30 May 2019

CHAIRMAN’S ADDRESS
Presented to Annual General Meeting of Shareholders
Thursday 30 May 2019

Good afternoon.

Thank you again shareholders and guests for your attendance at today’s Annual General Meeting. The Board, management and I greatly appreciate your support.

Diatreme’s new tagline adopted this year is “Australian sands, universal demand.” With that theme in mind, I would like to comment on our key silica and mineral sands projects, together with other recent moves by your Company to increase value for shareholders as we tap this universal demand.

**Cyclone: Nearing Final Outcome**

Cyclone is rapidly drawing towards a significant outcome for shareholders. This is thanks to a number of key milestones achieved over the past year as we advance this zircon-rich project towards development.

In January 2018, Diatreme received significant investor and media attention, following our signing of agreements concerning Cyclone with China ENFI Engineering Corporation (ENFI).

These agreements comprised a cooperation agreement, in which ENFI, part of the leading China Minmetals Group, agreed to access its networks within China to assist in sourcing investors, offtakers and debt funding. A second, consulting services agreement concerned the remaining definitive feasibility study (DFS) aspects to be completed by ENFI.

The next milestone for Cyclone was November’s announcement of a positive DFS. The results showed an estimated net present value of $113 million, an internal rate of return of 27% and capital payback in fewer than three years. Capital costs were slashed to $135m, a significant reduction on the previous estimate of $161m.

Based on the study results, ENFI formally recommended that Cyclone’s development and construction be undertaken “as soon as possible.”
With such backing, Diatreme has subsequently sought to unlock value by engaging with potential
development partners. A structured process is currently underway with multiple parties engaged.

Given the strong interest in Cyclone, we anticipate concluding an agreement over the next few months
that will realise significant value for shareholders. The timing for Cyclone is excellent, given high mineral
sands prices and an emerging structural supply deficit.

**Galalar: Premium Silica in Demand**

While Cyclone nears its ultimate outcome, our Galalar Silica Project in North Queensland is becoming
more and more attractive.

Located around 200km north of Cairns and near the world’s largest operating silica mine, Galalar has
been proven capable of delivering a premium product to fast-growing Asian markets, such as for high-end
glass and solar panels.

The global silica sand market is seen reaching nearly US$10 billion in annual revenues by 2022, with a
compound annual average growth rate of 7.2%. Meanwhile, the solar PV glass market is forecast to reach
US$48.2 billion by 2025, up from just US$3.3 billion in 2016, amid rising demand from the Asia-Pacific
region.

The project was rapidly advanced during 2018, with a maiden Inferred Resource announced last August
for the Nob Point Prospect (subsequently renamed Galalar). This followed the signing of agreements with
Hopevale Congress, which will ensure that the traditional owners share in the project’s economic benefits,
becoming genuine partners.

The next test for Galalar was whether it could produce a world-class silica product at 99.9% SiO2,
capable of attracting premium prices. Fortunately, testwork results have confirmed this, with an excellent
recovery rate of 88%.

Mining is expected to be a relatively simple operation due to the small amount of overburden present,
which can be easily removed.

In 2019, Diatreme has significantly advanced Galalar by further expanding the resource. In March, the
Inferred Resource was upgraded by 22%, with an exploration target announced in the range of 210 million
tonnes to 2.1 billion tonnes.

In April, regional exploration results pointed to the potential for further resource extensions, at Elim Road
North and South.

More recently, on May 14, a maiden Indicated Resource estimate was announced for Galalar, comprising
21.5 million tonnes of high-purity silica (99%). The total estimated resource now comprises some 30.2
million tonnes, with a new satellite deposit identified, West Nob Point.
The next steps for Galalar include the release of an initial scoping study, which is anticipated by the end of the second quarter. This should also precipitate the finalisation of the shipping plan and conclusion of offtake arrangements for this highly desirable product.

**Tick Hill: Golden Upside**

Delivering value from non-core assets is crucial and Diatreme’s progress with the Tick Hill Gold Project has proven the case.

In April 2019, Diatreme concluded the sale of Tick Hill to ASX-listed Berkut Minerals (now Carnaby Resources), which has assembled a portfolio of attractive gold assets across western and eastern Australia.

Consideration for the sale comprised some 7.2 million shares in Berkut, with Diatreme holding a 7.5% stake in Berkut post-settlement. Berkut also refunded $336,844 of environmental bonds deposited by Diatreme with the Queensland government.

At settlement date, Diatreme had gained a nominal $375,000 on the value of the shares, and further gains are likely with Carnaby eyeing a number of gold and copper-gold targets.

**Board Strengthened**

Regeneration and revitalisation is key to the successful growth of any company. As part of this process, I was delighted to accept an invitation to become your non-executive Chairman as of May 2018.

Fortunately, former chairman, Mr William Wang has remained on the Board as a Non-Executive Director, and he continues to provide the benefit of his experience with Diatreme and his industry connections, particularly in China.

Last December also saw the resignation of long-serving Non-Executive Director, Mr Andrew Tsang and the Company thanks him for his valuable service since 2009.

Market and economic turbulence has affected all minerals explorers and developers over the past year and Diatreme is no exception.

However, while we are of the belief that we remain significantly undervalued, a number of key milestones lie ahead with the potential to trigger a re-rating for Diatreme.

These include the conclusion of the current process concerning Cyclone and a new scoping study and offtake agreement for Galalar. Looking further ahead, further resource upgrades and the submission of a mining licence are planned for this potentially highly profitable silica sand project.
Finally, I would like to thank shareholders, including recent new investors, for your support of our recent capital initiatives, particularly in difficult market conditions. Rewarding your confidence is our number one priority.

I also wish to thank our employees, contractors, suppliers, partners and all others connected with Diatreme for your support.

With Australian sands and universal demand, the possibilities for Diatreme are endless.

Yours sincerely

Gregory B. Starr
Non-Executive Chairman