MR WAYNE SWAN

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

“That for the purposes of Listing Rule 10.11, section 208 of the Corporations Act 2001 (Cth) and for all other purposes, Shareholders approve the issue of 10,000,000 Director Options to Mr Wayne Swan or his nominee on the terms set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

VOTING PROHIBITION AND EXCLUSION STATEMENTS

Corporations Act

The Corporations Act prohibits votes being cast (in any capacity) on the following resolutions by any of the following persons:

Resolution	Persons Excluded from Voting
Resolution 1 - Remuneration Report (Non-Binding)	A vote on this Resolution must not be cast (in any capacity) by or on behalf of the following persons:
Resolution 5 - Issue of Options to a related party - Mr Wayne Swan	<p>(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or</p> <p>(b) a Closely Related Party of such a member.</p> <p>However, a person described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:</p> <p>(c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or</p> <p>(d) the voter is the Chair of the Meeting and the appointment of the chair as proxy:</p> <p>(i) does not specify the way the proxy is to vote on this Resolution; and</p> <p>(ii) expressly authorises the Chair to exercise the proxy even if this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.</p>

Resolution	Persons Excluded from Voting
Resolution 5 - Issue of Options to a related party - Mr Wayne Swan	<p>A vote on this Resolution must not be cast (in any capacity) by or on behalf of:</p> <ul style="list-style-type: none"> (a) a related party of the Company to whom the Resolution would permit a financial benefit to be given; or (b) an associate of such a related party. <p>However, a person described above may cast a vote on this Resolution if:</p> <ul style="list-style-type: none"> (c) it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and (d) it is not cast on behalf of a related party or associate of a kind referred to above.

ASX Listing Rules

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 3 - Ratification of prior issue of Shares under the Placement	Persons who participated in the issue or is a counterparty to the agreement being approved, or any associate of those persons.
Resolution 5 - Issue of Options to a related party - Mr Wayne Swan	A 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 such person.

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
27 April 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 26 May 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:

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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 24 May 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 the Resolutions at this Meeting, other than Resolution 4, are ordinary resolutions. Resolution 4 is a special resolution.

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 24 May 2022.

1.5 Poll

All Resolutions will be determined by poll.

2 ANNUAL REPORT

There is no requirement for Shareholders to approve the Annual Report.

Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report for the financial year ended on 31 December 2021 which is available on the ASX platform at www.asx.com.au; and
- (b) ask questions about or make comment on the management of the Company.

The chair of the Meeting will allow reasonable opportunity for the Shareholders as a whole at the Meeting to ask the auditor or the auditor's representative questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Company's auditor about:

- (a) the content of the auditor's report to be considered at the Meeting; and
- (b) the conduct of the audit of the annual financial report to be considered at the Meeting,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

3 RESOLUTION 1 - REMUNERATION REPORT

3.1 Introduction

The Remuneration Report is in the Directors' Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended on 31 December 2021.

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only, however, and does not bind the Board or the Company. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

The Chair will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

3.2 Voting consequences

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution that a further meeting is held at which all of the Company's Directors who were directors when the resolution to make the directors report considered at the later annual general meeting was passed (other than the Managing Director) must go up for re-election (**Spill Resolution**).

If more than 50% of votes cast are in favour of the Spill Resolution, the Company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were directors of the Company when the resolution to make the directors' report considered at the second annual general meeting was passed, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Shareholders approved the Company's Remuneration Report for financial year ended on 31 December 2021, and as a result there is no requirement to vote on a Spill Resolution if 25% or more of the votes cast vote against Resolution 1.

4 RESOLUTION 2 - ELECTION OF MR WAYNE SWAN

4.1 Introduction

Rule 12.8 of the Company's Constitution and ASX Listing Rule 14.4 each provide that a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company.

4.2 Mr Wayne Swan

Mr Wayne Swan was appointed as a non-executive director of the Company effective 2 November 2021 in accordance with rule 12.7 of the Company's Constitution, being to fill a casual vacancy on the Board or as an addition to the existing Directors. On his appointment, Mr Swan was elected by the Directors as Chairman.

Details of Mr Swan's qualifications and experience are set out in the Company's 2021 Annual Report (pages 9-10)). The Board considers that Mr Swan qualifies as an independent director.

4.3 Directors' recommendation

The Board (excluding Mr Swan) recommend that Shareholders vote in favour of Resolution 2.

5 RESOLUTION 3 - RATIFICATION OF PRIOR ISSUE OF SHARES

5.1 Introduction

On 6 September 2021 the Company announced that it had completed a bookbuild to raise approximately \$10 million to new strategic, sophisticated and institutional investors and existing shareholders at an issue price of \$0.023 per Share (**Placement**). The Placement was lead managed by Euroz Hartleys Limited.

The Shares were agreed to be issued under the Placement without Shareholder approval using the Company's capacity under Listing Rule 7.1 and 7.1A, and the Shares were issued on 14 September 2021.

Funds raised have been applied towards progressing the Company's Galalar Silica Project in North Queensland, costs of the capital raising and working capital.

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

Shares on issue prior to the Placement		2,575,456,646	84.8%
Placement	7.1 capacity	386,318,497	12.7%
	7.1A capacity	51,942,417	1.7%
Shares allotted between completion of the Placement and the date of this Notice (on exercise of unquoted options and performance rights)		24,465,066	0.8%
Total Shares on issue as at the date of this Notice		3,038,182,626	100.0%

5.2 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.

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period for which the approval is valid a number of quoted equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1A.

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 or 7.1A, and so does not reduce the company's capacity to issue further equity securities without shareholder approval under those rules.

Where an eligible entity obtains shareholder approval to increase its placement capacity under ASX Listing Rule 7.1A, then any ordinary securities issued under that additional placement capacity:

- (a) will not be counted in variable "A" in the formula in ASX Listing Rule 7.1A; and
- (b) are counted in variable "E",

until their issues have been ratified under ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1A) or 12 months has passed since their issues.

Resolution 3 seeks Shareholder approval under Listing Rule 7.4 to ratify the issue of 438,260,914 Shares under the Placement.

If Resolution 3 is passed, the issue will be excluded in calculating the Company's 15% and 10% limit under Listing Rules 7.1 and 7.1A respectively, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 months following the issues. If Resolution 3 is not passed, the issues will be included in calculating the Company's 15% and 10% limits under Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities it can issue without Shareholder approval under Listing Rule 7.1 and 7.1A over the 12 months following the issues.

5.3 Resolution 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 securities were issued to institutional and sophisticated investors lead-managed by Euroz Hartleys Limited, who are not related parties to the Company or otherwise persons to whom Listing Rule 10.11 applies, a member of the Company's Key Management Personnel, a substantial Shareholder of the Company, an advisor to the Company or an associate of such persons.
- (b) The number of securities issued by the Company was 438,260,914 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 14 September 2021.
- (e) The Shares were issued at an issue price of \$0.023 per Share.
- (f) The Shares were issued to raise approximately \$10 million. The intended use of funds is set out in section 5.1.
- (g) Other than as set out in this section 5, there are no other material terms in relation to the issue.
- (h) A voting exclusion statement is included in the Notice.

6 RESOLUTION 4 - APPROVAL OF 10% PLACEMENT FACILITY

6.1 Introduction

The Company seeks Shareholder approval to issue Equity Securities up to 10% of its issued share capital through placements over a Relevant Period following shareholder approval (**10% Placement Facility**).

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 6.2(a) below).

Any funds raised will be used for further advancing of the Galalar Silica Project and general working capital.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

6.2 Listing Rule 7.1A

Listing Rule 7.1A enables eligible entities to issue quoted Equity Securities up to 10% of its issued share capital through placements over a Relevant Period following shareholder approval by way of a special resolution. The 10% Placement Facility is subject to conditions and is addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalization of \$300 million or less. The Company is an eligible entity.

(a) Maximum number of Equity Securities which may be issued

The number of Equity Securities which may be issued, or agreed to be issued, under the 10% Placement Facility is prescribed in Listing Rule 7.1A.2 and is calculated as follows:

$$\text{Number of Equity Securities} = (A \times D) - E$$

"A" the number of fully paid ordinary shares on issue at the commencement of the Relevant Period:

- (A) plus the number of fully paid shares issued in the Relevant Period under an exception in Listing Rule 7.2 other than exception 9, 16 or 17;
- (B) plus the number of fully paid ordinary shares issued in the Relevant Period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the Relevant Period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;

- (C) plus the number of fully paid ordinary shares issued in the Relevant Period under an agreement to issue securities within Listing Rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the Relevant Period; or
 - the agreement or issue was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- (D) plus the number of any other fully paid ordinary shares issued in the Relevant Period with approval under Listing Rule 7.1 or Listing Rule 7.4;
- (E) plus the number of partly paid shares that became fully paid in the Relevant Period;
- (F) less the number of fully paid ordinary shares cancelled in the Relevant Period.

“D” is 10%.

“E” is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the Relevant Period where the issue or agreement has not been subsequently approved by Shareholders under Listing Rule 7.4.

The actual number of Equity Securities that may be issued under Listing Rule 7.1A is calculated at the date of issue of the Equity Securities in accordance with the above formula.

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity’s 15% placement capacity under Listing Rule 7.1.

As the date of this Notice (and prior to Shareholders considering Resolutions 3 and 5), the Company has:

- (i) the following securities on issue:
 - (A) 3,038,182,626 fully paid ordinary shares;
 - (B) 13,333,336 unlisted options exercisable at 2.5 cents each, expiring 27 May 2026;
 - (C) 13,333,332 unlisted options exercisable at 3 cents each, expiring 27 May 2026;
 - (D) 13,333,332 unlisted options exercisable at 3.5 cents each, expiring 27 May 2026; and
 - (E) 477,500 unlisted performance rights.
- (ii) the capacity to issue up to 3,669,759 Equity Securities under Listing Rule 7.1, having issued 386,318,497 Shares under the Placement; and

- (iii) the capacity to issue up to 208,049,754 Equity Securities under Listing Rule 7.1A, having issued 51,942,417 Shares under the Placement.
- (b) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be for a cash consideration per security which is not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

6.3 Specific information required by Listing Rule 7.3A

For the purposes of Listing Rule 7.3A, the following information is provided about the proposed issue:

- (a) The approval will be valid for the period commencing on the date of the Meeting and expires on the first to occur of the following:
 - (i) the date that is 12 months after the date of the Meeting;
 - (ii) the time and date of the Company's next annual general meeting; and
 - (iii) the time and date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 or Listing Rule 11.2.
- (b) The Equity Securities will be issued for a cash consideration per security which is not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
 - (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (c) The issue under Listing Rule 7.1A can only be made for cash consideration. The Company intends to use any funds raised towards progressing its Galalar Silica Project in North Queensland, the costs of any raising, and/or general working capital.
- (d) There is a risk of economic and voting dilution to existing Shareholders in approving the 10% Placement Facility, including the risks that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than when Shareholders approve the 10% Placement Facility; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date.

Following is a table that sets out the potential dilution of existing Shareholders if Equity Securities are issued under the 10% Placement Facility:

Variable "A" in Listing Rule 7.1A.2		10% Voting Dilution		
		\$0.01 50% decrease in Issue Price	\$0.02 Issue Price	\$0.03 100% increase in Issue Price
Current Variable A (3,038,182,626 Shares)	Shares issued	303,818,262	303,818,262	303,818,262
	Funds Raised	\$3,038,183	\$6,076,365	\$9,114,548
50% increase in current Variable A (4,557,273,939 Shares)	Shares issued	455,727,393	455,727,393	455,727,393
	Funds Raised	\$4,557,274	\$9,114,548	\$13,671,822
100% increase in current Variable A (6,076,365,252 Shares)	Shares issued	607,636,525	607,636,525	607,636,525
	Funds Raised	\$6,076,365	\$12,152,731	\$18,229,096

The table has been prepared on the following assumptions:

- (iii) Resolution 3 is approved by Shareholders;
- (iv) The Company issues, or agrees to issue, the maximum number of Equity Securities available under the 10% Placement Facility.
- (v) No Options have been exercised before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes quoted options, it is assumed that those quoted options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (v) The issue price is \$0.023 being the closing price of the Shares on ASX on 7 April 2022.

The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.

The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 upon issue of any Equity Securities.

- (e) The Company is yet to identify the persons to whom Equity Securities will be issued to under the 10% Placement Facility. The Company's policy for allocating Equity Securities issued under the 10% Placement Facility will be determined on a case-by-case basis depending upon the purpose, and prevailing market conditions at the time, of any issue and having regard to factors including but not limited to the following:
- (i) The fundraising methods available to the Company, including but not limited to, rights issue or other issue which may minimise dilution to Shareholders.
 - (ii) The effect of the issue of the Equity Securities on the control of the Company.
 - (iii) The financial situation and solvency of the Company.
 - (iv) Advice from corporate, financial and broking advisers (if applicable).

The subscribers may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

- (f) Details of the issue of Equity Securities under Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting is set out in SCHEDULE 2. There is no circumstance that the Company has agreed before the 12 month period to issue Equity securities under Listing Rule 7.1A.2 but as at the date of the Meeting not yet issued those Equity Securities.
- (g) At the date of the Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A.2, no voting exclusion statement is required for the Notice.

6.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 4. This will allow the Company to issue securities and raise funds under Listing Rule 7.1A.

7 RESOLUTION 5 - APPROVAL OF OPTIONS TO DIRECTOR - MR WAYNE SWAN

7.1 Introduction

The Company proposes to issue 10,000,000 Director Options to Mr Wayne Swan. The Director Options will be issued for nil cash consideration and as part remuneration for services as Director and Chairman provided by Mr Swan to the Company, and will vest as follows:

- (a) Tranche 1: 3,333,334 Director Options vest in 12 months from issue at an exercise price of \$0.025 per Director Option;
- (b) Tranche 2: 3,333,333 Director Options vest in 24 months from issue at an exercise price of \$0.030 per Director Option;
- (c) Tranche 3: 3,333,333 Director Options vest in 36 months from issue at an exercise price of \$0.035 per Director Option;

Funds raised upon exercise of Director Options will be used for general working capital.

The effect of the issue under Resolution 5, assuming the Director Options are exercised and no other Shares are issued, is to dilute existing Shareholders by approximately 0.32%.

7.2 Regulatory requirements

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

Related party is widely defined under the Corporations Act, and includes directors of a company. Financial benefit is defined broadly and includes security issues. The Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate.

Resolution 5 seeks Shareholder approval under Chapter 2E of the Corporations Act for the issue of Director Options to Mr Swan.

The issue of Director Options to Mr Swan falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires Shareholder approval under Listing Rule 10.11. Resolution 5 seeks that approval. The effect of passing Resolution 5 will be to allow the Company to issue securities in accordance with the Resolution without those securities being included in the 15% limit under Listing Rules 7.1. If Resolution 5 is not passed, the Company will not proceed with the issue of Director Options the subject of this Resolution and will consider other ways to incentivise and reward Mr Swan.

7.3 Information required by Chapter 2E of the Corporations Act

For the purposes of section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to Shareholders to enable them to assess the merits of Resolution 5:

(a) ***Identity of the related party to whom Resolution 5 permit financial benefits to be given***

The related party to whom Resolution 5 would permit the benefit to be given is Mr Wayne Swan, who is a Director, or his nominees.

(b) ***Nature of the financial benefit***

The nature of the financial benefit is the issue of 10,000,000 Director Options to Mr Swan or his nominee. The Director Options are to be issued subject to the terms in SCHEDULE 3 and will vest with an exercise price as follows:

- (i) Tranche 1: 3,333,334 Director Options vest in 12 months from issue at an exercise price of \$0.025 per Director Option;
- (ii) Tranche 2: 3,333,333 Director Options vest in 24 months from issue at an exercise price of \$0.030 per Director Option; and
- (iii) Tranche 3: 3,333,333 Director Options vest in 36 months from issue at an exercise price of \$0.035 per Director Option.

The reason for the grant of the Director Options is to adequately compensate Mr Swan for his position as non-executive chairman of the Company. The Company engaged a third party consultant to undertake an assessment of the fees payable by peer companies and the broader market to chairmen and non-executive directors. Based on the findings of the consultant, it was derived that a non-executive chairman received total compensation of \$120,000, in the 75th quartile.

Based on Mr Swan's experience and standing within the community, the Board determined that it was appropriate for Mr Swan's remuneration package to reflect the upper end of this range.

Give the current stage of the Company's development, the Board determined that one-third of Mr. Swan's total annual remuneration package would comprise options in the Company, with the balance being cash. The Director Options are structured over three tranches, each of which vesting in successive 12 month periods so as to align with Mr. Swan's annual remuneration package.

(c) ***Valuation of financial benefit***

The Director Options have been valued in compliance with the Australian Accounting Standard Board accounting standard AASB 2 (Share-based payment). The Binomial valuation model was used in valuing the Director Options. The Black-Scholes-Merton valuation model was not used due to the

condition that exists where the Director Options can vest on or before the expiry date, thereby rendering it inapplicable.

The following principal assumptions were applied in valuing the Director Options:

- (i) **Exercise price:** Per each tranche of Director Options, as set out in section 7.3(b) above.
- (ii) **Share price as at the date of appointment and calculation:** \$0.019
- (iii) **Expected life:** 4.6 years.
- (iv) **Volatility:** 103.6%
- (v) **Risk-free rate:** 1.35%

Given the achievement of the vesting conditions for the Director Options is a binary outcome, the possibility that all vesting conditions would be met for the Director Options was set at 50%, with 100% of the total Director Options factored into the total value calculation.

The following was determined to be the fair value for each tranche of Director Options set out in section 7.3(b) above:

- (vi) Tranche 1: \$40,232 (approx. \$0.012097 per Director Option);
- (vii) Tranche 2: \$40,173 (approx. \$0.012052 per Director Option); and
- (viii) Tranche 3: \$40,127 (approx. \$0.012038 per Director Option).

The valuation of the Director Options was undertaken by FSA Partners and approved by the Board. The valuation was prepared as at 2 November 2021, being the date of appointment of Mr Swan as a Director. This valuation, together with the findings of the consultant referred to in paragraph 7.3(b) above, forms the basis of the remuneration package that was offered by the Company to Mr Swan.

(d) **Remuneration**

The total annual remuneration package for Mr Swan (excluding the Director Options) is set out below:

Related Party	Estimate	Actual
	Current Financial Year (31 December 2022)	Previous Financial year (31 December 2021)
	(\$)	(\$)
Wayne Swan	88,000	14,466*

* Mr Swan was appointed as a Director on 2 November 2021.

(e) ***Existing relevant interests***

At the date of this Notice, Mr Swan did not have an existing relevant interest in securities of the Company.

(f) ***Trading history***

The highest and lowest closing market sale prices of the Shares on ASX during the 12 months prior to the date of this Notice were:

(i) **Highest:** \$0.028 per Share on 20/8/2021.

(ii) **Lowest:** \$0.017 per Share on 14/12/2021.

The last available closing market sale price of Shares on ASX on 14/4/2022, being the last practical date prior to finalisation of this Notice, was \$0.024 per Share.

(g) ***Dilution***

The dilutive effect of the issue under Resolution 5 on the capital structure of the Company is, assuming the Director Options are exercised and no other Shares are issued is approximately 0.32%.

(h) ***Other Information***

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass Resolution 5.

7.4 Resolution 5 - Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided about the grant of the Director Options under Resolution 5:

- (a) The person participating in the issue is Mr Wayne Swan or his nominee.
- (b) Mr Swan is a Director, and therefore a related party of the Company and subject to Listing Rule 10.11.1.
- (c) The maximum number of securities to be issued is 10,000,000 Director Options, with the details set out in section 7.1 above.
- (d) The securities to be issued are Options on the specific terms of the director options in SCHEDULE 3 and vest with an exercise price as follows:
 - (i) Tranche 1: 3,333,334 Director Options vest in 12 months from issue at an exercise price of \$0.025 per Director Option;
 - (ii) Tranche 2: 3,333,333 Director Options vest in 24 months from issue at an exercise price of \$0.030 per Director Option; and
 - (iii) Tranche 3: 3,333,333 Director Options vest in 36 months from issue at an exercise price of \$3,333,333 per Director Option.

- (e) The securities will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (f) The Director Options are being issued to Mr Swan as remuneration and an incentive, and no funds will be raised from the issue. Funds raised from Director Options being exercised will be used for working capital.
- (g) Mr Swan's current total remuneration package is set out in section 7.3(d) above.
- (h) Other than set out in this section, there are no other material terms in relation to the issue.
- (i) A voting exclusion statement is included in the Notice.

7.5 Directors recommendation

The Board (excluding Mr Swan) recommend that Shareholders vote in favour of Resolution 5.

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.
Closely Related Party of a member of the Key Management Personnel	means a spouse or child of the member; or a child of the member's spouse; or a dependent of the member or the member's spouse; or anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or a company the member controls; or a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).
Company or DRX	means Diatreme 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.
Director Option	means an Option on the terms in SCHEDULE 3.
Equity Securities	has the same meaning given in the Listing Rules.
Explanatory Statement	means this Explanatory Statement.
Key Management Personnel	has the same meaning given in the Listing Rules.
Listing Rule	means the listing rules of the ASX.
Meeting	means the meeting convened by this Notice (as adjourned from time to time).
Notice	means this notice of meeting.
Placement	has the meaning given in section 5.

Placement Share	means a Share issued under the Placement.
Proxy Form	means the proxy form attached to this Notice.
Relevant Period	has the meaning given in Listing Rule 7.1, being <ul style="list-style-type: none"> (a) if the entity has been admitted to the official list for 12 months or more, the 12 month period immediately preceding the date of the issue or agreement; or (b) if the entity has been admitted to the official list for less than 12 months, the period from the date the entity was admitted to the official list to the date immediately preceding the date of the issue or agreement.
Remuneration Report	means the remuneration report of the Company included in the Directors' Report section of the Company's Annual Report.
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.
Spill Meeting	has the meaning given in section 3.2 of the Explanatory Statement.
Spill Resolution	has the meaning given in section 3.2 of the Explanatory Statement.
Trading Days	means a day determined by ASX to be a trading day in accordance with the Listing Rules.
VWAP	means volume weighted average price as defined in the Listing Rules.

SCHEDULE 2 INFORMATION REQUIRED BY LISTING RULE 7.3A.6

Issue 1 - Placement

Date of issue:	14 September 2021
Number issued:	438,260,914, representing approximately 17% of the total number of equity securities on issue at the commencement of the 12 month period before the Meeting, being 2,575,456,646 Shares (referring to appendix 2A on 18 February 2021). As disclosed in the Company's ASX announcement dated 14 September 2021, 51,942,417 of the Shares issued under the Placement were attributed to the Company's capacity under ASX Listing Rule 7.1A.
Class/Type of equity security:	Fully paid ordinary shares
Names of persons who received securities or basis on which those persons was determined:	Sophisticated and professional investors and existing shareholders, with Euroz Hartleys Limited as Lead Manager
Price:	\$0.023 per share (actual)
Discount to market price:	16% discount to the 15-day VWAP of the Company's share price of \$0.027 per share prior to 1 September 2021 (inclusive), being the last day trading day before the announcement of the Placement (the Company entered a trading halt from 2 September 2021 until announcement of the Placement on 6 September 2021).
Cash received	\$10,080,001 (before costs)
Use of proceed	As at the date of this Notice, the Company has spent the proceeds from the raising on its Galalar Silica Project (approx. \$4.4 million), the costs of the raising (approx. \$0.6 million) and on general working capital (approx. \$1 million). The Company intends to utilise the balance of the proceeds from the raising (approx. \$4.08 million) on its Galalar Silica Project. Refer to the Company's ASX announcement dated 6 September 2021 for further information on how the proceeds are being applied to advance the Galalar Silica Project.

SCHEDULE 3 DIRECTOR OPTION TERMS

(a) Incorporation of terms of Employee Incentive Scheme

The terms of each Option includes, in addition to these terms, the terms of the Company's Employee Incentive Scheme.

(b) Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(c) Expiry Date and lapsing

The Options shall lapse on the earliest of the relevant dates set out below (**Expiry Date**):

- (i) unless the Board determines otherwise, the date on which the Director ceases to be a director of the Company;
- (ii) the date that is five years after the date on which the Options are granted.

(d) Exercise Period

Subject to any requirements for vesting or lapsing of Options, the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company. The minimum number of Options that may be exercised at any one time is the lessor of:

- (i) \$500 divided by the Option Exercise Price; and
- (ii) the total number of Options held by the holder.

(f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Shares on exercise

Within 5 Business Days after the Exercise Date (or such other period as required by the Listing Rules from time to time), the Company will:

- (i) Allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

- (h) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

- (i) Quotation of Options

The Options will not be quoted on the ASX.

- (j) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

- (k) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

- (l) Change in exercise price

Subject to rule (i), an Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

- (m) If the Company enters into a scheme of arrangement, a takeover bid is made for the Company's shares, or a party acquires a sufficient interest in the Company to enable them to replace the Board (or the Board forms the view that one of those events is likely to occur) then the Board may declare an Option to be free of any conditions of exercise or vesting conditions. Options which are so declared may be exercised at any time on or before they lapse.

- (n) Transferability

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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, 24th May 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>.



