ASX ANNOUNCEMENT

8 May 2024

Diatreme's response to Metallica's Target's Statement
Diatreme reiterates that Metallica Shareholders should Accept its Offer

- **Metallica's IER is materially deficient and non-compliant**
- **Clarifications to and inaccuracies in Metallica's Target's Statement**
- **Metallica is running low on cash**
- **Diatreme's Offer provides immediate and attractive value**
- **No alternative proposal has arisen**

Diatreme Resources Limited (ASX: DRX) (**Diatreme** or the **Company**) refers to its off-market takeover offer (**Offer**) for all of the ordinary shares in Metallica Minerals Limited (ASX: MLM) (**Metallica**) set out in Diatreme's bidder's statement dated 28 March 2024 (**Original Bidder's Statement**), first supplementary bidder's statement dated 10 April 2024 (**First Supplementary Bidder's Statement**) and second supplementary bidder's statement dated 17 April 2024 (**Second Supplementary Bidder's Statement**). Under the Offer Metallica shareholders would receive 1.3319 ordinary shares in Diatreme (**Diatreme Shares**) for each ordinary share in Metallica (**Metallica Share**) held by Metallica shareholders on the record date.

Diatreme wishes to address the target's statement released by Metallica on 24 April 2024 (**Target's Statement**), in which the Metallica Board recommends that Metallica shareholders reject the Offer. Diatreme has completed a detailed review of the Target's Statement and has engaged Grant Thornton Corporate Finance Pty Ltd to undertake an independent review of the Target's Statement IER. Diatreme's Directors have formed the view that the Target's Statement does not fairly assess the merits of the Offer, nor does it justify why the Metallica Directors recommend Metallica Shareholders reject the Offer. Diatreme's reasons and important facts relating to the Offer and Target's Statement are set out below. Capitalised terms used, but not otherwise defined, in this announcement have the meanings given to them in the Original Bidder's Statement.

Diatreme continues to believe the Offer provides a compelling opportunity to unlock value for the shareholders of both Metallica and Diatreme. Accordingly, ***Diatreme's Board of Directors continues to unanimously recommend Metallica shareholders ACCEPT THE OFFER.***

Diatreme's Response to Metallica's Target's Statement

1. Metallica's Independent Expert's Report is materially deficient and non-compliant

Diatreme has engaged Grant Thornton Corporate Finance Pty Ltd (**GT**) to undertake a review of the IER. Included in the Appendix of this announcement is a copy of the review report prepared by GT (**Review Report**) which identifies material deficiencies and non-compliance issues with the IER.

The summary of key findings of the Review Report is copied below, please refer to the Appendix for full details and a copy of the Review Report:

Issue	Comment	Section Ref.
Premium for control	The valuation assessment of MLM undertaken by AP is at a premium between c. 800% and c. 1,000% to the trading prices of MLM before the Offer. We have benchmarked similar transactions to the Offer in the mining sector[1] in the last ten years and the highest premium for control paid in this period was c. 216% (one transaction) with most of the control premiums for early-stage exploration and development companies ranging between 0% and 100%. Whilst every transaction and every company have their peculiarities, the premium for control embedded in the valuation assessment undertaken by AP appears unrealistic and not commercially sound.	1
Valuation of MLM	The value of the CFSS project is estimated by AP between A$153.98 million and A$194.76 million based on the discounted cash flows ("DCF") approach. The DCF approach, by default and definition, provides a control value of the project. However, AP further applies a control premium of 30% to the value of the CFSS project estimated under the DCF approach to calculate the equity value of MLM on a control basis. AP has double counted the application of the premium for control.	2
Cross check valuation assessment	In its cross-check valuation AP has relied on the capital raising undertaken by MLM in November 2022 and valued MLM on a control basis at A$43.7 million, compared with the control value under the DCF approach of between A$213.7 million and A$266.7 million. AP provides limited context or explanation on how the cross check supports the primary approach. AP generically refers to the capital raising which was undertaken before the release of Metallica's Definitive Feasibility Study ("DFS") which therefore may not represent the fair value of those resources. AP seems to refer to a potential re-rating of the CFSS project upon the release of the DFS, which was expected to align the value under the cross check to the primary approach. However, this statement and these expectations are unsubstantiated as the trading prices of MLM did not re-rate after the release of the DFS as the market capitalisation of MLM remained substantially unchanged. In our opinion, this is due to the uncertainty in relation to the ability of MLM to fund the development of the CFSS project and the related dilution for existing shareholders. The cross check undertaken by AP does not support the primary valuation approach.	3

[1] We reviewed transactions completed in the mining sector in the last ten years with a transaction value between $20 million and $120 million for which an IER was commissioned. We identified a total of c. 33 transactions.

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Valuation of CFSS	The valuation assessment of the CFSS project undertaken by AP is on an unfunded/pre-dilution basis. As at 31 December 2023, MLM had a net cash balance of approximately A$4.8 million and a market capitalisation of c. A$25 million before the Offer and it is required to fund upfront capital expenditure of A$236.7 million (excluding transaction costs) – c. 10x its market capitalisation. The valuation assessment of the CFSS project on an unfunded basis is not consistent with the requirements of RG111 (note to paragraph 15). ASIC specifically requires at paragraph 44 of [Northern Energy ATP2] that *"the valuation should incorporate all relevant discounting factors (including any appropriate dilutionary impact) which reasonably reflect the capital requirements for the project to be developed"*. Regardless of the form in which the equity component of the fundraising for the development of the CFSS project may take place (placement, rights issues, sale of an interest in the project or a combination of all of the above), given the amount of capital to be raised, the funding of the CFSS project will cause, in our opinion, significant dilution for the existing MLM Shareholders. We note that historical capital raising undertaken by MLM included, most of the time, a discount to the prevailing trading prices between c. 8% and c. 35%. For the equity raising of A$140 million[2] not to be dilutive for the existing MLM Shareholders, MLM needs to raise capital at a price in line with the valuation of the CFSS project (between A$213.7 million and A$266.7 million) or the MLM Shares (between 22.3 cents and 27.8 cents) estimated by AP. In our opinion this is not realistic nor commercially viable.	4.1
Lack of disclosure of key assumptions	AP fails to include in the AP IER all the information that may be required for users of the report to assess the reasonableness of the methodology and the assumptions used and the reasons for using those assumptions in accordance with paragraphs 108 and 117 of RG111.	4.2
SRK Review	As set out in Appendix A of the AP IER, AP engaged SRK to undertake certain reviews of the assumptions included in the DFS. However, AP specifically discloses in Appendix A that *"SRK was not engaged to provide a report in accordance with the VALMIN Code"*. Also, AP does not disclose in the AP IER, the report, if any, prepared by SRK with the findings of its review and the reasonings for those findings. In our opinion this is not in accordance with ASIC RG 111 paragraphs 131 and 132 which specifically refer to the need to commission a VALMIN Code report for the valuation of mineral assets. We have also benchmarked 25 similar comparable transactions which occurred in the mining sector in the last ten years where an IER was commissioned[3]. All the selected transactions, but one, included a VALMIN Code report from a technical specialist.	4.3

[2] Assuming a total funding requirement of c. A$240 million with A$100 million funded by way of debt as assumed by AP.

Figure 1: GT's Review Report summary of key findings.

Metallica's Directors have based their recommendation to reject the Offer primarily on the IER which, based on GT's Review Report, Diatreme's Directors consider to be materially deficient and non-compliant.

Diatreme's Directors believe that the expert should revise its IER, and Metallica's Directors should review and reissue their recommendation, once the issues identified above are addressed.

2. *Metallica's Target's Statement inaccuracies and clarification*

Diatreme wishes to clarify and correct a number of points raised by Metallica in its Target's Statement which Diatreme's Directors believe are material and important to the assessment of Diatreme's offer.

Metallica's Target's Statement	***Inaccuracy or clarification***
Clarification: Metallica indicates it is more advanced than Diatreme[1]	Diatreme acknowledges Metallica has completed a later stage study than Diatreme, being a definitive feasibility study while Diatreme has completed a scoping study. However, the key timing constraint to development of both Diatreme's and Metallica's projects is the approvals process, with the principal one being the EIS process. Both Metallica and Diatreme are at the beginning of the EIS terms of reference phase, within the project approvals process[2]. The project timetable for both companies is to make a Final Investment Decision (**FID**) in approximately mid-2025[3]. Diatreme notes Metallica previously experienced significant challenges with their initial project approval process, being unsuccessful in securing a site-specific Environmental Authority. The CFS was subsequently deemed by the Federal Government to be a controlled action requiring an EIS[4].
Inaccurate statement: No tugs at Cape Flattery Port, which impacts the proposed phase 2 extension[5]	Tugs were introduced to Cape Flattery Port in 2023, which is recognised in the Target's Statement as a mitigation on simultaneous interaction between phase 2 construction and CFSM vessels. The IER's reference in Table 43 (Port Infrastructure Interaction Issues) regarding tugs is therefore also inaccurate.
Clarification: CFSM cannot be compelled to co-operate on vessel scheduling[6]	Priority rights will form part of the essential terms of any partial facility user agreement, which is negotiated directly with Ports North. CFSM will be required to adhere to the Port of Cape Flattery port rules which include the movement of ships and which are set by Ports North acting as the port authority and the harbour master.
Clarification and inaccurate statement: Use of cape size vessels by Metallica to transport silica and freight rate differentials[7]	Diatreme, based on its own interactions and understanding of the market, is not aware of any significant PV grade silica off-takers in major Chinese markets that currently accept cape size vessel shipments. Diatreme considers Metallica's freight rate differential calculations are inaccurate as they fail to consider the significant demurrage costs associated with the indicated loading rate using cape size vessels. Current cape size vessels daily

[1] See page 18 in Section 3.8 of the Target's Statement.
[2] See Metallica's announcement "Cape Flattery Silica Project – declared a Coordinated Project by Office of Coordinator-General" dated 15 December, 2023, and Diatreme's announcement "Diatreme advances NSP's EIS, port planning" dated 21 March, 2024).
[3] Metallica stated end of Q2 in 2025 in its presentation to the Noosa Mining Investment Conference on 19 July 2024. Diatreme has indicated early in 2H 2025 for FID – see Bidder's Statement Figure 8 in Section 3.3.3.
[4] See Metallica's announcement "Cape Flattery Silica Project – Federal Environmental Approval Process Update" dated 20 February, 2023.
5 See page 34 of the PAEMAC Report which appears as Appendix D to the Target's Statement.
6 See page 14 in Section 3.2 of the Target's Statement.
7 See page 15 in Section 3.2 of the Target's Statement.

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Metallica's Target's Statement	*Inaccuracy or clarification*
	demurrage costs are estimated by Diatreme's Directors at US$28,000 per day, which would add considerable costs on a per tonne basis for delivery to Asian markets that is not currently included in Metallica's calculations.
Inaccurate statement: PAEMAC estimate of Diatreme's marine infrastructure capital cost[8]	Diatreme considers the PAEMAC Report contains significant errors in calculating the capital cost of Diatreme's proposed marine infrastructure, as follows:
	• PAEMAC has assumed there will only be a 4WD track to the barge ramp for construction activities. Diatreme's scoping study includes construction of a road suitable for transporting marine. infrastructure materials to the port. This incorrect assumption results in excessive and incorrect contractor preliminary costs as calculated by PAEMAC.
	• PAEMAC has assumed contractors would have to construct their own camp at the port and that access to the site would only be by helicopter or landing craft. This is incorrect. Diatreme's scoping study includes construction of a camp at the mine site which is 15 minutes by road from the port. The camp at the mine site will be used by contractors for construction of the road and port infrastructure. This incorrect assumption results in excessive and incorrect contractor preliminary costs as calculated by PAEMAC.
	• PAEMAC has assumed Diatreme's scoping study capital cost estimate for "offsite infrastructure" is the total capital cost estimate for comparison with the PAEMAC Phase 1 "Ramp + Transshipment" cost estimate. This is incorrect. The A$78.3 million noted in Table 1.5 of Diatreme's scoping study is direct costs only and excludes indirect cost, owners' costs and contingency.
Clarification: Diatreme's Non-Executive Director Michael Chapman is a 'nominee' of Ilwella[9]	Mr Chapman is not, and was not appointed as, a 'nominee' of Ilwella. Mr Chapman is an independent Non-Executive Director of Diatreme.

[8] See Table 2 in Section 3.4 of the Target's Statement, page 46 of the IER and the PAEMAC Report (including Section 5.1 Assumptions).
[9] See Table 4 of Section 5 on page 20 of the Target's Statement.

3. *Metallica is running out of cash – Diatreme has significant cash reserves to advance its projects*

Metallica's Directors state that Metallica's cash position as at 31 March, 2024 was at A$3,800,076. Diatreme notes this does not include bonding (as noted in the Target's Statement) or reflect short term liabilities.

For the period from 1 April, 2023 to 31 March, 2024, Metallica's average quarterly cash spend as detailed in its Quarterly Reports was approximately A$1.5 million[10]. Metallica stated in its Quarterly Report in December 2023 that it has engaged consultants to manage the EIS process and that work "*will ramp up during 2024*". In order for Metallica to continue to appropriately advance the EIS process (which Diatreme estimates will take approximately six months to complete and is costly) and final engineering studies to be ready for FID in Q2 of 2025, Metallica will need to expend significant amounts of cash. It is therefore the Diatreme Directors' view that Metallica will require additional equity capital in the near term. This will likely result in dilution to Metallica Shareholders to the extent that they do not, or are unable to, participate in this (and other) future capital raisings. The extent of this potential dilution may be significant, given:

- market conditions are challenging for equity capital raisings given current global economic uncertainty, especially for junior developers; and
- any equity capital raising by Metallica is likely (having regard to ordinary practice for such capital raisings) to be at a discount to its then prevailing share price.

Metallica's current price is $0.023/sh[11]. A near term equity capital raising at a discount to the prevailing market price could be at a lower price than any equity capital raising by Metallica since 2014[12] and substantially lower than the valuation placed on Metallica's shares by its Independent Expert.

Diatreme, on the other hand, has significant cash and is in a strong financial position to advance its projects without the need for a near term capital raising. Diatreme had total cash and liquids position as at 31 March 2024 of A$9.8 million, with a further A$24.2 million in the Cape Silica Joint Venture, giving a total cash balance of A$27.5 million (equity basis)[13]. Accordingly, Diatreme has sufficient funds to undertake substantial additional work to advance the NSP (and its Cyclone Zircon Project) with no requirement to raise additional capital at this time or expected in the near future. By accepting the Offer, Metallica Shareholders can become a shareholder in a larger, well-funded ASX-listed company with greater market relevance, project financing capacity and optionality while still maintaining exposure to Metallica's assets and avoiding the potentially significant dilution of a near-term discounted equity raising.

As stated in the Target's Statement, the development of Metallica's CFS project will require A$236.7 million in funding for the initial construction capital expenditure. This means Metallica will need to raise approximately 10 times its current market capitalisation (likely via debt and equity) to fund the CFS (which is currently unfunded).

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[10] Based on net cash used in operating activities and net cash used in investing activities (excluding interest received).
[11] Share price as at 7 May 2024.
[12] See Table 17 on page 26 of the Target's Statement's Independent Expert's Report.
[13] Diatreme's cash balance as at 31 March 2024 calculated as Diatreme corporate cash balance A$9.8 million *plus* Diatreme 73.2% equity share of CSJV cash of A$24.2 million (100% basis). On a 100%, Diatreme has a cash balance of A$34 million.

Accordingly, in the Diatreme Directors' view, it is reasonable for Metallica Shareholders to expect significant dilution if they don't participate in future equity capital raisings. Metallica Shareholders would likely need to outlay significant amounts of capital to limit their dilution given the current price of Metallica's shares.

4. Diatreme's Offer provides Metallica shareholders immediate value and an attractive premium

As noted in the Bidder's Statement, the Offer delivers:

- an immediate, substantial and attractive premium relative to Metallica's pre-Offer share price; and
- a compelling opportunity to unlock value for both sets of shareholders, as the Offer represents a highly logical regional consolidation of proximate, strategically significant, high quality silica assets in the Cape Flattery region.

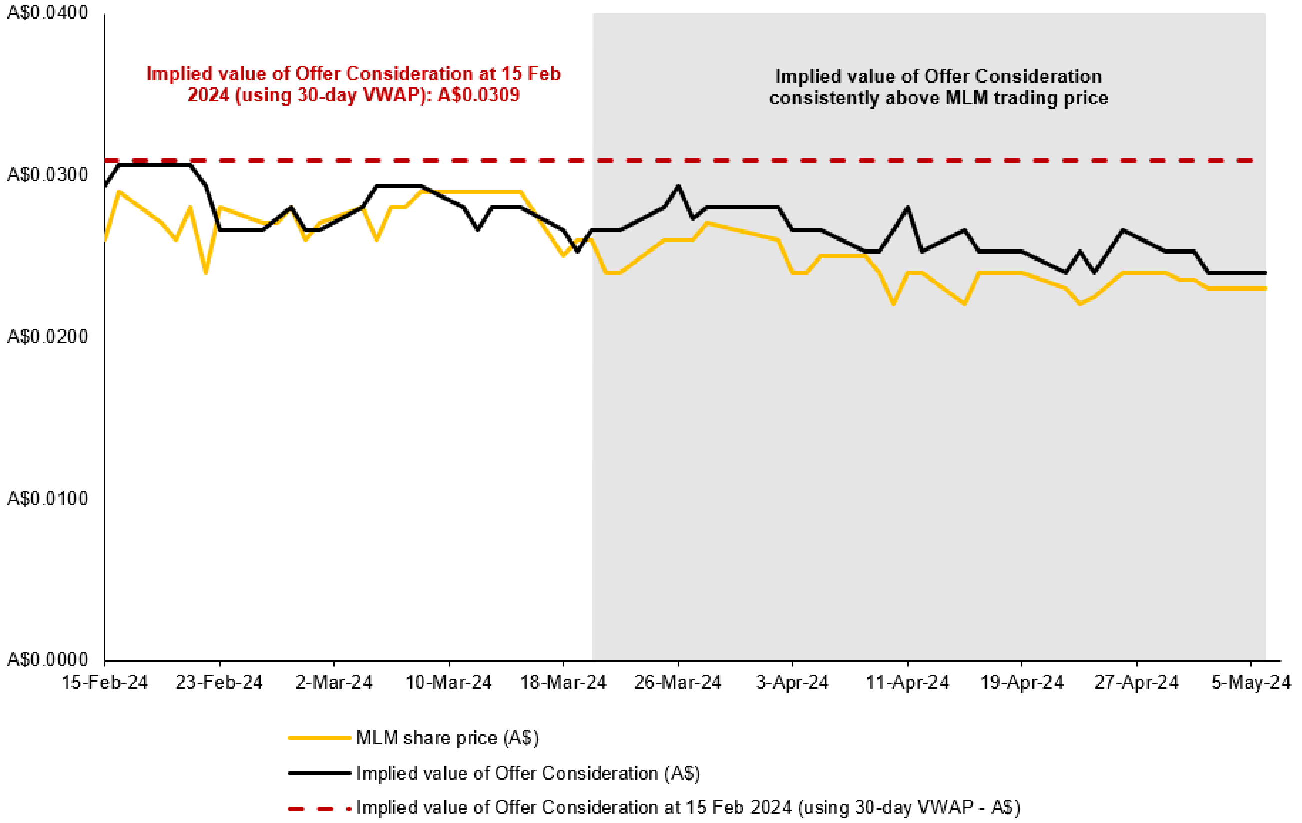

Figure 2: Implied value of the Offer Consideration compared to the Metallica share price.

As shown in the figure above, the implied value of the Offer Consideration has remained above the Metallica share price for the majority of the time since the intention to make an Offer was first announced to the market, including since 22 Mar 2024. This demonstrates both that:

- the Offer fairly values Metallica; and
- a competing or superior proposal is considered unlikely by the market.

Accepting the Offer ensures Metallica Shareholders will avoid:

- the risk that the Metallica share price could fall in the absence of the Offer; and
- the additional potentially significant dilution and share price discount likely required for Metallica to raise equity to replenish its low and reducing cash reserves to fund its ongoing activities on a standalone basis.

Diatreme notes that the Metallica independent expert identifies in Section 6.4 of the IER that an appropriate control premium in the circumstances is 30%. Diatreme reiterates that at the time of making the Offer, it represented an implied value of $0.0309 per Metallica Share, being a premia of:

- 37.33% to Metallica's 30-day VWAP of $0.0225 (which was used as Metallica is an illiquid share, which the Independent Expert acknowledges on page 26 of the IER); and
- 28.75% to Metallica's closing price on 15 February, 2024 of $0.024.

5. Metallica has no alternative proposal

Diatreme's Offer is the only one currently available. The Directors of Metallica have not presented Metallica Shareholders with any potential alternative transaction, despite having been aware of Diatreme's Offer since 16 February 2024 and "taking steps to identify and progress" one (as noted in the Target's Statement). The Metallica Directors have provided no detail to Metallica shareholders as to what steps have been taken and the progress made to date (if any), such as whether any parties have undertaken due diligence on Metallica's assets or any indicative offers have been received that they consider 'superior'. The Metallica Directors have also confirmed there is no guarantee that an alternative offer (much less a superior one) will arise. As noted, the fact the Metallica share price is consistently trading lower than the implied value of the Offer Consideration is an indication the broader market does not consider an alternative proposal is likely.

6. Potential for rollover relief

If Diatreme acquires at least 80% of Metallica Shares under the Offer, Metallica shareholders may be eligible for rollover relief (subject to individual shareholder circumstances). This means Metallica Shareholders may gain a tax benefit by deferring the payment of any capital gains on the disposal of their Metallica shares.

For the above reasons, and those previously outlined in the Bidder's Statement, Diatreme believes the Offer provides significant benefits to Metallica shareholders and recommends they ACCEPT the offer.

Timetable and how to Accept the Offer

The timetable for the Offer is as follows:

KEY EVENT	TIMING*
Date of the Offer (Offer opened)	11 April 2024
Last date for notice on the status of Offer conditions	17 May 2024
Offer closes (unless extended or withdrawn)	**27 May 2024**

*These dates may vary as permitted under the Corporations Act. Any changes to the above timetable will be announced on ASX and notified on Diatreme's website at www.diatreme.com.au.

Diatreme encourages Metallica Shareholders to read the Bidder's Statement for more details about the Offer and about Diatreme. Instructions on how to accept the Offer are contained in the Bidder's Statement and on the acceptance form (which accompanies the Bidder's Statement). Details on how to access the Bidder's Statement are included in the access letter or email that have been dispatched to Metallica shareholders. **Acceptances must be received by no later than 7:00pm (Sydney time) on 27 May 2024, unless the Offer is extended or withdrawn**.

Any Metallica Shareholders with questions about the Offer, should contact their legal, financial or other professional adviser or call the shareholder information line on 1300 636 752 (or +61 2 8318 7933 for overseas domiciled holders) between 8.30am (Sydney time) and 5.00pm (Perth time) Monday to Friday.

This market announcement was authorised for release by:

Neil McIntyre
Chief Executive Officer

Greg Starr
Non-executive director

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About Diatreme Resources Limited

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

In Western Australia's Eucla Basin, Diatreme's 'shovel-ready' Cyclone Zircon Project is considered one of a handful of major zircon-rich discoveries of the past decade. Diatreme also holds a 49% interest in the Clermont Copper-Gold Project located in central Queensland. Diatreme has a farm-in agreement with Metallica Minerals Limited (MLM) which already owns a 51% interest, and has provided its intention to earn up to a 75% interest by meeting certain further expenditure obligations of an additional A$1 million.

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

Global material solutions group Sibelco Asia Pacific is Diatreme's development partner on its Queensland silica projects portfolio. Sibelco Asia Pacific has completed a two tranche investment of A$35 million taking its total project interest to 26.8%, with the balance (73.2%) held by Diatreme. In addition, Sibelco Asia Pacific made a A$13.97 million investment at the corporate level.

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

Appendix – GT Review Report

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2 May 2024

Review Report - Executive summary

Introduction

Diatreme Resources Limited ("DRX" or "Diatreme") is an ASX listed company focussed on the development of two high purity, low iron silica sands projects, the Northern Silica Project ("NSP") and the Galalar Silica Sand Project ("Galalar"), which are both located near Cape Flattery in far north Queensland.

Metallica Minerals Limited ("MLM" or "Metallica") is an ASX listed entity focussed on its flagship Cape Flattery Silica Sands Project ("CFSS") located in close proximity to Diatreme's NSP.

Diatreme and Metallica have two common shareholders being Sibelco Asia Pacific Pty Ltd ("Sibelco") and Ilwella Pty Ltd ("Ilwella" and together referred to as the "Substantial Shareholders"). Sibelco owns approximately 19.3% and 16.4% in Diatreme and Metallica, respectively, and Ilwella holds approximately 21.0% and 24.2% in Diatreme and Metallica, respectively.

On 16 February 2024 Diatreme announced a conditional intention to make a takeover bid for Metallica ("the Offer") subject, among others, to a minimum acceptance condition of 50.1%. Under the Offer, Metallica shareholders ("MLM Shareholders") will receive 1.3319 fully paid ordinary shares in Diatreme for every Metallica share ("MLM Share") held at the record date (the "Consideration").

DRX served the Bidder's Statement on 28 March 2024 and MLM issued the Target's Statement on 24 April 2024. The Target's Statement included an Independent Expert's Report ("IER") prepared by Advisory Partner Connect Pty Ltd ("AP" or "Advisory Partner") which concluded that the Offer was not fair and not reasonable and which assessed the value of MLM on a control basis between 22.3 cents and 27.8 cents per share.

Purpose of the report

The Directors of DRX initially engaged Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance", or "GTCF") to prepare an IER for DRX Shareholders in accordance with the requirements of ASX Listing Rule 10.1 as the Offer would result in DRX acquiring MLM Shares from the Substantial Shareholders. However, given that on 27 March 2024 DRX obtained a waiver from the ASX in relation to the need to prepare an IER under ASX Listing Rule 10.1, our engagement evolved to the preparation of an independent valuation report (the "IV Report") to be provided to the Directors of DRX which included a valuation assessment of MLM and of the Consideration (i.e. combined DRX and MLM). The IV Report was provided to the Directors of DRX before the Bidder's Statement was served.

Upon the release of the Target's Statement, the Directors of DRX requested GTCF to undertake a high level independent review of the AP IER ("Review Report"). When preparing this Review Report, Grant Thornton Corporate Finance had regard to the Australian Securities Investment Commission's ("ASIC") Regulatory Guide 111 Content of expert reports ("RG 111"), Regulatory Guide 112 Independence of experts ("RG 112") and ASIC Regulation of Corporate Finance January to June 2018 (Report 589) and July to December 2018 (Report 612).

For the avoidance of the doubt, we note that GTCF has not prepared an IER in relation to the Offer and this Review Report should not be construed and referred to as GTCF opinion of the value of MLM, DRX or the Offer.

Summary of key findings

We have set out below a summary of the key findings identified in our analysis. Refer to the body of the Review Report for details.

Issue	Comment	Section Ref.
Premium for control	The valuation assessment of MLM undertaken by AP is at a premium between c. 800% and c. 1,000% to the trading prices of MLM before the Offer. We have benchmarked similar transactions to the Offer in the mining sector[1] in the last ten years and the highest premium for control paid in this period was c. 216% (one transaction) with most of the control premiums for early-stage exploration and development companies ranging between 0% and 100%. Whilst every transaction and every company have their peculiarities, the premium for control embedded in the valuation assessment undertaken by AP appears unrealistic and not commercially sound.	1
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Valuation of CFSS	The valuation assessment of the CFSS project undertaken by AP is on an unfunded/pre-dilution basis. As at 31 December 2023, MLM had a net cash balance of approximately A$4.8 million and a market capitalisation of c. A$25 million before the Offer and it is required to fund upfront capital expenditure of A$236.7 million (excluding transaction costs) – c. 10x its market capitalisation. The valuation assessment of the CFSS project on an unfunded basis is not consistent with the requirements of RG111 (note to paragraph 15). ASIC specifically requires at paragraph 44 of [Northern Energy ATP2] that *"the valuation should incorporate all relevant discounting factors (including any appropriate dilutionary impact) which reasonably reflect the capital requirements for the project to be developed"*. Regardless of the form in which the equity component of the fundraising for the development of the CFSS project may take place (placement, rights issues, sale of an interest in the project or a combination of all of the above), given the amount of capital to be raised, the funding of the CFSS project will cause, in our opinion, significant dilution for the existing MLM Shareholders. We note that historical capital raising undertaken by MLM included, most of the time, a discount to the prevailing trading prices between c. 8% and c. 35%. For the equity raising of A$140 million[2] not to be dilutive for the existing MLM Shareholders, MLM needs to raise capital at a price in line with the valuation of the CFSS project (between A$213.7 million and	4.1

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	A$266.7 million) or the MLM Shares (between 22.3 cents and 27.8 cents) estimated by AP. In our opinion this is not realistic nor commercially viable.	
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SRK Review	As set out in Appendix A of the AP IER, AP engaged SRK to undertake certain reviews of the assumptions included in the DFS. However, AP specifically discloses in Appendix A that *"SRK was not engaged to provide a report in accordance with the VALMIN Code"*. Also, AP does not disclose in the AP IER, the report, if any, prepared by SRK with the findings of its review and the reasonings for those findings. In our opinion this is not in accordance with ASIC RG 111 paragraphs 131 and 132 which specifically refer to the need to commission a VALMIN Code report for the valuation of mineral assets. We have also benchmarked 25 similar comparable transactions which occurred in the mining sector in the last ten years where an IER was commissioned[3]. All the selected transactions, but one, included a VALMIN Code report from a technical specialist.	4.3

Other matters

GTCF has not prepared an IER in relation to the Offer and this Review Report does not contain GTCF's view in relation to the value of MLM, DRX or the Offer. This Review Report must not be used by MLM Shareholders in their decision of whether or not to accept the Offer. This letter should be read in conjunction with the Financial Services Guide prepared by Grant Thornton Corporate Finance.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

MARK BUTTERFIELD
Director

[3] We reviewed transactions completed in the mining sector in the last ten years with a transaction value between $20 million and $80 million for which an IER was commissioned. We identified a total of c. 25 transactions.

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by DRX to provide general financial product advice in the form of a review of the AP IER included in Target's Statement of Metallica Metals. This report may be included in a Supplementary Bidder's Statement released by DRX.

For the avoidance of the doubt, we note that GTCF has not prepared an IER in relation to the Offer and this Review Report should not be construed and referred to as GTCF opinion of the value of MLM, DRX or the Offer. MLM Shareholders should not rely on this IER in relation to their consideration of the Offer.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is DRX. Grant Thornton Corporate Finance receives its remuneration from DRX. In respect of the report, Grant Thornton Corporate Finance will receive a fee which is based on commercial rates plus reimbursement of out-of-pocket expenses in relation to the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of DRX and MLM in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with DRX or MLM (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Review Report.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer. Before the preparation of the Review Report, the Directors of DRX initially engaged GTCF to prepare an IER for DRX Shareholders in accordance with the requirements of ASX Listing Rule 10.1 as the Offer would result in DRX acquiring MLM Shares from the Substantial Shareholders. However, given that on 27 March 2024 DRX obtained a waiver from the ASX in relation to the need to prepare an IER under ASX Listing Rule 10.1, our engagement evolved to the preparation of an independent valuation report (the "IV Report") to be provided to the Directors of DRX which included a valuation assessment of MLM and of the Consideration (i.e. combined DRX and MLM). The IV Report was provided to the Directors of DRX before the Bidder's Statement was served.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report. Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by ASIC.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Corporations Act, 2001.

Grant Thornton

Contents

1 Premium for control implied in the valuation assessment of MLM

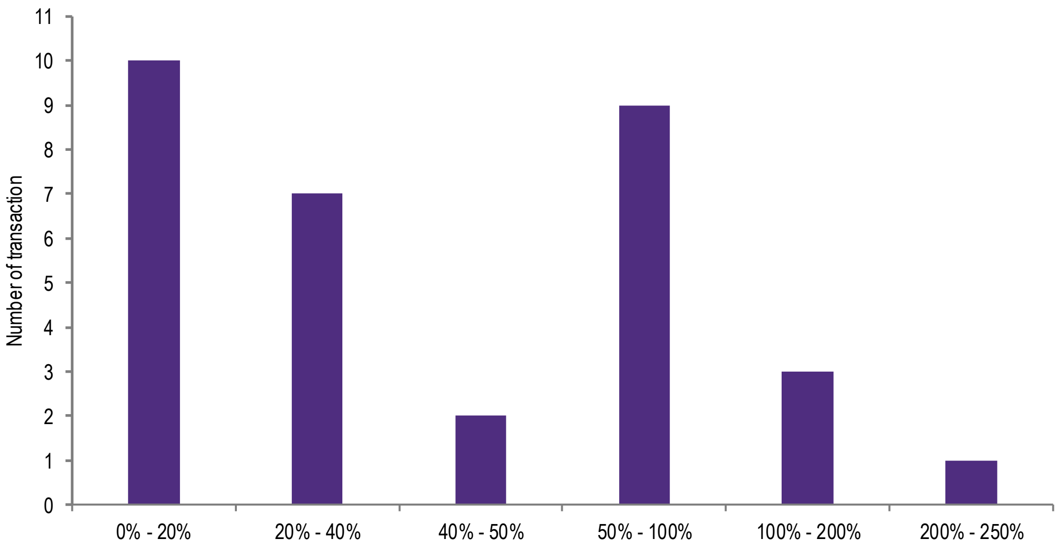
AP has assessed the control value per share of MLM on a stand-alone basis and before the announcement of the Offer between 22.3 cents and 27.8 cents as set out in Table 1 of the AP IER. This value range implies a premium for control compared with MLM Shares trading on the ASX before the announcement of the Offer between c. 800% and 1,000% as outlined in the table below.

Implied Control Premium Analysis	Low	High
MLM value per share on a controlling basis (the AP IER) (A$)	0.223	0.278
Implied control premium over MLM trading price[1]		
1 Day Prior	829%	1058%
1 Week Prior	870%	1109%
1 Month Prior	758%	969%
3 Months Prior	829%	1058%

Source: MLM Target Statement, GTCF Analysis
Note (1): Closing trading price on the selected dates, which are 15 February 2024, 9 February 2024, 16 January 2024, and 16 November 2023 for 1 day prior, 1 week prior, 1 month prior, and 3 months prior, respectively.

We have undertaken a benchmark analysis of the control premium paid in Australia for transactions in the mining sector which occurred in the last ten years with a transaction value between A$20 million and A$120 million, and for which and IER was commissioned (total of c. 33 transactions). Our results are presented in the graph below (refer to Appendix 1 for details).

Control Premium of the ASX-Listed Mining Companies for the past 10 years.



Source: Connect 4, S&P Global, GTCF Analysis
Note (1): The control premium is based on spot price of the target trading stock at 1-month prior to the transaction announcement date.
Note (2): The 0% - 20% category includes transactions with a negative premium.

As outlined above, the highest control premium ever paid on similar transactions in the mining sector based on the filtering criteria adopted by GTCF was below 250%, however this only occurred in one circumstance with most of the transactions showing a premium for control between 0% and 100%. We note that given the adopted criteria in relation to the transaction value of the companies included in the benchmark (between

A$20 million and A$120 million), many of them will suffer, similarly to MLM, from limited liquidity in their trading prices; but still none of the transactions in the benchmark received a premium for control between c. 800% and 1,000% as implied in AP's valuation of MLM.

Whilst we acknowledge that each transaction is different, the control premium implied in the valuation assessment undertaken by AP is, in our opinion, not realistic nor commercially sound.

2 Overall valuation assessment of MLM and opinion

The valuation assessment of MLM on a control basis undertaken by AP is summarised in the Tables 25 and 26 of the AP IER, which are re-presented below.

Table 25: Metallica Minerals' Valuation Summary

Fair Value of MLM	Low	High
NPV of Project	153.98	194.76
Other Mining Resources	5.55	5.55
Net Cash	4.82	4.82
Equity Value of MLM	**164.35**	**205.13**
Control Premium	30%	30%
Equity Value (Control Premium)	**213.66**	**266.67**

Source: AP Analysis

This represents a per share value below:

Table 26: Metallica Minerals' Valuation on Controlling Basis

Fair Value of MLM on a minority basis	Low	High
Fair value of MLM (incl. controlling premium)	213.66	266.67
Shares Outstanding	959.92	959.92
Fair Value of MLM shares on a controlling basis	**0.223**	**0.278**

Source: AP Analysis

We note the following apparent errors:

- The NPV of the CFSS project estimated by AP between A$153.98 million and A$194.76 million is based on the DCF approach, which, by default and definition, calculates a control value of the project[4]. However, AP further applies a control premium of 30% in order to estimate the equity value of MLM on a control basis. AP has double counted the application of the premium for control.

- The shares outstanding of 959.92 million adopted by AP in table 26 fails to consider the dilution from the 32 million of unlisted options with an exercise price of 4.5c per share on issue at the valuation date. Based on AP's value per share of MLM, these options are in the money and they should be accounted for in the number of shares on issue with the equivalent cash inflow from the exercise of the options added to the existing net cash balance.

We further note the following additional deficiencies:

- RG111.13.f specifically requires that the expert should comment on the reasonableness consideration in respect of the likely market prices if the Offer is unsuccessful. This is particularly important in these

[4] See Valuing a Business, 6th Edition, Shannon Pratt, page176. The DCF in AP's valuation reflects 100% of the cash flows of the project and the DFS is for the most effective exploitation of the resource.

circumstances given the control value of MLM assessed by AP is between c. 800% and 1,000% higher than the trading prices before the announcement of the Offer.

- RG111.82 specifically notes that in the event that the an expert's valuation differs materially from the price of the companies securities before the Offer, the expert should comment on this difference and explain the factors that underlying this difference: *"[…]. Further, if the expert's valuation of a company's securities differs materially from the price of the company's securities in the period leading up to the announcement of the proposed transaction (together with a typical premium for control for such a transaction), the expert should comment on this difference and the factors underlying it. […]"*.

- Given the minimum acceptance is 50.1% for the Offer to become unconditional, it is appropriate for the Independent Expert to value MLM shares assuming that 100% of the shares are available for sale in the fairness assessment. Notwithstanding this, in the reasonableness assessment, the Independent Expert should comment on the value implications for MLM Shareholders if DRX acquires 50.1% of the shares in MLM and MLM becomes a subsidiary of DRX. If this were to occur, the ability of remaining MLM shareholders to achieve a price in line with the valuation assessment of MLM undertaken by AP may be affected, the liquidity of MLM Shares will further reduce and DRX will be able to appoint its nominees to the board of MLM in accordance with its interest.

3 Cross check valuation assessment

Considering the premium for control between c. 800% and c. 1,000% implied by the valuation assessment of MLM as undertaken by AP (when compared with the trading prices of MLM before the announcement of the Offer), the cross check valuation assessment is particularly critical to support the primary valuation approach. In its cross-check, AP elects to rely on the most recent capital raising undertaken by MLM in November 2022 when, based on the AP IER, MLM raised c. A$5.1 million at 3.5 cents per share. AP concludes in Section 6.8 of the AP IER that:

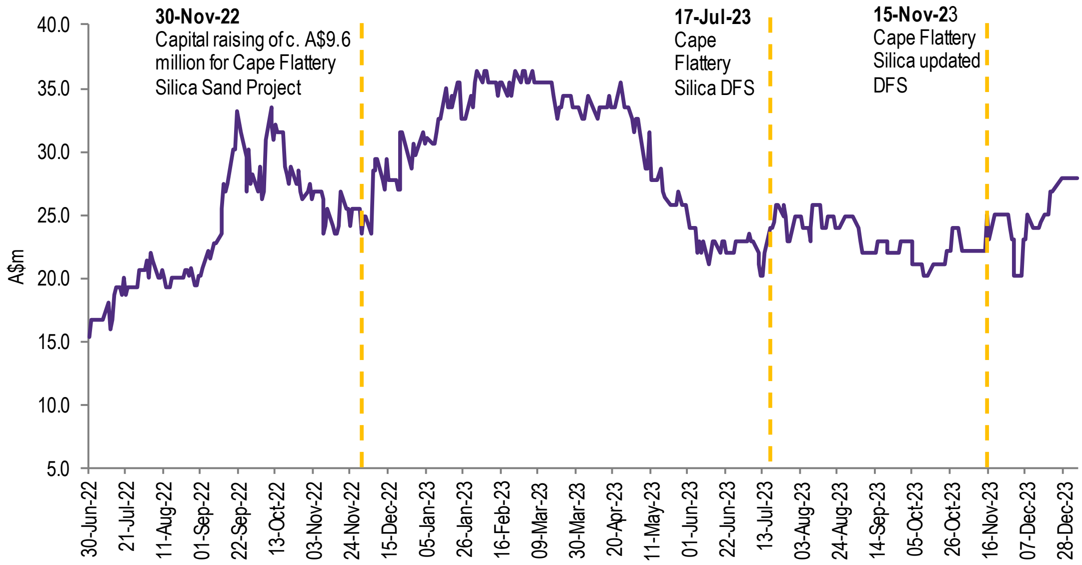
> *"We have assessed the value of Metallica Minerals based on their November 2022 capital raising at $0.035 per share. Based on this valuation method, the fair value of MLM on a controlling basis is $43.677m. However, it should be noted that this capital raising was prior to Metallica's Definitive Feasibility Study and may not represent the fair value of those resources."*

In relation to the above, we note the following for which further support is required:

- MLM raised a total of A$9.6 million in November 2022 with A$5.1 million raised via a placement at 3.5 cents per share and A$4.5 million raised via a rights issue at 3.2 cents per share. The weighted average capital raising price of c. 3.35 cents per share should be adopted by AP in the cross check rather than only referring to the placement price of 3.5 cents per share.

- AP valued MLM on a control basis at A$43.7 million under this cross check approach, compared with the control value assessed under the DCF approach of between A$213.7 million and A$266.7 million (Table 25 in Section 6.7 of the AP IER). The valuation cross check is at a discount between 80% and 84% to the primary approach, however AP provides limited context or explanation of how the cross check supports the primary approach. AP generically states that the capital raising was before Metallica's Definitive Feasibility Study and may not represent the fair value of those resources. AP seems to refer to a potential re-rating of the value of the resources associated with the CFSS project upon the release of the DFS which was not reflected in the capital raising prices, but is instead incorporated into AP's valuation assessment of the CFSS project under the DCF approach. However, in our opinion, this statement and these expectations are unsubstantiated. As set out in the graph below, the market capitalisation of MLM has not materially changed between the November 2022, at the time of the capital raising relied upon in the cross check valuation approach, and after the release of the DFS in July 2023 and the updated DFS in November 2023.

Market Capitalisation of MLM from 30 June 2022 to 31 December 2023



Source: S&P Global, ASX Announcements

In our opinion, the lack of re-rating may be due to uncertainties in relation to the ability of MLM to raise the necessary capital to develop the CFSS project and the significant dilution expected to be suffered by existing shareholders if MLM is capable of raising the required funding. As further discussed in Section 7.1 below, AP seems to have failed to reflect these investors' expectations in the valuation assessment of the CFSS project.

4 Valuation of Cape Flattery Silica Sand Project

4.1 Dilution from funding the development of the CFSS omitted

AP has valued the CFSS project between A$154.0 million and A$194.8 million based on the net present value of the future cash flows included in the Definitive Feasibility Study announced in November 2023 (abstract below).

Table 22: Value of Cape Flattery Silica Sand Project

Value of Cape Flattery Silica Sand Project	
NPV (14.12% WACC)	194,757,804
NPV (15.91% WACC)	153,978,174

Source: AP Analysis

The valuation assessment undertaken by AP attributes the value of 100% of the project cash flows to the existing shareholders of MLM, therefore failing to consider the dilution that MLM Shareholders will suffer from funding the development of the project.

AP has stated in Section 6.5 of the AP IER that MLM will need to fund A$236.7 million of initial (and upfront) capital expenditure for the construction of the CFSS project. Considering that the market capitalisation of MLM before the announcement of the Offer was only c. A$25 million, the total funding to be raised (both debt and equity) is equivalent to c. 10x the market capitalisation of the Company. The existing shareholders of MLM are likely to suffer significant dilution from raising the necessary equity to fund the development, which needs to be considered in the valuation of the CFSS project.

The valuation assessment of the CFSS project undertaken by AP is on an unfunded/pre-dilution basis and this is not consistent with the requirements of RG111 which specifically requires in the note to paragraph 15 that:

> Note: For the avoidance of doubt, funding requirements for a target that is not in financial distress (e.g. capital that is required to develop a project) should generally be taken into account when determining the fair value of target securities: see *Northern Energy Corporation Limited* [2011] ATP 2. Such funding requirements will generally be relevant to determining the value of the target securities assuming knowledgeable and willing, but not anxious, parties. These funding requirements will often be implicitly reflected in certain methodologies (e.g. the quoted price for listed securities). The expert may need to expressly determine to take funding requirements into account when using other methodologies (e.g. the discounted cash flow methodology).

RG111 makes specific reference to the Australian Takeovers Panel ("ATP") decision in the Northern Energy Corporation Limited matter in relation to the funding requirements to be incorporated into the valuation assessment of a mining development project. We are of the opinion that ASIC's position outlined in paragraph 44 of the "Reasons for Decision"[5] is particularly relevant:

> 44. ASIC submitted that RG 111:
>
> *does not require a valuation to be prepared on an undiluted basis... the valuation should incorporate all relevant discounting factors (including any appropriate dilutionary impact) which reasonably reflect the capital requirements for the project to be developed.*

We further note that paragraph 47 of the ATP's decision in the Northern Energy Corporation Limited states on this matter that:

> 47. We also think it should be made clear that ASIC disagrees with the independent expert[14] that ASIC policy required the expert to value Northern Energy assuming that Northern Energy had the financial capacity to meet its funding requirements.

In order to incorporate the funding requirement for CFSS project into the valuation assessment, AP should calculate the theoretical impact that the required fundraising is likely to have on the proportion of the CFSS project retained by existing MLM Shareholders, based on the expected funding mix. AP assumes in "Appendix C Discount Rate" under the subheading "Debt and equity mix" that

> In arriving at an appropriate capital structure for Metallica we have had regard to the capital required to fund the initial capex for the project. According to the discounted cash flow analysis, the company requires $240m in capital expenditures from July 2025 to July 2027. Metallica has provided a term sheet, unsigned, which offered $100m in debt. As such, we've assumed the remaining $140m is to be equity.

[5] https://takeovers.gov.au/sites/takeovers.gov.au/files/migrate/2011/002_Northern_energy_corp_ltd.pdf

Putting aside that we are of the opinion that it does not meet the reasonable test basis required by RG111 to rely on an unsigned debt term sheet (given that it is not binding, conditional and unsigned), AP estimates that MLM is required to raise c. A$140 million of equity.

Independent of the form that this raising may take place (placement, rights issues, sale of an interest in the project, or a combination of all of the above), given the amount of capital to be raised compared with the value of shares trading on the ASX, the funding of the CFSS project will cause, in our opinion, significant dilution for the existing MLM Shareholders.

This is supported by the historical capital raising undertaken by MLM which included, most of the time, a discount to the prevailing trading prices between c. 8% and c. 35%. For the equity raising of A$140 million not to be value-dilutive for the existing MLM Shareholders, MLM needs to be able to raise capital at a price in line with the valuation of the CFSS project or the MLM Shares estimated by AP. In our opinion this is not realistic nor commercially viable.

Metallica Minerals Recent Capital Raisings			Amount Raised	Premium / (Discount)
Announcement Date	Offering Type	Offering Price	(A$)	to last traded price
30-Nov-22	Private Placement - Common Stock	0.035	5,075,000	(7.9)%
30-Nov-22	Common Stock - Subscription Rights Offering	0.032	4,518,375	(15.8)%
16-Feb-22	Private Placement - Common Stock	0.031	3,035,000	7.0%
22-Apr-21	Common Stock - Other	0.030	2,135,000	(29.0)%
25-Mar-21	Common Stock - Subscription Rights Offering[1]	0.030	4,865,661	(25.0)%
9-Mar-17	Common Stock - Subscription Rights Offering	0.052	2,941,112	(35.0)%

Source: ASX Announcements, S&P Global

4.2 Lack of disclosure of the key assumptions and basis for those assumptions

AP fails to include in the AP IER all the information that may be required for users of the report to assess the reasonableness of the methodology and the assumptions used and the reasons for using those assumptions. This is required by paragraph 117 of RG111 as outlined in the abstract below:

> When an expert includes forward-looking information in its report, the report should include all information that may be required for users of the report to assess the reasonableness of the methodology and assumptions used, including:
>
> (a) the nature of the information, its limitations and the reason for its inclusion in the report;
>
> (b) the material inputs and assumptions used and the reason for using those assumptions;

Further, RG111 specifies in paragraph 108 that *"[…] Further, security holders cannot make an informed decision without the benefit of 'sufficient supporting information': Australian Co-operative Foods at 77"*.

The only information that AP has disclosed in relation to the key assumptions relied upon in their valuation of the CFSS project are summarised in the abstract below (excluding the discussion on the discount rate which is detailed in Appendix C of the AP IER).

The Definitive Feasibility Study outlines 49.5Mt of mineral resources with 38.1Mt of Silica sand sales across a 25-year life of mine. The average 2025 sales price in real terms is AUD$80.54 per tonne. The estimated initial construction capital expenditure is $236.7m. The life of mine revenue is forecast to be $3,064.6m.

In our opinion this limited disclosure is not in accordance with the requirements of RG111. In our opinion, as a minimum the following should be disclosed in the AP IER:[6]

- *Silica prices* – AP adopted a silica sand price in the DCF of A$80.54 real in line with the DFS. Whilst we understand that this was supported by a market study commissioned by MLM earlier in the year, AP does not provide its view on this assumption, the further analysis undertaken to support this assumption, and the reasonableness of this assumption. This is particularly important considering that unlike other globally produced resources such as iron, coal, and precious metals, silica sands are not typically traded on financial markets. As such there is not a commonly referenced market price for silica sands and prices for the commodity are generally determined by wholesale contract pricing between producers and end consumers. The pricing of silica sands in the industry is therefore opaque and not readily observable.

- *Exchange rate* – AP does not disclose the exchange rate adopted in the valuation to convert the US$ denominated silica prices to A$ over the life of mine and the analysis undertaken to support its assessment.

- *Timing of the development* – The AP IER does not disclose the timing assumed for 1) obtaining the remaining approvals before final investment decision; 2) entering into an offtake agreement; 3) raising the necessary funding for the development of the project; and 4) commencement and duration of the construction period.

- *Reserve and resources* – There is no information on the mine plan adopted in the valuation assessment, recovery rates, the ramp-up in the production schedule and the annual production rate.

- *Opex* – AP does not disclose the operating expenditure adopted in the valuation assessment, including mining costs, transportation, on-site and off-site services, processing plants, royalty expenses, taxes, and corporate costs.

- *Capex* – Whilst the amount of the upfront capital expenditure is disclosed, there is no information in relation to the maintenance capital expenditure and the rehabilitation expenditures at the end of the mine life.

Further, RG111 requires an independent expert to include a sensitivity analysis in the IER when changes in material assumptions are likely to materially impact on the valuation. The AP IER does not comply with this requirement.

4.3 SRK Review

Based on the disclosure in Appendix A of the AP IER, AP engaged SRK to undertake certain reviews of the assumptions included in the DFS which are summarised in the abstract below.

[6] Subject to the requirements of ASIC's RG170 Prospective financial information and Information Sheet 214 (Mining and resources – Forward-looking statements).

> In preparing this report, Advisory Partner identified certain matters that required specialist expertise. In particular, given the importance of Metallica's definitive feasibility study (DFS) in our assessment of value, we considered it appropriate to seek a specialist expert assessment of the reasonableness of the assumptions underlying the DFS, the conclusions in the DFS and whether any critical risks have been omitted from the DFS. We also sought some general observations from SRK on the mining and geological information available in Diatreme's scoping study. SRK was engaged by us and provided that feedback and any additional commentary on areas we considered appropriate to confirm. Relevantly, SRK was not engaged to value the Mineral Resources or mining tenements of Metallica, nor provide a report in accordance with the VALMIN Code on any matter nor to review and comment on a final draft of this report. Accordingly, we are comfortable, based on the work that SRK has undertaken under our engagement with them, that our valuation of the Cape Flattery Project, which we have undertaken on a discounted cash flow basis (DCF), is appropriate, is based on reasonable assumptions and is not subject to any critical flaws. In seeking this specialist input from SRK, we are satisfied that SRK is independent of Metallica;

AP has not disclosed in the AP IER (as is market best practice) a report from SRK containing the review undertaken by SRK, its analysis and conclusions. We have included below a tabulation of mining transactions that have occurred in the last 10 years with a transaction value between A$20 million and A$80 million for which an IER was commissioned. As set out in the table below, all the transactions identified, but for one instance in 2014, included a VALMIN Code report prepared by a technical specialist which was annexed to the IER opining on the fairness and reasonableness of the transaction.

ASX Listed Mining Company Transactions between 29 April 2014 and 29 April 2024						
Closed Date	Target Company	Buyer / Investor	Transaction %	Deal Value A$m	VALMIN Code Report Commissioned	VALMIN Code Report Disclosed in the IER
22/01/2024	Technology Metals Australia	Australian Vanadium Limited	100.00	78.32	Yes	Yes
5/12/2022	Demetallica Limited	AIC Mines Limited	100.00	32.95	Yes	Yes
21/09/2022	Big River Gold Limited	Aura Minerals Inc.	100.00	79.33	Yes	Yes
1/08/2022	Altamin Limited	VBS Exchange Pty	80.27	37.21	Yes	Yes
1/11/2021	Firefly Resources Limited	Gascoyne Resources Limited	100.00	37.62	Yes	Yes
12/08/2021	AuStar Gold Limited	White Rock Minerals Ltd	100.00	28.30	Yes	Yes
5/10/2020	Cassini Resources Limited	OZ Minerals Limited	100.00	65.07	Yes	Yes
28/08/2020	Alt Resources Limited	Aurenne Ularring Pty. Ltd.	100.00	30.71	Yes	Yes
25/09/2020	Exore Resources Limited	Perseus Mining Limited	100.00	54.14	Yes	Yes
23/07/2019	Gindalbie Metals Limited	Angang Group Hong Kong	64.29	25.07	Yes	Yes
18/06/2019	Verdant Minerals Ltd	CD Capital	66.57	23.51	Yes	Yes
14/06/2019	MacPhersons Resources	Intermin Resources Ltd	100.00	28.89	Yes	Yes
22/02/2019	Explaurum Limited	Ramelius Resources Limited	100.00	54.16	Yes	Yes
21/09/2018	Excelsior Gold Pty Ltd	Spitfire Materials Limited	100.00	33.94	Yes	Yes
4/01/2018	Aphrodite Gold Pty Ltd	Spitfire Materials Limited	89.62	24.42	Yes	Yes
21/03/2018	Cradle Resources Limited	Tremont Investments Limited	80.44	54.36	Yes	Yes
16/05/2017	Heemskirk Consolidated	Taurus Funds Management	67.53	42.20	Yes	Yes
23/09/2016	Renaissance Minerals	Emerald Resources NL	80.58	44.52	Yes	Yes
1/06/2016	Unity Mining Limited	Diversified Minerals	86.34	33.15	Yes	Yes
18/12/2015	Phoenix Gold Limited	Evolution Mining Limited	80.22	47.01	Yes	Yes
11/12/2014	Blackthorn Resources Limited	Intrepid Mines Limited	100.00	49.59	Yes	Yes
20/08/2014	Atlantic Gold NL	Spur Ventures Inc.	100.00	28.51	No	No
30/10/2014	Robust Resources Limited	Padiham Resources Pty Ltd	53.39	51.11	Yes	Yes
15/09/2014	Bullabulling Gold Limited	Norton Gold Fields Ltd	100.00	27.52	Yes	Yes
4/06/2014	Sierra Mining Limited	RTG Mining Inc.	100.00	70.09	Yes	Yes

Source: S&P Global, Connect4

In our opinion, the approach adopted by AP in relation to the technical specialist report which specifies in Appendix A that *"[…] SRK was not engaged to provide a report in accordance with the VALMIN Code […]"* is not in accordance with the note to paragraph 131 of RG111 which specifies that:

> Note: To the extent that there are any normally applicable standards and guidelines for valuing a particular class of assets (e.g. the Valmin Code for valuations involving mineral and hydrocarbon assets), security holders will generally expect that these have been complied with. The report should disclose if that is not the case as that will be a matter that is relevant to security holders' assessment of the expert's conclusions.

RG111 discusses further in paragraph 132 that if the IER is unable to be prepared on the basis outlined in paragraph 131, which includes compliance with the VALMIN Code for the valuation of mineral assets, the expert may need to consider refusing to give the report.

> RG 111.132 If an expert report has not been prepared on this basis, the report should prominently explain why this is the case and the impact of this on the report. If the report is unable to be prepared on such a basis, the expert may need to consider refusing to give the report: see RG 111.125–RG 111.126.

5 Valuation of Western Area of EPM 2574 at Cape Flattery

In Table 23 of the AP IER, AP values the 12 Mt of inferred resources at the western end of the EPM 2574 based on the EV/Resource method at A$5.5 million.

Table 23: Metallica Minerals' Western Cape Flattery Valuation

Value of Western Cape Flattery	
Silica Sands (mt)	12
EV/R Multiple	0.46
Value of Project	**5.55**

Source: AP Analysis

We've valued the resources in western Cape Flattery to be $5.55m based on the comparable companies listed in the table below:

Table 24: Comparable companies summary

Company Name	Development Stage	Market Cap (AU$M)	EV (AU$M)	Total JORC Resource (Mt)	Implied EV/Resource
Diatreme	Scoping Study	74.60	63.30	605.16	0.10x
Industrial Minerals Ltd	Exploration	16.50	15.40	12.40	1.24x
VRX Silica Limited	Feasibility Study completed	58.34	57.20	1,380.50	0.04x
Min		16.50	15.40	12.40	0.04x
Average		49.81	45.30	666.02	0.46x
Median		58.34	57.20	605.16	0.10x
Max		74.60	63.30	1,380.50	1.24x

Source: AP Analysis

We note the following in relation to the valuation assessment undertaken by AP:

- The value of early stage resources in the ground is typically assessed by the Technical Specialist (geologist) based on comparable transactions at the project level rather than by the independent expert. In this instance AP is erroneously applying an EV/Resource multiple derived from entire listed company EV/Resource multiples to value the inferred resources of a specific project.

- Diatreme's 605.16 Mt of JORC resource include probable ore reserves of 32.5 Mt from the Galalar project and 246.5 Mt of measured and indicated resources from both the Galalar and NPS projects. Reserves and measured and indicated resources cannot be used to value inferred resources. Further, the total JORC resource of 605 Mt selected by AP for DRX includes 203 Mt measured and indicated resource from the Cyclone project which, as set out in Table 28 of the AP IER, is a zircon project in WA.

- The enterprise value (EV) of DRX in Table 24 of the AP IER is not calculated correctly as it does not consider the cash held in the Sibelco joint venture. As set out in Table 51 of the AP IER, AP has calculated that DRX has cash resources of A$29 million. This would have the effect of reducing the enterprise value of DRX and the related EV/Resource multiple.

- The EV/Resource multiples for the three selected listed companies vary between 0.04x and 1.24x with the high-end of the range being 31x higher than the low-end, and the basket of comparable companies only comprises of three companies. This approach is both not reasonable and unreliable and highlights the deficiency of the analysis. This is further supported by the fact that the analysis undertaken in Table 24 of the AP IER seems to suggest that the resources of Industrial Minerals Ltd, which has the smallest resource base and the least advanced project stage (exploration), are the most valuable (i.e. EV/Resource multiple of 1.24x).

6 Valuation assessment of the Galalar and Clermont projects

In the valuation assessment of DRX, AP has not attributed any value to the Galalar and the Clermont projects. AP articulates its reasonings in Table 29 of the AP IER (abstract below).

Table 29: Diatreme's Projects discounted from valuation

Project	Reason
Galalar	This project was not considered in the valuation of Diatreme's shares as it is currently not being developed and has been stopped in its production as a result of DRX's focus on developing the Northern Silica Project. The project is planning to develop a slurry pipeline to the port of Cape Flattery as the main option of exporting silica sand. This constitutes approximately 30km of pipeline infrastructure that is required to cross some rivers and traditional land, subject to various regulatory approval. Moreover, in July 2023, Diatreme Resources formally withdrew its application to prepare an EIS for this project.
Clermont	Clermont was not considered in the valuation of Diatreme's shares as JORC Mineral Resources are yet to be identified. As such, there would be no reliable way of valuing this project because no certainty can be placed on the project's cashflow.

Source: AP Analysis

We note the following in relation to the table above:

- The Galalar project has JORC probable reserves of 32.5 Mt and JORC resources of 75.4 Mt as set out in Table 31 of the AP IER. It is not reasonable nor commercially sound to attribute no value to the identified reserves and resources in the ground only because DRX has prioritised the development of the NSP project.

- Whilst limited value may be attributed to the Clermont project, a technical specialist commissioned to prepare a report based on the VALMIN Code would be capable of attributing value to the Clermont project based on comparable transactions approach (at project level) and other alternative valuation methods. We note that the value of the Clermont project should also be incorporated into the valuation assessment of MLM given MLM has an effective ownership interest in the project of 51%.

7 Appendix 1 – Benchmark of premium for control

ASX Listed Mining Company Transactions				Target Stock Premium (%)[17]		
Closed Date	Target Company	Buyer / Investor	Transaction %	1 Day Prior	1 Week Prior	1 Month Prior
22/01/2024	Technology Metals Australia Limited	Australian Vanadium Limited	100.00	13	15	31
5/12/2022	Demetallica Limited	AIC Mines Limited	100.00	65	58	35
21/09/2022	Big River Gold Limited	Aura Minerals Inc.	100.00	29	24	18
20/09/2022	Oklo Resources Limited	B2Gold Corp.	100.00	128	117	93
1/08/2022	Altamin Limited[1]	VBS Exchange Pty. Ltd.	80.27	36	10	3
16/02/2022	Drilling business of Swick Mining Services Limited[2]	DDH1 Limited	100.00	32		38
1/11/2021	Firefly Resources Limited	Gascoyne Resources Limited (nka:Spartan Resources Limited)	100.00	26	20	14
24/09/2021	Nusantara Resources Limited[3]	PT. Indika Energy Tbk	71.50	15	25	17
12/08/2021	AuStar Gold Limited	White Rock Minerals Ltd	100.00	52	66	66
15/03/2021	Redcliffe Project Pty Ltd[4]	Dacian Gold Limited	100.00	60		29
5/10/2020	Cassini Resources Limited	OZ Minerals Limited	100.00	25	36	42
25/09/2020	Exore Resources Limited	Perseus Mining Limited	100.00	69	84	105
28/08/2020	Alt Resources Limited	Aurenne Ularring Pty. Ltd.	100.00	74	74	216
11/03/2020	Nzuri Copper Limited	Xuchen International Co., Ltd.	100.00	42	61	68
23/07/2019	Gindalbie Metals Limited[5]	Angang Group Hong Kong (Holdings) Limited	64.29	117	117	73
18/06/2019	Verdant Minerals Ltd[6]	CD Capital Asset Management Ltd.; CD Capital Natural Resources Fund III L.P.	66.57	113	129	113
14/06/2019	MacPhersons Resources Limited	Intermin Resources Ltd (nka:Horizon Minerals Limited)	100.00	(3)	(2)	(11)
17/05/2019	Highlands Pacific Limited[7]	Cobalt 27 Capital Corp.	87.00	44	44	14
22/02/2019	Explaurum Limited	Ramelius Resources Limited	100.00	81	71	56
21/09/2018	Excelsior Gold Pty Ltd	Spitfire Materials Limited (nka:Bardoc Gold Pty Ltd)	100.00	1	(4)	(2)
18/04/2018	Altona Mining Limited (nka:Copper Mountain Mining Pty Ltd.)	Copper Mountain Mining Corporation	100.00	35	30	25
21/03/2018	Cradle Resources Limited (nka:Earths Energy Limited)[8]	Tremont Investments Limited	80.44	44		37
4/01/2018	Aphrodite Gold Pty Ltd[9]	Spitfire Materials Limited (nka:Bardoc Gold Pty Ltd)	89.62	87	95	164
16/05/2017	Heemskirk Consolidated Limited[10]	Taurus Funds Management Pty Limited; Taurus Resources Fund No. 2, LLC	67.53	50	15	15
12/10/2016	Teranga Gold (Australia) Pty Ltd.	Endeavour Canada Holdings	100.00	56	56	62
23/09/2016	Renaissance Minerals Limited[11]	Emerald Resources NL	80.58	22	13	16
1/06/2016	Unity Mining Limited[12]	Diversified Minerals Pty. Limited	86.34	65		
18/12/2015	Phoenix Gold Limited[13]	Evolution Mining Limited	80.22	42	35	52
11/12/2014	Blackthorn Resources Limited	Intrepid Mines Limited	100.00	4	4	45
30/10/2014	Robust Resources Limited[14]	Padiham Resources Pty Ltd	53.39	66	69	81
15/09/2014	Bullabulling Gold Limited	Norton Gold Fields Ltd (nka:Norton Gold Fields Pty Ltd)	100.00	40	60	54
20/08/2014	Atlantic Gold NL (nka:Atlantic Gold Pty. Limited)[15]	Spur Ventures Inc. (nka:Atlantic Gold Corporation)	100.00	30		17
4/06/2014	Sierra Mining Limited[16]	RTG Mining Inc.	100.00	16		27
Min				**(3%)**	**(4%)**	**(11%)**
Average				**48%**	**49%**	**50%**
Median				**42%**	**44%**	**38%**
Max				**128%**	**129%**	**216%**

Source: Connect4, S&P Global

Note (1): VBS Exchange Pty Ltd (holds 19.73%%) to acquire all the shares it does not own.
Note (2): Premiums are as stated on IER. 1-month prior premium refers to the volume weighted average price ("VWAP") over the 30 days immediately prior to the transaction announcement date.
Note (3): PT Indika Energy Tbk (Indika) (holds 28%) to acquire all the shares it does not own.
Note (4): Premiums are as stated on IER. 1-month prior premium refers to the VWAP over the 30 days immediately prior to the transaction announcement date.
Note (5): Angang Group Hong Kong Holdings Ltd (holds 35.71%) to acquire all the shares it does not own.
Note (6): CD Capital Natural Resources Fund III LP (holds 33%) to acquire all the shares it does not own.
Note (7): Cobalt 27 (holds 13%) to acquire all of the shares of Highlands Pacific Limited it does not own.
Note (8): Tremont Investments Ltd (holds 19.56%) to acquire all the shares it does not own. Premiums are as stated on IER. 1-month prior premium refers to VWAP over the 20 trading days immediately prior to the transaction announcement date.
Note (9): Spitfire Materials Ltd (holds 10.38%) to acquire all the shares it does not own.
Note (10): Taurus Resources No 2 BV (holds 32.47%) to acquire all the shares it does not own.
Note (11): Emerald Resources NL (holds 19.42%) to acquire all the shares it does not own.
Note (12): Diversified Minerals Pty Ltd ((holds 13.69%) to acquire all the shares it does not own. Premiums are as stated on IER.
Note (13): Evolution Mining Limited (holds 19.8%) to acquire all the shares it does not own.
Note (14): Joint bidder Robust Resources Limited (holds 46.6%) to acquire all the shares it does not own.
Note (15): Premiums are as stated on IER. 1-month prior premium refers to the VWAP over the 20 trading days immediately prior to the transaction announcement date.
Note (16): Premiums are as stated on IER. 1-month premium refers to 30 day VWAP of the Sierra Share price based on the 30 day VWAP
Note (17): Unless otherwise stated, the premiums are calculated based on spot price..

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8 Appendix 2 – Sources of information, disclaimer and consents

Information

In preparing this Review Report Grant Thornton Corporate Finance has used various sources of information, including:

- Target's Statement and Bidder's Statement.
- Press releases and announcements by DRX and MLM.
- S&P Global / Capital IQ.
- Various industry and broker reports.
- Other publicly available information.

Limitations and reliance on information

This report and opinion are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information included in the Target's Statement and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information relied upon was false or that any material information has been withheld. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to provide an independent Review of the AP IER. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose by MLM Shareholders in their consideration of the Offer.

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Consents

Grant Thornton Corporate Finance acknowledge that this report may be included in a Supplementary Bidder's Statement to be sent to MLM shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.