

ASX

ANNOUNCEMENT



TICK HILL TESTING EYES LOWER COST GOLD PRODUCTION POTENTIAL

Diatreme Resources Limited is an Australian based diversified mineral explorer with significant projects in WA and QLD.

The Board and senior personnel exhibit wide experience, ranging through the exploration, development and financing phases of resource project management.

Australian Securities Exchange
Codes: DRX

Board of Directors Non-Executive
William Wang - Chairman
Andrew Tsang
Daniel Zhuang

Executive:
Neil McIntyre – Chief Executive
Tuan Do – CFO & Co. Secretary
Ian Reudavey – Chief Geologist

Key Projects:
• Cyclone Zircon Project
• Tick Hill Gold Project
• Cape Bedford Silica/HMS Project
• Clermont Copper Project

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Share Registry:
Link Market Services Limited
Level 15, ANZ Building
324 Queen Street, Brisbane, Q 4000

16th August 2016

Highlights

- **Second phase bulk sample testing on Tick Hill gold tailings using gravity separation to commence.**
- **Potential for significant operating (opex) and capital expenditure (capex) cost reductions using simpler recovery process with no regrinding or CIL/CIP operation.**

Plans for reprocessing tailings from the old Tick Hill gold mine near Mount Isa have been further advanced, with Diatreme Resources Limited (ASX:DRX) announcing today new test work for the Tick Hill Gold Project's tailings resource aimed at further reducing extraction costs.

Under the plans announced by joint venture partner Superior Resources Limited (ASX:SPQ), a second phase of test work will explore the potential for a reprocessing operation based on a gravity separation circuit, instead of a conventional CIP/CIL operation.

This follows a recent scoping study which showed that while gold recoveries of up to 96% are achievable through cyanide leaching, capital and operating costs were relatively high based on a forecast gold price of A \$1,467 per ounce. The test work is expected to take around three weeks at minimal cost of below \$5,000.

Diatreme CEO Neil McIntyre said the new tests should help speed the delivery of near-term cash flow from the historically rich former mine.

“Current gold prices of around US\$1,300 an ounce (A\$1,700) show the immediate value of this reprocessing operation. With the potential for slashing capex and opex costs, we may further enhance the financial viability of this project, decrease the timeline to actual operations, and increase potential returns for shareholders,” he said.

Located 110km south-east of Mount Isa, the Tick Hill Gold Mine was mined in the 1990s by Carpentaria Gold Pty Ltd (a subsidiary of MIM Holdings), producing 513,333 ounces of gold from 705,000 tonnes of ore at a recovered grade of 22.6 g/t gold (source: MIM Holdings) before mining ceased in 1995.

For further details, please refer SPQ's ASX announcement released 16 August 2016.



Neil McIntyre
CEO

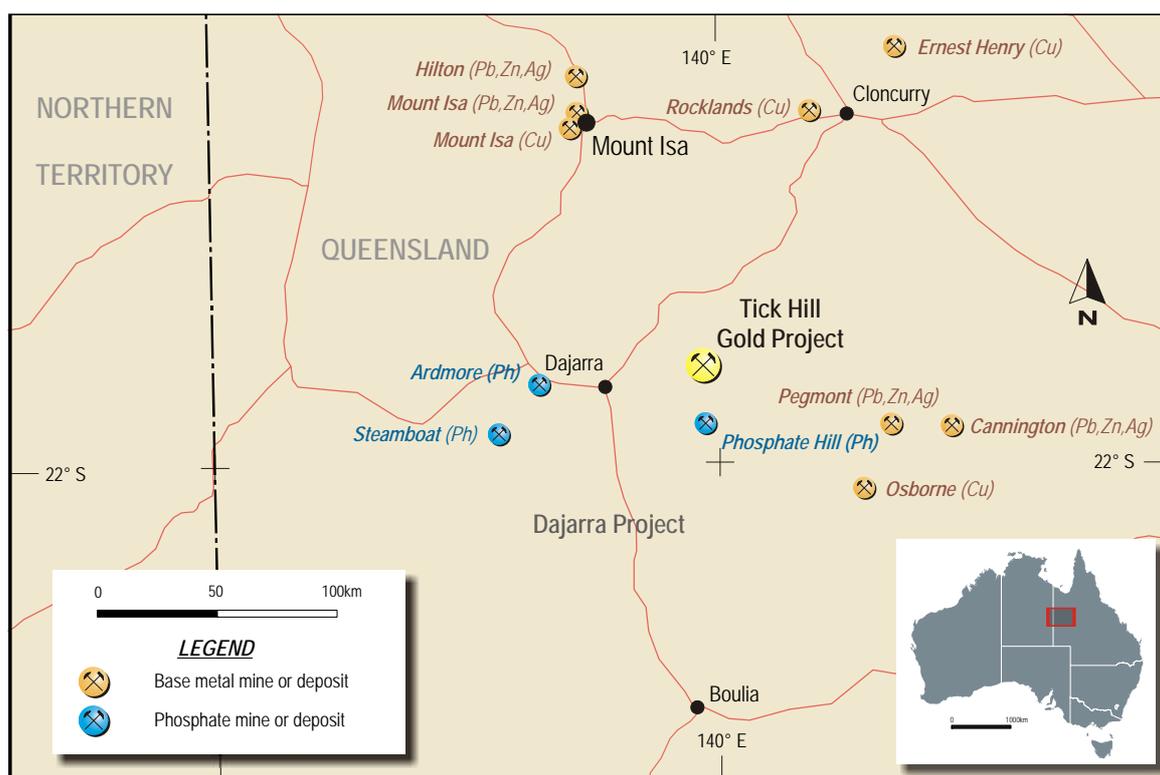


Figure 1: Tick Hill Gold Project location

About Tick Hill

The Tick Hill Gold Project comprises three granted Mining Lease No's 7094, 7096 and 7097, each with an area of 130ha for a total area of 390ha. The Tick Hill Gold Deposit was mined between 1991 and 1995 by Carpentaria Gold Pty Ltd (a subsidiary of MIM Holdings Limited) for the production of 513,333 ounces of gold from 705,000 tonnes of ore at a recovered grade of 22.6 g/t gold (source: MIM Holdings Limited – Annual Reports). This makes it one of the highest grade gold deposits in Australia's recent gold producing history.

Under a joint venture agreement with Superior Resources Limited (ASX:SPQ), Superior Resources has an immediate 50% interest in the surface gold (tailings and remnant gold) and the right to earn a 50% interest in the below ground (hard rock) asset by completing \$750,000 of exploration expenditure, including substantial drilling; making a payment to DRX of \$100,000; and lodging 50% of the Queensland Government security bond on the tenements.