DIATREME RESOURCES LIMITED

ABN 33 061 267 061

Financial Report
Half year ended 30 June 2026

CONTENTS

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 2025 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
Brian Flannery, Non-Executive Chairman
Karalyn Keys, Non-Executive Director
Wayne Swan, Non-Executive Director
Cheng (William) Wang, Non-Executive Director
Michael Chapman, Non-Executive Director
Tom Cutbush, Non-Executive Director

Chief Executive Officer
Neil McIntyre

Company Secretary
Tuan Do

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Share Registry
Automic Pty Ltd
Level 5, 126 Phillip Street
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Securities Exchange
Australian Securities Exchange
ASX Code: DRX

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

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 2026.

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 Brian Flannery	Non-Executive Chairman
Ms Karalyn Keys	Non-Executive Director
Mr Wayne Swan	Non-Executive Director
Mr William Wang	Non-Executive Director
Mr Mike Chapman	Non-Executive Director
Mr Tom Cutbush	Non-Executive Director

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 2026 was $3,024,840 (2025: loss of $727,754).

No dividends were proposed or paid during the period (2025: nil). At 30 June 2026, the Group had $2,732,320 in cash and cash equivalents (31 December 2025: $2,338,919). In addition, the joint venture had $4,522,980 in cash at 30 June 2026.

Northern Silica Project

During the half-year period, the Company continued to advance its flagship Northern Silica Project (NSP) in Far North Queensland, with significant progress achieved across resource definition, environmental approvals, technical studies, community engagement and strategic project development activities.

Key developments during the reporting period included:

Environmental Impact Statement (EIS) Progress:

Diatreme continued progressing the Environmental Impact Statement (EIS) process for the NSP following lodgement of the Draft Environmental Impact Statement (DEIS) with Queensland's Office of the Coordinator-General in December 2025.

The DEIS is currently undergoing review by the Office of the Coordinator-General, Queensland Government agencies and the Federal Department of Climate Change, Energy, the Environment and Water (DCCEEW). Subject to confirmation that the DEIS adequately addresses the Terms of Reference, the document is expected to proceed to public review and consultation during the second half of 2026 calendar year.

The Company continued engagement with government agencies, Traditional Owners, local stakeholders and the broader Hope Vale and Cooktown communities as part of the approvals pathway.

Significant Mineral Resource Upgrade – Si2 Deposit:

In May 2026, Diatreme announced a significant upgrade to the Mineral Resource Estimate (MRE) for the Si2 Deposit, increasing the resource from 272.5 million tonnes to 301.5 million tonnes, representing a 10.6% increase.

The updated MRE materially increased resource confidence, with 62% of the resource now classified as measured. The results confirmed continued mineralisation extensions to the south-east and further strengthened Si2 as one of Australia's largest undeveloped high-purity silica sand resources.

The updated geological model incorporated geological, geochemical and optical colour attributes collected through drilling and logging activities. These datasets are expected to support future mine scheduling, product blending strategies and predictive processing studies as the project advances.

The upgraded MRE provides the geological foundation for the NSP Pre-Feasibility Study (PFS), which is progressing towards completion. Additional metallurgical testwork is continuing to refine product specifications and confirm suitability for photovoltaic glass, specialty glass and other high-purity silica applications.

Maiden Mineral Resource Estimate – Casuarina Resource Area:

In June 2026, Diatreme announced a maiden Mineral Resource Estimate for the Casuarina Resource Area of 102.7 million tonnes, further expanding the Company's Far North Queensland silica sand resource base.

The Casuarina Resource Area is located within the Cape Bedford–Cape Flattery Dune Field, adjacent to the Port of Cape Flattery and the operating Cape Flattery Silica Mine. The deposit is being advanced as a separate development opportunity within Diatreme's broader silica sand portfolio.

The maiden MRE provides a strong foundation for future exploration, technical assessment and potential development pathways. With 40.3% of the resource classified as Inferred, further drilling provides potential to grow and upgrade the resource.

Following the Si2 and Casuarina resource updates, Diatreme's total silica sand resource base increased to 632.8 million tonnes across its Far North Queensland projects, positioning the Company as a significant potential supplier of low-iron, high-purity silica sand for solar photovoltaic glass and specialty glass markets.

Cape Flattery Silica Project Transaction:

During the reporting period, Diatreme completed a strategic restructuring of its Far North Queensland silica assets through the divestment of the Cape Flattery Silica Project (CFSP) into the Diatreme/Sibelco joint venture company, Cape Silica Holdings Pty Ltd (CSH).

Following shareholder approval at the Company's Annual General Meeting held on 29 May 2026, completion of the transaction occurred on 9 June 2026.

Under the transaction, Diatreme's wholly owned subsidiary, Metallica Minerals Pty Ltd, transferred 100% of the issued share capital of Cape Flattery Silica Pty Ltd to CSH in exchange for equity in the joint venture. The transaction consolidates regional silica assets under a single ownership structure, enabling operating synergies, streamlined environmental activities and enhanced development pathways.

Sibelco subscribed approximately $5.1 million for shares in CSH at completion, with a further $4.4 million received following exercise of its call option after the reporting period. As part of the transaction, $2.1 million was paid by CSH to Diatreme at the completion date. Total net funding received by CSH under the transaction was approximately $7.4 million before other transaction costs and applicable stamp duty.

The transaction strengthens the funding capacity of the silica joint venture and provides additional support for advancing the NSP through feasibility studies, permitting and approvals.

Exploration Activities:

During the reporting period, Diatreme completed assessment of drilling undertaken between August and December 2025 across the Si2 and Casuarina deposits.
The drilling program comprised 83 aircore holes for a total of 2,035 metres, with 524 composite samples analysed to assess dune morphology, deposit thickness, mineralisation continuity and silica quality characteristics.

Results supported the existing geological interpretation of the Si2 Deposit and materially improved geological understanding of the Casuarina Resource Area, supporting both the Si2 MRE upgrade and the maiden Casuarina MRE.

The Company will continue geological modelling, resource definition, metallurgical testwork and technical studies to support future mine planning and development activities.

Community Engagement:

Diatreme continued active engagement with the Hope Vale and broader Far North Queensland communities during the reporting period.

The Company's Hope Vale office continued to support community engagement activities, including participation in cultural heritage and environmental assessment programs associated with the NSP EIS.

Diatreme continued discussions with Hopevale Congress Aboriginal Corporation (RNTBC), Walmbaar Aboriginal Corporation (RNTBC), affected native title holders and the broader Hope Vale community regarding the establishment of a mining project agreement framework.

The Company also continued supporting local initiatives, sponsorships and programs focused on employment, training and education pathways to enhance long-term community participation.

Cyclone Zircon/Heavy Mineral (HM) Project

During the half-year period, Diatreme continued technical optimisation and strategic evaluation activities for its Cyclone Zircon Project in Western Australia's Eucla Basin.

Metallurgical Testwork and Project Optimisation:

In March 2026, Diatreme announced completion of metallurgical testwork undertaken by Mineral Technologies (MT) on bulk samples from the Cyclone Project, demonstrating significant improvements in projected mineral recoveries and product outcomes.

The optimised processing flowsheet incorporated improvements from Wet Concentrator Plant (WCP) and Mineral Separation Plant (MSP) testwork, including recovery improvements from an 8-tonne bulk sample representing the initial years of mining.

The updated testwork resulted in forecast increases in life-of-mine production, including:

- Heavy Mineral Concentrate (HMC) production increasing by 58.3% to 3.2 million tonnes;
- Zircon concentrate production increasing by 6.8% to 866 thousand tonnes; and
- Titanium mineral concentrate production increasing by 95.6% to 1.6 million tonnes.

The improved outcomes provide an enhanced technical basis for future project development discussions with potential partners, investors and customers.

During the period, Diatreme continued assessment of strategic pathways to maximise shareholder value from Cyclone, including potential joint venture arrangements, project sale opportunities, offtake discussions and consideration of a separate corporate vehicle or asset spin-out structure.

The Company also engaged with potential development partners, investors and government funding bodies through critical minerals industry forums and trade missions in Japan and the United States.

Further technical reviews, validation testwork and site assessments are planned to support future development decisions.

Corporate

During the half-year period, Diatreme continued to strengthen its corporate position and financial capacity while maintaining focus on its core silica sand and critical minerals assets.

Diatreme appointed Mr Brian Flannery as Chair effective 17 June 2026, with outgoing Chair Mr Wayne Swan remaining as a Non-Executive Director. Mr Flannery brings extensive mining and project development experience to support the Company through the approvals, financing and development pathway for the NSP.

The Company held its Annual General Meeting on 29 May 2026, with all resolutions passed by poll.

Diatreme secured a further 12-month extension of its existing $1.0 million debt facility, extending the maturity date to 30 May 2027.

During the period, the Company completed the strategic divestment of the CFSP, received reimbursement of approximately $2.1 million for agreed costs associated with the transaction, and strengthened its financial position through additional joint venture funding.

The Company's cash and cash equivalents totalled $2.7 million as at 30 June 2026 (including a further $4.5 million held within the silica projects joint venture), providing total available cash of approximately $7.2 million.

During the period, Diatreme made total payments of $115,000 to related parties, comprising $88,000 of director fees and $27,000 for specialist marketing consultancy services provided by a related party of one director.

Events subsequent to reporting date

Subscription of additional shares in Cape Silica Holdings Pty Ltd

On 7 July 2026, Sibelco Silica Pty Ltd exercised its call option and subscribed for additional ordinary shares in Cape Silica Holdings Pty Ltd (CSHPL) in accordance with the subscription arrangements entered into during the reporting period. As a result, CSHPL received an additional subscription of $4.4 million (refer to the ASX announcement dated 8 July 2026).

The transaction did not result in a change in joint control. Accordingly, the Group continues to account for its investment in CSH using the equity method.

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 6.

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

Brian Flannery
Non-Executive Chairman
Brisbane, 31 August 2026

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Diatreme Resources Limited

As lead auditor for the review of the financial report of Diatreme Resources Limited for the half-year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in 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

Junaide Latif
Partner

Brisbane, 31 August 2026

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 30 June 2026

	Note	30 June 2026 $	30 June 2025 $
Revenue		23,269	88,294
Share of profit in joint venture		-	42,966
Other income		176,942	143,020
Sale of IP		-	568,305
Total revenue and income		**200,211**	**842,585**
Employee benefits expenses		(597,407)	(585,141)
Depreciation expense		(93,789)	(159,307)
Exploration expenditure written off		-	(922)
Share based payment expense		-	(62,006)
Share of loss in joint venture	6	(185,192)	-
Other expenses		(1,081,219)	(705,638)
Finance costs		(67,860)	(57,325)
Loss on disposal of Cape Flattery Silica Pty Ltd	5	(1,199,584)	-
Total expenses		**(3,225,051)**	**(1,570,339)**
Loss before income tax		**(3,024,840)**	**(727,754)**
Income tax expense		-	-
Net loss for the half-year attributable to owners		**(3,024,840)**	**(727,754)**
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to owners		**(3,024,840)**	**(727,754)**

	Cents	Cents
Loss per share		
Basic loss per share	(0.06)	(0.01)
Diluted loss per share	(0.06)	(0.01)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	30 Jun 2026 $	31 Dec 2025 $
Current assets			
Cash and cash equivalents		2,732,320	2,338,919
Trade and other receivables		119,804	206,004
Total current assets		2,852,124	2,544,923
Non-current assets			
Investment in joint venture	6	68,582,712	39,490,412
Investment in listed equity securities	14	2,600,000	2,681,250
Property, plant and equipment		488,642	573,540
Right-of-use assets		163,710	32,910
Exploration and evaluation assets	7	16,883,935	49,130,201
Other assets		54,140	54,139
Total non-current assets		88,773,139	91,962,452
Total assets		**91,625,263**	**94,507,375**
Current liabilities			
Trade and other payables		924,425	939,798
Borrowings	8	1,018,750	1,016,875
Lease liabilities		69,438	37,810
Provisions		248,034	220,743
Total current liabilities		2,260,647	2,215,226
Non-current liabilities			
Lease liabilities		94,272	-
Provisions		13,525	10,490
Total non-current liabilities		107,797	10,490
Total liabilities		**2,368,444**	**2,225,716**
Net assets		**89,256,819**	**92,281,659**
Equity			
Issued capital	9	124,320,539	124,320,539
Reserves	10	1,347,006	1,347,006
Accumulated losses		(36,410,726)	(33,385,886)
Total equity		**89,256,819**	**92,281,659**

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 2026

	Issued capital $	Share based payments reserve $	Accumulated losses $	Total equity $
At 1 January 2025	**124,320,539**	**1,260,752**	**(32,640,931)**	**92,940,360**
Total comprehensive income:				
Loss for the half-year	-	-	(727,754)	(727,754)
Transactions with owners in their capacity as owners:				
Options and performance rights issued	-	62,006	-	62,006
At 30 June 2025	**124,320,539**	**1,322,758**	**(33,368,685)**	**92,274,612**

	Issued capital $	Share based payments reserve $	Accumulated losses $	Total equity $
At 1 January 2026	**124,320,539**	**1,347,006**	**(33,385,886)**	**92,281,659**
Total comprehensive income:				
Loss for the half-year	-	-	(3,024,840)	(3,024,840)
Transactions with owners in their capacity as owners:				
Options and performance rights issued	-	-	-	-
At 30 June 2026	**124,320,539**	**1,347,006**	**(36,410,726)**	**89,256,819**

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 2026

	30 June 2026 $	30 June 2025 $
Cash flows from operating activities		
Payments to suppliers and employees	(1,479,813)	(1,367,099)
Interest received	23,269	128,727
Finance costs	(52,500)	(41,482)
Other income	154,557	711,093
Net cash outflow from operating activities	(1,354,487)	(568,761)
Cash flows from investing activities		
Proceeds from sale of Cape Flattery Silica Pty Ltd	2,109,018	-
Cash disposed from sale of Cape Flattery Silica Pty Ltd	(7,378)	-
Payments for plant & equipment	(2,516)	(10,474)
Payments for exploration and evaluation assets	(313,426)	(702,829)
Net cash outflow from investing activities	1,785,698	(713,303)
Cash flows from financing activities		
Repayments of lease liabilities	(37,810)	(84,002)
Net cash inflow (outflow) from financing activities	(37,810)	(84,002)
Net Increase/(decrease) in cash and cash equivalents	393,401	(1,366,066)
Cash and cash equivalents at the beginning of the half-year	2,338,919	5,187,296
Cash and cash equivalents at the end of the half-year	2,732,320	3,821,230

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

1. REPORTING ENTITY

These consolidated interim financial statements (‘interim financial statements’) for the half year to 30 June 2026 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 2026 (‘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*. The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

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 2025 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 31 August 2026.

Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options and performance rights is determined using either the Binomial or Monte Carlo Simulation Models taking into account the terms and conditions upon which the instruments were granted.

Exploration and evaluation assets:
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.

Sale of Cape Flattery Silica Pty Ltd
During the half-year, the Group transferred its wholly owned subsidiary, Cape Flattery Silica Pty Ltd ("CFS"), to Cape Silica Holdings Pty Ltd ("CSHPL"), a jointly controlled entity accounted for using the equity method.

Management exercised judgement in determining that the transaction represented a downstream transaction with a joint venture within the scope of AASB 128 *Investments in Associates and Joint Ventures*, rather than an internal group reorganisation.

Accordingly, the loss arising from the transaction has been recognised only to the extent of the interests of unrelated investors in CSHPL, with the remaining portion eliminated against the carrying amount of the Group's investment in CSHPL.

Management also considered the requirements of AASB 128.29 and AASB 6 *Exploration for and Evaluation of Mineral Resources* and concluded that the transaction did not provide evidence of impairment of the exploration and evaluation assets transferred.

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 2026 of $3,024,840 and a net cash outflow from operations of $1,354,487.

The Group's ability to continue as a going concern is dependent on the successful raising of additional funding through equity and the extension of existing debt facilities. These factors give rise to material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have considered the Group's current financial position, cash flow forecasts, and business outlook. While the Group has incurred operating losses, the Directors are confident in the Group's ability to meet its obligations as and when they fall due. This confidence is supported by the Group's track record in raising capital and/or realising value through the partial sale or joint venture of exploration assets, should the need arise.

Accordingly, the Directors believe it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor to the amounts or classification of liabilities, which may be required if the Group were unable to continue as a going concern

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 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.

5. SALE OF CFS

During the half-year, the Group completed the sale of all of the issued shares in CFS, a wholly owned subsidiary, to CSHPL, the Group's jointly controlled entity.

The transaction formed part of the Group's strategy to consolidate its silica sand assets within CSHPL, which is accounted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*.

Under the Share Sale Agreement, the Group transferred its shares in CFS to CSHPL in exchange for 2,220 ordinary shares in CSHPL issued to Diatreme. In addition, CSHPL reimbursed the Group $2,109,018 for historical transaction costs incurred in connection with the acquisition of Metallica Minerals Limited, the parent company of CFS.

The consideration received was as follows:

	$
Fair value of CSHPL shares received (Note 6)	26,001,017
Cash for reimbursement of transaction costs	2,109,018
Total consideration received	**28,110,035**

The shares received consist of 2,220 CSHPL shares valued at $11,712 per share. This fair value per share is determined based on the latest subscription of CSHPL shares by Sibelco Silica Pty Ltd.

The carrying amount of the net assets disposed of was $32,586,094, resulting in a total accounting loss on disposal of $4,476,059 before applying the downstream transaction requirements of AASB 128.

The carrying amount of net assets disposed comprises of:

	$
Cash at bank	7,378
Property, plant and equipment	26,788
Exploration and evaluation assets	32,551,928
Total net assets disposed	**32,586,094**

As the disposal was made to a joint venture accounted for using the equity method, AASB 128 requires gains and losses arising from downstream transactions to be recognised only to the extent of unrelated investors' interests in the joint venture.

Accordingly, $1,199,584 of the loss has been recognised in the Consolidated Statement of Profit or Loss, representing the portion attributable to the unrelated joint venture participant. The remaining $3,276,475 has been eliminated against the carrying amount of the Group's investment in CSHPL.

The recognised loss is reconciled as follows:

	$
Carrying amount of net assets disposed	(32,586,094)
Fair value of CSHPL shares received (Note 6)	26,001,017
Reimbursement of transaction costs	2,109,018
Total consideration received	28,110,035
Loss before AASB 128 adjustment	(4,476,059)
Unrealised portion eliminated against investment in CSHPL (Note 6)	3,276,475
Loss recognised in profit or loss	**(1,199,584)**

Following completion of the transaction, CFS became a wholly owned subsidiary of CSHPL and ceased to be consolidated by the Group.

6. 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 2026 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 2026	Dec 2025			Jun 2026	Dec 2025
		%	%			$	$
Cape Silica Holdings Pty Ltd	Australia	73.2	73.2	Joint Venture (1)	Equity Method	68,582,712	39,490,412

(1) A joint venture between Diatreme Resources Ltd and Sibelco Silica Pty Ltd.
(2) During the half-year, the Group transferred Cape Flattery Silica Pty Ltd to CSHPL in exchange for additional ordinary shares in CSHPL. The investment continues to be accounted for as a joint venture using the equity method.

	Half year from 1 Jan 2026 - 30 Jun 2026 $	Full year from 1 Jan 2025 - 31 Dec 2025 $
Reconciliation of carrying amount in joint venture		
Opening balance	39,490,412	39,449,507
Fair value of CSHPL shares received (Note 5)	26,001,017	-
Elimination of unrealised downstream loss (AASB 128) (Note 5)	3,276,475	-
Share of (loss)/profit in joint venture for the period	(185,192)	40,905
	68,582,712	39,490,412

The elimination of the unrealised downstream loss represents the portion of the loss arising from the transfer of Cape Flattery Silica Pty Ltd that is not recognised under AASB 128 because it relates to the Group's retained interest in CSHPL. This amount has been reflected in the carrying amount of the investment in CSHPL.

7. EXPLORATION AND EVALUATION ASSETS

	30 Jun 2026 $	31 Dec 2025 $
Exploration and evaluation assets – at cost less impairment	16,883,935	49,130,201
Opening balance	49,130,201	49,594,306
Disposal of subsidiaries – Chalcophile Resources Pty Ltd and PGE Minerals Pty Limited	-	(1,363,037)
Disposal of subsidiary – Cape Flattery Silica Pty Limited	(32,551,928)	-
Costs capitalised during the period	305,662	898,932
	16,883,935	49,130,201

8. BORROWINGS

	30 Jun 2026 $	31 Dec 2025 $
Unsecured loan	1,018,750	1,016,875
Total borrowings	**1,018,750**	**1,016,875**

During the period the Company extended the loan for further 12 months to 30 May 2027. The loan's interest rate of 7.5% per annum remains unchanged.

9. ISSUED CAPITAL

	30 Jun 2026 $	31 Dec 2025 $
5,008,281,841 (Dec 2025: 5,008,281,841) ordinary shares	124,320,539	124,320,539

(a) Movements in ordinary share capital:

	30 Jun 2026 Number of shares	30 Jun 2026 $	31 Dec 2025 Number of shares	31 Dec 2025 $
Balance at start of the reporting period	5,008,281,841	124,320,539	5,008,281.841	124,320,539
Shares issued during the period	-	-	-	-
Total issued capital at reporting period	**5,008,281,841**	**124,320,539**	**5,008,281,841**	**124,320,539**

10. SHARE-BASED PAYMENTS RESERVE

	30 Jun 2026 $	31 Dec 2025 $
Opening balance	1,347,006	1,260,752
Options expense	-	86,254
	1,347,006	1,347,006

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 2026	Granted in current period	Vested and shares issued	Lapsed in current period	Closing balance as at 30 June 2026	Weighted average exercise price
27 May 2021	Directors	Options	30,000,000	-	-	(30,000,000)	-	-
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

11. CONTINGENCIES

There are no contingent liabilities (31 December 2025: nil) as at the reporting date.

12. 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 2026 $	31 Dec 2025 $
Payable within 1 year	118,756	105,028
Payable between one and five years	1,088,230	1,063,347
	1,206,986	1,168,375

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 2026 cash security bonds totalling $22,000 were held by the relevant governing authorities to ensure compliance with granted tenement conditions (31 Dec 2025: $22,688).

13. EVENTS SUBSEQUENT TO REPORTING DATE

Subscription of additional shares in Cape Silica Holdings Pty Ltd

On 7 July 2026, Sibelco Silica Pty Ltd exercised its call option and subscribed for additional ordinary shares in Cape Silica Holdings Pty Ltd (CSHPL) in accordance with the subscription arrangements entered into during the reporting period. As a result, CSHPL received an additional subscription of $4.4 million (refer to the ASX announcement dated 8 July 2026).

The transaction did not result in a change in joint control. Accordingly, the Group continues to account for its investment in CSH using the equity method.

14. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 June 2026	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment in listed equity securities	2,600,000	-	-	2,600,000
Total assets	2,600,000	-	-	2,600,000

Consolidated - 31 December 2025	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment in listed equity securities	2,681,250	-	-	2,681,250
Total assets	2,681,250	-	-	2,681,250

Investment in listed equity securities consist of ordinary shares listed on the Australian Securities Exchange. They are carried at fair value through profit or loss.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 7 to 17 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 2026 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:

Brian Flannery
Non-executive Chairman
Brisbane, 31 August 2026

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

Report on the half-year financial report

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 2026 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 2026,
- the consolidated statement 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.

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Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of $3,024,840 during the half year ended 30 June 2026 and had net cash outflows from operating activities of $1,354,487 for the half year. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 2026 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

William Buck (Qld)
ABN 21 559 713 106

Junaide Latif
Partner

Brisbane, 31 August 2026