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QUEENSLAND FOCUS

Big Tick for tailings op

Diatreme Resources Ltd will pursue a standalone tailings reprocessing operation for its Tick Hill gold project in Queensland following the release of a favourable scoping report last month.

According to the scoping-level study prepared by Metcor, the project can support a 20-month operation processing tailings through a standard CIP/CIL circuit at the historic Tick Hill mine, about 110km south-east of Mt Isa.

Diatreme announced earlier this year a maiden resource of 630,000t @ 1.08 g/t gold for 680kg (22,000 troy ounces) for the tailings material.

No capital or operating costs were released last month, but Diatreme managing director Neil McIntyre said the initial report had confirmed the commercial viability of a standalone tailings reprocessing operation.

"Given the small size and scale of this project, it doesn't warrant the full DFS route you would normally take for a \$100 million project or pricing metric associated with that level of study," McIntyre told **Paydirt**.

"This minimises our risk and expenditure along the way. We're very encouraged by this first report and we'll definitely be burrowing in on those numbers, particularly on the capex and opex side, to get that final degree of certainty."

McIntyre said he was anticipating a start-up capex for establishing a new operation of "probably in the \$8-9 million range", but felt there were some "significant savings" to be made from cheaper professional services and labour rates, including readily available second-hand plant and equipment.

A higher Australian dollar gold price encouraged Diatreme to investigate the potential of a tailings reprocessing operation at Tick Hill, which historically produced more than 500,000oz of gold during the early 1990s.

Based on a gold price near \$1,700/oz, the tailings reprocessing operation is set to generate cash flow of about \$9.3 million, boosting shareholder returns and providing some



Diatreme is eyeing a standalone tailings reprocessing operation at Tick Hill

potential development funding for Diatreme's Cyclone zircon project in the Eucla Basin, Western Australia.

"We want to take advantage of the fact gold has maintained and indeed improved its value in relative terms," McIntyre said.

"It's one of the commodities that gets well supported in the capital markets, it's well understood, the Aussie dollar exchange rate has been moving favourably and so we think this is a good time to be getting this sort of operation up and going."

Extensive drilling programmes, aimed at finding out why the orebody abruptly ended before the Tick Hill mine was closed in 1995, were completed in the second half of last year and returned positive results.

At the time of print, Diatreme and JV partner Superior Resources Ltd were finalising the last of a series of metal-

lurgical test work studies to obtain enough data to develop a resource model for the tailings material.

"We've assumed some very conservative numbers in this initial study and again we think we can improve on those from these metallurgical reports," McIntyre said.

"There will be some regrinding of the tailings required to fully liberate the gold and there's some options available for us in terms of accessing even some used ball mills or other such equipment.

"We think there's a variety of options we can now

pursue to get the model more commercial and that's probably going to take us two or three months to get through the process."

McIntyre said his dealings with the Queensland Government had been positive and he believed the authorities were doing everything within their power to support the resources industry, particularly juniors.

"Certainly in our discussions there has been a clear refocus on the smaller end of the market and trying to show support to get these projects up and running," he said.

"The Queensland Government has established a couple of taskforces to assess the mineral exploration and processing companies in Queensland and they've obviously identified that the industry is doing it pretty tough at the moment, so they're actively looking for ways to incentivise both exploration and the establishment of mining operations.

"We participated in a major review some weeks ago about what could be done better to get some activity back into the sector. We've been pleasantly surprised by their initiative and how proactive they've been."

Meanwhile, Diatreme has appointed consultants Sedgman Ltd to undertake a project and enhancement update study at Cyclone.

The final environmental approval for the road to the proposed mine is slated to be put before the EPA this month.

- Michael Washbourne



The historic Tick Hill gold mine produced more than 500,000oz in the early 1990s