

# ASX RELEASE

25 October 2016

ASX Code: POZ



## QUARTERLY REPORT

Period Ending 30 September 2016

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### Summary:

#### Highland Plains Phosphate Project, Northern Territory **POZ 100%**

- During the quarter, POZ granted an Option over the Highland Plains Phosphate Project. An Option fee of A\$200,000 was paid. The Option entitles the incoming party to enter into a Joint Venture with POZ over the Project.
- Subsequent to the end of the quarter, the Option period was extended 28 October 2016.

#### Blina Diamond Project, WA **POZ 100%**

- The Blina Diamond Project covers a 40 km long diamond bearing palaeo-channel named Terrace 5. The channel drains the central section of the previously mined Ellendale diamond field.
- The Company has applied for four mining leases over key areas of Terrace 5 and is progressing the grant of these permits through the Native Title process.

#### Bulgera Gold Project, WA **POZ 100%**

- Phosphate Australia Limited has acquired 100% of the Bulgera Gold Project, situated in the multi-million ounce producing Plutonic Well greenstone belt of Western Australia. Bulgera was last mined in 2004 by Barrick Gold of Australia.
- Shallow gold drilling targets have been identified within this underexplored greenstone belt. Bulgera is just 10km from the Marymia gold mine and only 48km by existing haul road to the currently active Plutonic Gold treatment plant where previous Bulgera production was milled.
- Tenements have been recently granted, there are no third party agreements in place and no private royalties. Tenements were acquired by pegging at minimal cost.

#### Mount Monger Gold Project, WA **POZ 100%**

- The Company has been awarded an \$80,000 grant by the WA government's Exploration Incentive Scheme for further exploration drilling at the Mount Monger Gold Project.

## **1.0 Highland Plains Phosphate Project (Northern Territory)**

**POZ 100%**

The Highland Plains Phosphate Project in the NT has a JORC Code (2004) compliant Inferred Resource of 53 million tonnes at 16% P<sub>2</sub>O<sub>5</sub> (ASX release 31 March 2009)<sup>A</sup>. The Project is 100% owned by POZ and has no private royalties.

During the quarter, POZ granted an Option over the Highland Plains Phosphate Project. The incoming party is a private Australian company, P2O5 Pty Ltd ('P2O5'), representing a Sydney based consortium with various development interests in Asia. An Option fee of A\$200,000 was paid to POZ as a part of this agreement.

Subsequently, P2O5 requested and POZ agreed to extend this Call Option period to 5pm (EDST) on 28 October 2016, to allow additional time for project financing to be put in place by P2O5.

### **1.1 Option Terms**

#### **1.1.1 Exercise of Option**

To exercise the Option, P2O5 shall pay POZ US\$2,000,000 in cash. This payment will trigger the formation of a Joint Venture in which P2O5 shall acquire an initial 51% and POZ will retain 49% of the phosphate assets. The aim of the Joint Venture shall be the mining and development of the rock phosphate assets of POZ and others.

#### **1.1.2 Acquisition of a Further 19% interest in the Joint Venture**

A further 19% interest in the Joint Venture shall be acquired by P2O5 upon the deposit of A\$3,000,000 into an interest bearing trust account in the name of the Joint Venture Parties to be used exclusively for development of the Joint Venture assets, including the preparation of a Bankable Feasibility Study and of a Mining Plan in respect to the Highland Plains. Following the above terms being satisfied, POZ's interest in the Joint Venture will be 30%. POZ will also be entitled to a 30% shareholding (pre-IPO) of any public listing of a new company (Listco) that enters into the Joint Venture, on the Joint Venture Terms.

#### **1.1.3 POZ Interest Royalty Conversion**

POZ shall be entitled at its sole discretion to convert its Joint Venture interest to a Royalty of 2% of all future Joint Venture gross revenue based on the market free on board price for all shipments of phosphate rock from an Australian Port.

#### **1.1.4 POZ Interests Non-contributory Until BFS**

POZ's Joint Venture interest will be non-diluting and non-contributory until the Joint Venture has produced a Bankable Feasibility Study in relation to the rock phosphate resources on the tenements. Following completion of the Bankable Feasibility Study (BFS), both Parties interests are contributory on a pro-rata basis.

#### **1.1.5 Upon Securing Rights or Funding for a Logistics Solution**

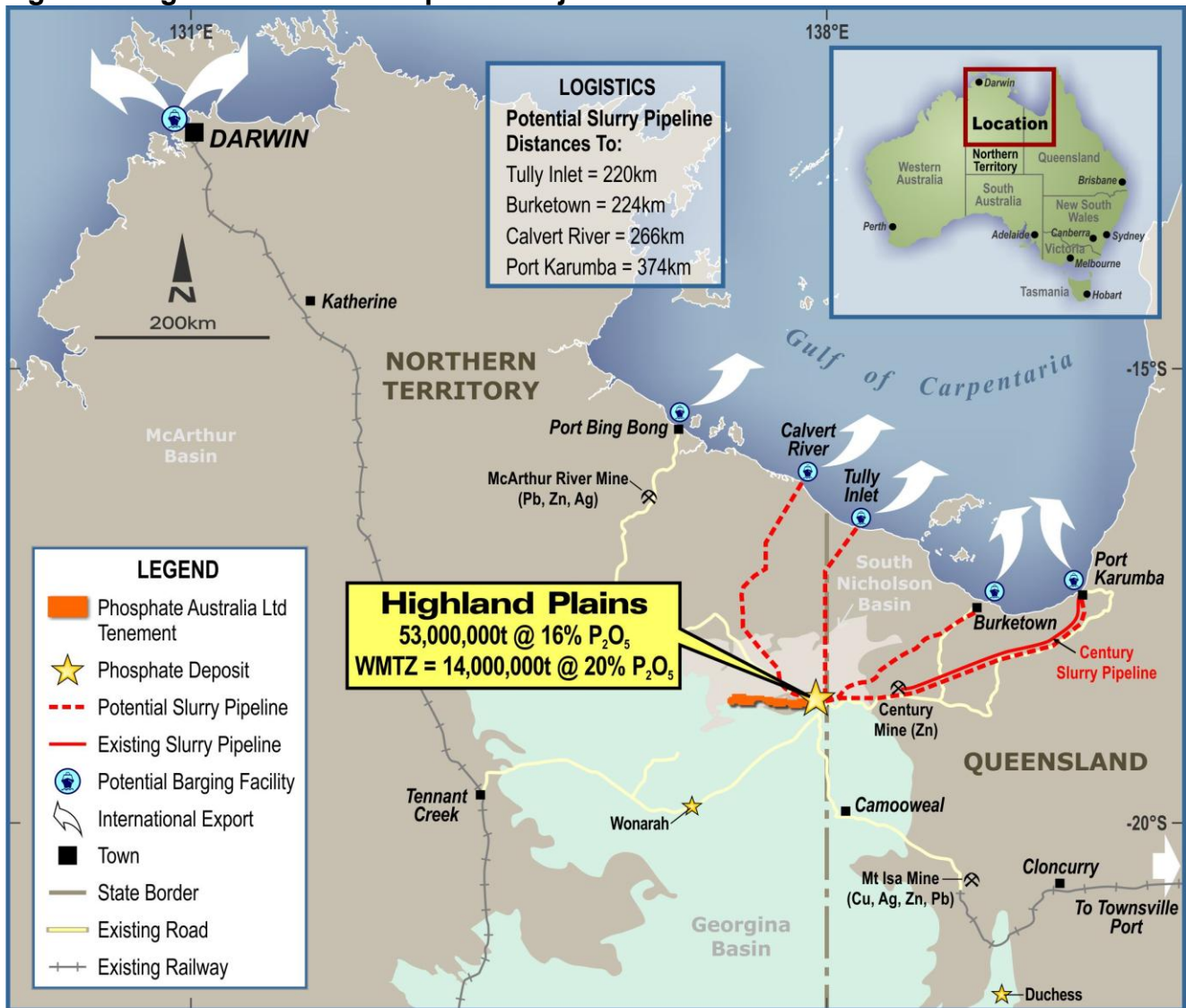
Should either the Joint Venture acquire the rights of access to use the Karumba (MMG Century mine) Pipeline; or the Joint Venture secures funding to build an alternative slurry pipeline or other logistics solution, then P2O5 shall procure that Listco shall make payment to POZ of USD\$4,000,000.

### 1.1.6 Administration and Tenement Holding Costs

After the exercise of the Option, all holding and administrative costs including minimum expenditures, tenement rents, compliance and tenement management costs incurred by the Joint Venture shall be borne by P2O5 until the production of a BFS.

NB: Further Option terms relating to third party assets are commercial in confidence.

**Figure 1: Highland Plains Phosphate Project Location Plan**



### 2.0 Blina Diamond Project, WA

**POZ 100%**

The Blina Diamond Project in the Ellendale Diamond Province of WA's Kimberley Region is 100% owned by POZ and has no private royalty obligations. The project consists of two POZ tenement applications with a combined area of 161 km<sup>2</sup> situated 100km east of Derby.

The key part of the Blina Diamond Project is a diamond bearing alluvial channel, discovered in 1995 that drains the central section of the previously mined Ellendale diamond field. This channel is named Terrace 5 (Figure 2) and previous exploration has demonstrated it to extend over some 40km, with channel widths of 200 to 500m. Gravels (where present) average about one metre in thickness. Diamonds recovered from the gravels are considered

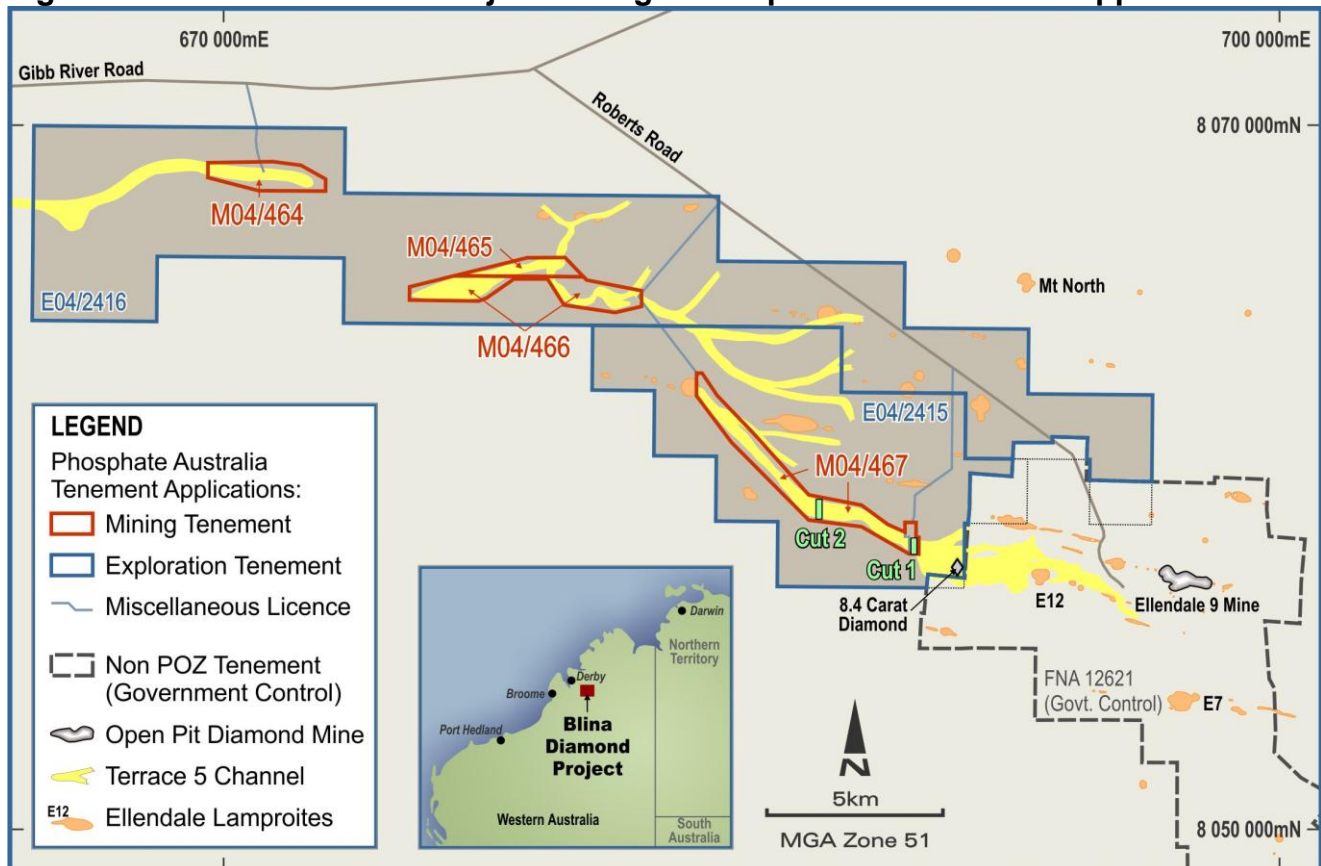
large, with an average stone size of around 0.42 carats. Most stones are of gem quality. The largest diamond recovered to date from Terrace 5 weighed 8.44 carats (from Pit 82)<sup>1</sup>, with stones larger than two carats common.<sup>1</sup>

The Company has applied for four mining leases and three miscellaneous licences over key target areas of the Terrace 5 channel with a view to trial bulk sampling of gravels. These targeted areas represent areas with shallower overburden and higher bulk sampling grades identified from previous work.

The Company has compiled the considerable amount of historical data into a modern database. This data along with previous fauna and flora, groundwater and other studies are now being used to generate applications for permitting of bulk sampling operations, which can be submitted to the mines department once the mining applications are granted. The tenements are currently progressing to grant through the Native Title process; although no particular outcome from this course can be guaranteed by the Company.

<sup>1</sup>Further detailed information including the Table 1 (JORC Code, 2012 Edition) and references are available on the POZ ASX Release dated 9 October 2015: [click here](#)

**Figure 2: Blina Diamond Project Mining and Exploration Tenement Applications**



## 2.1 Ellendale Diamond Mining Lease

On 1 February 2016, the Company reported it was pursuing a forfeiture action in the Mining Warden's Court of WA regarding tenement M04/372. This tenement covers the Ellendale diamond mine previously operated by Kimberley Diamonds Ltd and also adjoins the POZ Blina Diamond Project (Figure 2). This process included the pegging of two exploration licenses E04/2424 and E04/2429 which, in-part, cover the original mining tenement M04/372 (now the government controlled File Notation Area 12621).

Despite POZ securing the first-in-line rights for these two exploration licenses, the Minister for Mines and Petroleum informed the Company on 24 August, that it was his intention to refuse the licence applications.

The Company does not intend to pursue this action any further at this time. It is important to note that this action in no way affects the POZ Blina Diamond Project described in 2.0 above.

### 3.0 Bulgera Gold Project, WA

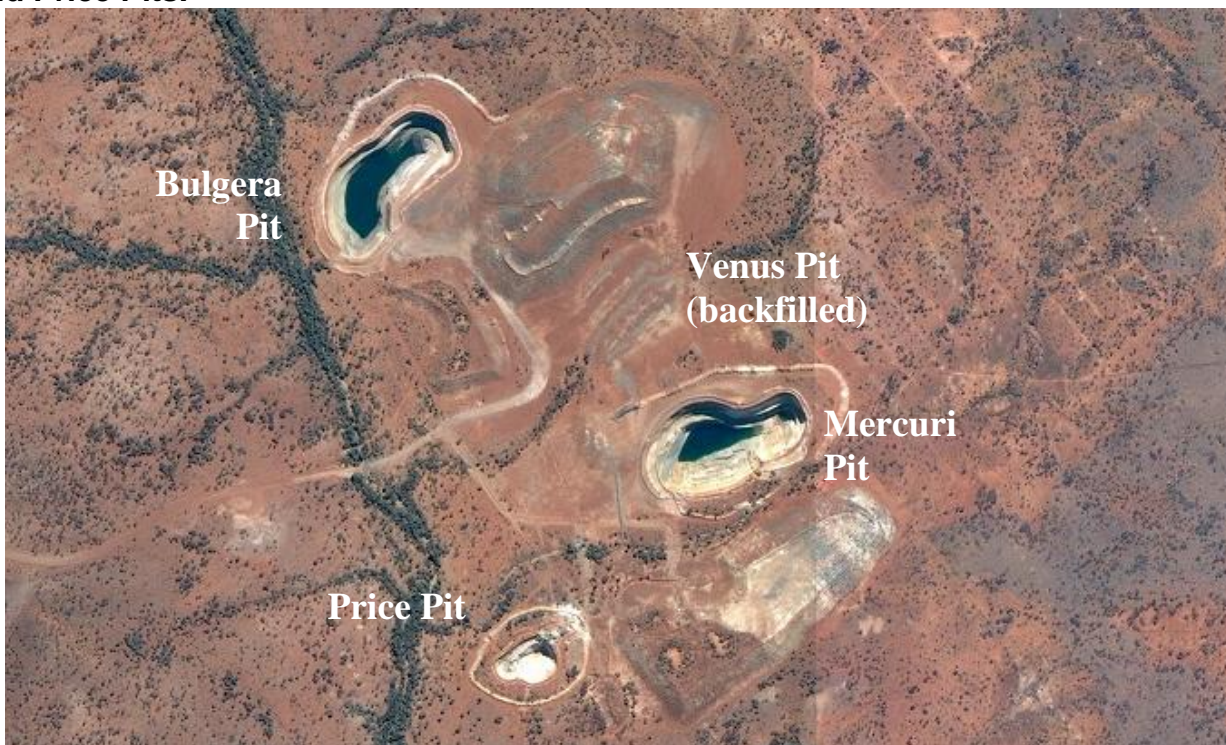
**POZ 100%**

During the quarter, the Company announced the acquisition of the Bulgera Gold Project, situated in the Plutonic Well Greenstone Belt in Western Australia. The Project lies 10km east of the Marymia gold mine and 48km via existing haul road to the operating Plutonic Gold Mine that has produced over 5 million ounces of gold since 1990.

The project was pegged by the Company at minimal cost and has no private royalty obligations. The Bulgera Project consists of two tenements (E52/3276 and E52/3316) with a combined area of 37.3 km<sup>2</sup>, both tenements were recently granted and there are no heritage or other agreements in place over the tenements.

Previous mining on the project includes the former producing pits of Bulgera, Venus, Mercuri and Price. The total production from these four pits (over two phases of mining) was reported as 440,799 tonnes @ 1.65 g/t Au for 23,398 ounces. POZ has compiled a database of historic drilling consisting of 1,688 drillholes and 74,888 metres of drilling.

**Figure 3: Bulgera Gold Project Satellite Imagery Showing the Bulgera, Venus, Mercuri and Price Pits.**



For scale, the Bulgera Pit is approximately 240 metres long.

### 3.1 Regional Gold Targets 'A' and 'B': Greenfields Drilling for New Discoveries

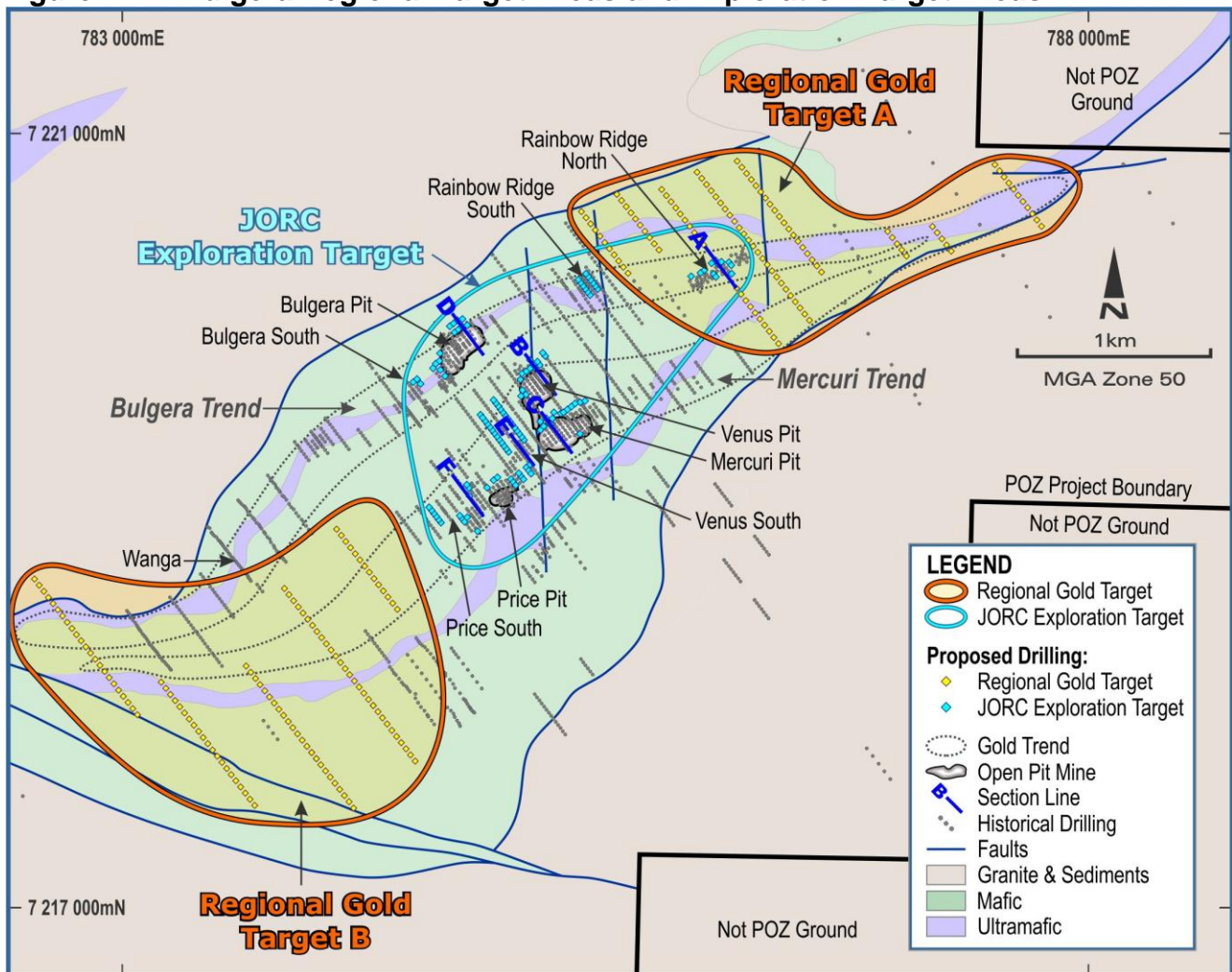
There are multiple 'Regional Gold Targets' on POZ ground that have the potential to generate significant new discoveries. An 8,800m drilling program (RAB or aircore) has been designed to explore these targets. (The Regional Gold Targets discussed here are separate to the 'JORC Exploration Target').

The Regional Gold Targets have been identified from a combination of geology, structure, mineralised trends, geochemistry and geophysics. After a review of the various geological maps available for the project, including regolith and outcrop geology maps, it was concluded that soil sampling in the area, although useful in places, should not be used to sterilise any target areas, due to the potential for transported cover.

The Regional Gold Targets have been divided into two main areas 'Regional Gold Target A' to the northeast and 'Regional Gold Target B' to the southwest (Figure 4).

To test these targets, a total of 220 holes are planned to a maximum of 40m downhole depth, with a hole spacing of 40m. A total of 8,800m drilling is planned. Partners are being actively sought to fund this drilling.

**Figure 4 Bulgera Regional Target Areas and Exploration Target Areas**



### 3.2 JORC Exploration Target on Areas of Known Mineralisation

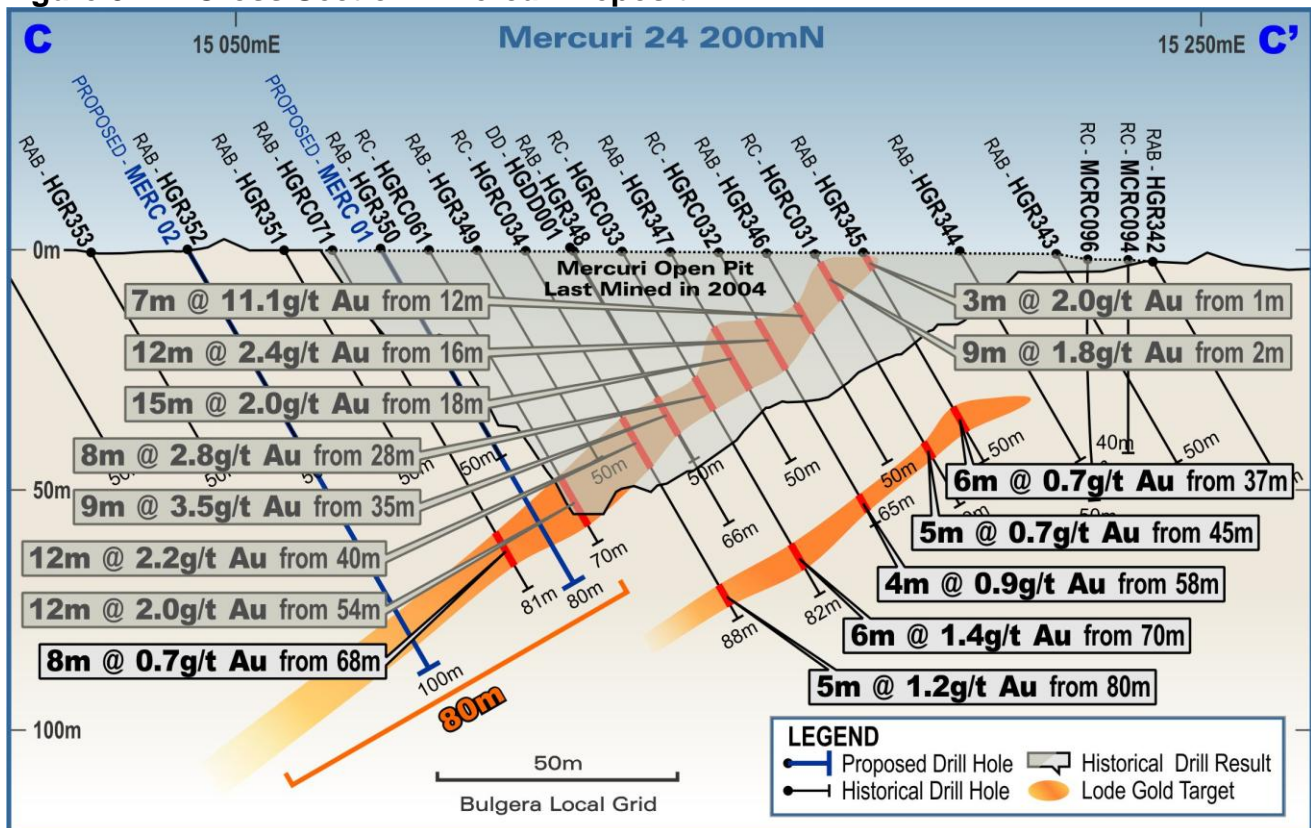
The Company has calculated a JORC Exploration Target at Bulgera on areas of known mineralisation from existing prospects that have been previously drilled and have intersected significant mineralisation. The JORC Exploration Target is:

**1.9 to 2.1 Mt @ 1.3 to 1.6 g/t Au for 80,000 to 120,000 contained ounces of Au\***

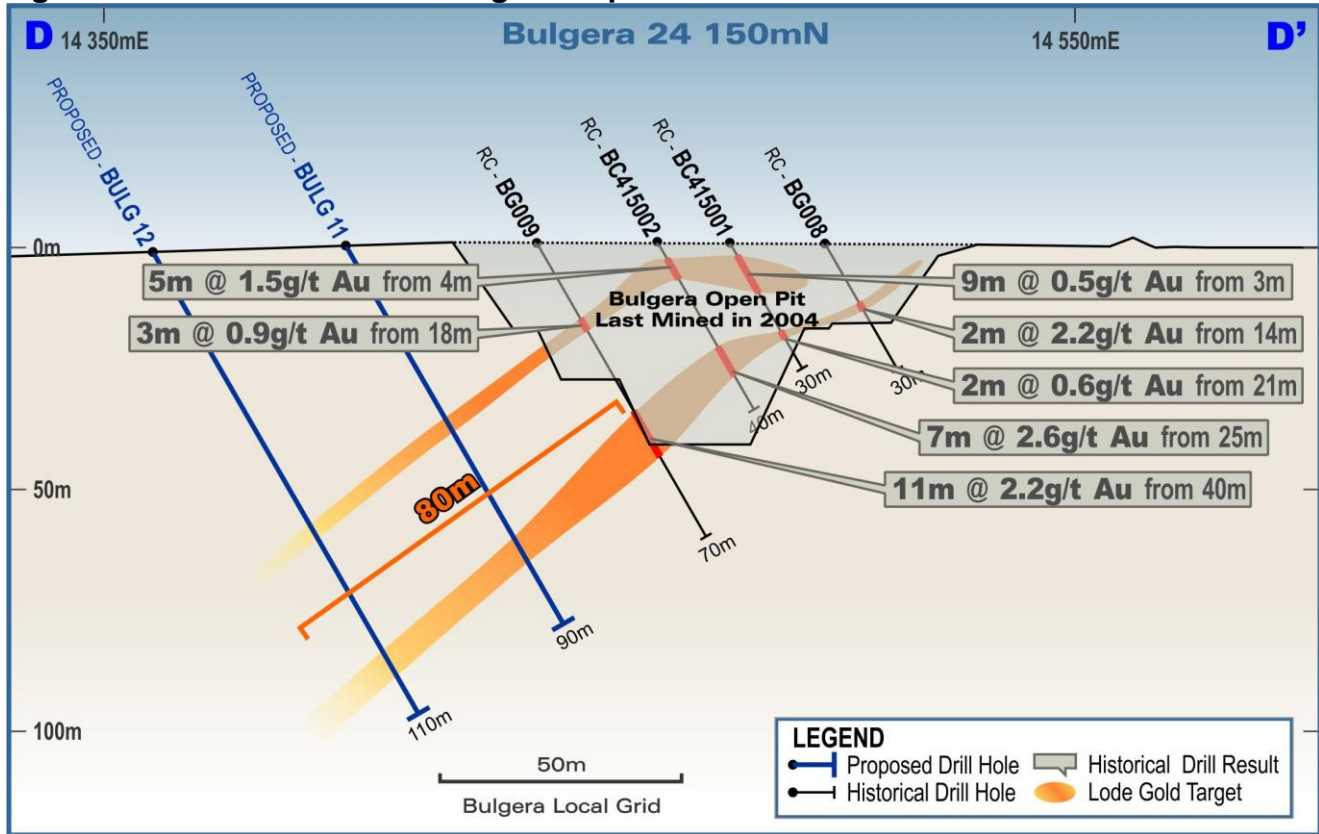
*\*The potential quantity and grade of this exploration target is conceptual in nature, there is currently insufficient exploration completed to support a target of this size and it is uncertain whether continued exploration will result in the estimation of a JORC resource.*

The JORC Exploration Target assumes the expansion of mineralisation and in some cases improvement of grade at depth or along strike at each of the nine separate prospects/deposits.

**Figure 5 Cross Section – Mercuri Deposit**



**Figure 6 Cross Section - Bulgera Deposit**



**3.3 Bulgera Summary**

The Bulgera Gold Project is hosted within a highly prospective, under-explored greenstone belt previously mined by Barrick. The proximity of the under-utilised Plutonic gold mill, (2 Mtpa) only 48km away by existing haul road, gives this project considerable commercial potential. The Company is currently seeking a partner to provide the funding for this exploration drilling at Bulgera.

For more detailed information on how this exploration target was calculated at Bulgera, including the JORC Table 1,, refer to:

[Bulgera Gold Project ASX Release dated 22 September 2016](#)

**4.0 Mount Monger Gold Project, WA**

**POZ 100%**

The Mount Monger Gold Project is 43km east of Kambalda and 70km by road from Kalgoorlie, the project consists of tenement E25/525 (26.6km<sup>2</sup>). The Company owns 100% of the project with no private royalties or encumbrances. The project is well located in an active gold mining district and is only 11km east of the 1.2Mtpa Randalls gold mill operated by Silver Lake Limited.

In March 2016, POZ conducted an 87 hole, 2,344m aircore drilling campaign on the project. Drilling confirmed a lode gold target with 350 metres of strike at the Kiaki Soaks Prospect which has the potential to host significant gold mineralisation.

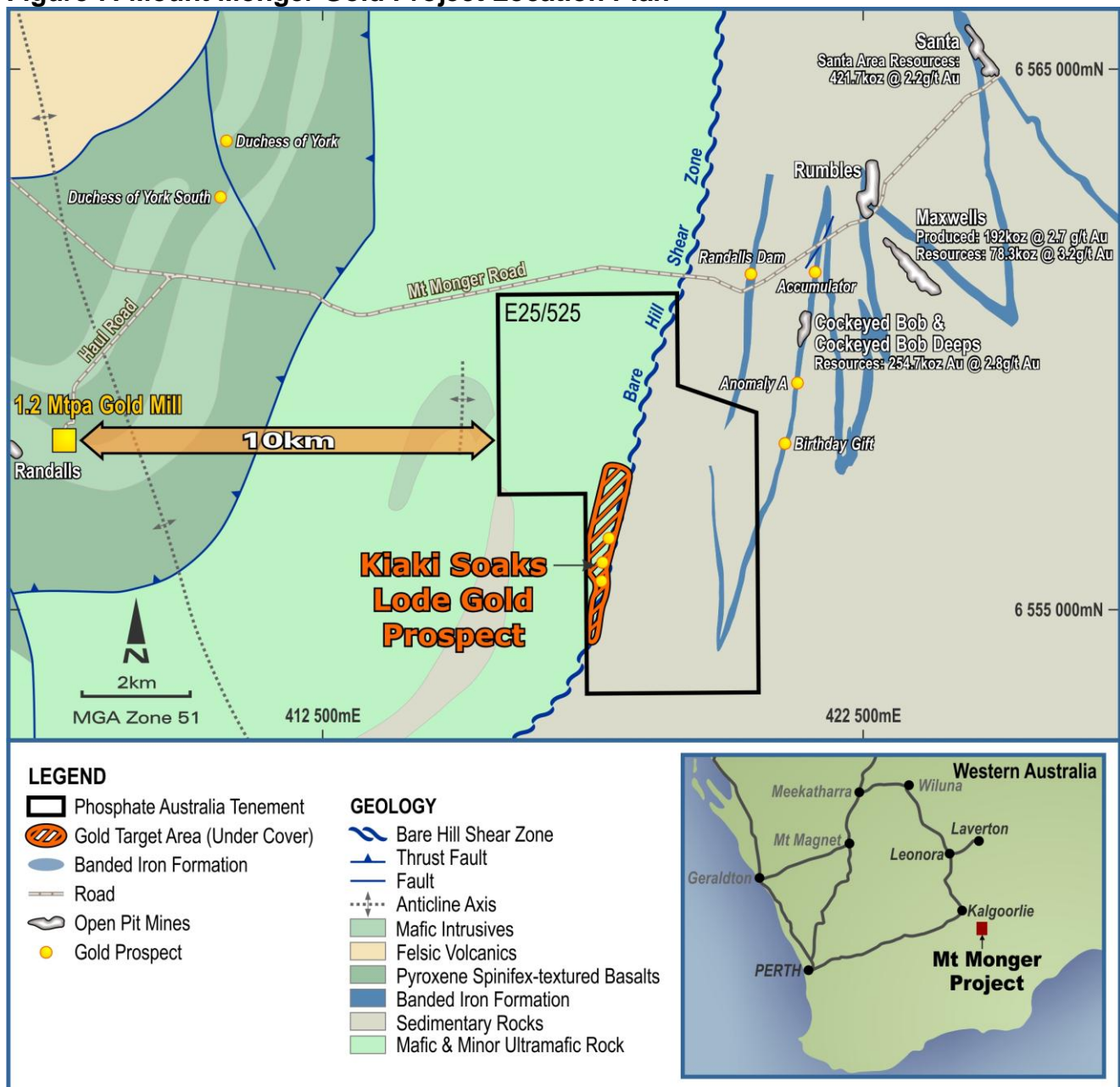


During the last quarter, the Company was awarded \$80,000 by the WA government's Exploration Incentive Scheme (EIS) for further exploration drilling, with a particular view to the discovery of palaeo-channel systems.

The Mount Monger Gold Project has the potential to generate satellite ore-feed for existing milling infrastructure and the Company is reviewing its options, which includes further shallow aircore drilling for exploration and to prove up a resource at Kiaki Soaks within a joint venture farm-out.

Table 1 (JORC Code, 2012 Edition), references and supporting information to this report is available on the POZ ASX Release dated 18 April 2016. [Mount Monger Drill Results Phase 1](#)

**Figure 7: Mount Monger Gold Project Location Plan**



#### 4.0 Summary and Outlook

The Highland Plains Option agreement indicates the level of interest in the region which has been rising since the closure of the nearby Century Zinc Mine. The associated infrastructure has the potential to positively impact the commercialisation of Highland Plains.

The acquisition of the Bulgera Gold Project in WA adds further weight to the Company's growing WA gold portfolio. At the Mount Monger gold project, the recent award of an \$80,000 co-funded drilling grant from the WA government helps to fund the pursuit of further gold targets in the area. Both these gold projects are close to existing milling infrastructure which could assist in commercialising any discovery.

The Company is well placed with a cash balance of approximately \$2.5 million (30 September 2016).

Jim Richards  
Executive Chairman

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*The information in this report that relates to previously reported exploration results is based on information compiled by Mr Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Richards is a Director of Phosphate Australia. Mr Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Richards consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.*

*The Information in this report that relates to Highland Plains Mineral Resources is based on information compiled by Rick Adams and Ted Hansen who are members of the Australasian Institute of Mining and Metallurgy. Rick Adams and Ted Hansen are directors of Cube Consulting Pty Ltd. and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a competent Person as defined in the December 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Rick Adams and Ted Hansen consent to the inclusion in this report of the Information, in the form and context in which it appears.*

*<sup>A</sup>The Company is not aware of any new information or data that materially affects the information included in the previous announcement (JORC 2004) and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement/year have not materially changed.*

## Appendix A - Interests In Mining Tenements

Table 1: Western Australia

Lease	State	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
E04/2415	WA Aus	Application	100%	0%	0%	Application
E04/2416	WA Aus	Application	100%	0%	0%	Application
E04/2424	WA Aus	Application	100%	0%	0%	Application
E04/2429	WA Aus	Application	100%	0%	0%	Application
E04/2463	WA Aus	Application	100%	100%	0%	Application
M04/464	WA Aus	Application	100%	100%	0%	Application
M04/465	WA Aus	Application	100%	100%	0%	Application
M04/466	WA Aus	Application	100%	100%	0%	Application
M04/467	WA Aus	Application	100%	100%	0%	Application
E20/908	WA Aus	Application	100%	100%	0%	Application
E25/525	WA Aus	Granted	100%	0%	0%	Granted
E38/3038	WA Aus	Granted	100%	0%	0%	Granted. Partial surrender of 8 blocks
E38/3058	WA Aus	Granted	100%	0%	0%	Granted
E38/3161	WA Aus	Application	100%	100%	0%	Application
E46/1141	WA Aus	Application	100%	0%	0%	Application
E52/3246	WA Aus	Withdrawn	0%	0%	100%	Withdrawn
E52/3276	WA Aus	Granted	100%	0%	0%	Granted
E52/3316	WA Aus	Granted	100%	0%	0%	Granted
E52/3426	WA Aus	Application	100%	0%	0%	Application
E69/2820	WA Aus	Granted	20%	0%	0%	Joint Venture with Alloy Resources Limited
E69/3401	WA Aus	Application	100%	0%	0%	Application
E70/4896	WA Aus	Application	100%	100%	0%	Application
E80/4953	WA Aus	Application	100%	0%	0%	Application
L04/98	WA Aus	Application	100%	100%	0%	Application
L04/99	WA Aus	Application	100%	100%	0%	Application
L04/100	WA Aus	Application	100%	100%	0%	Application

Table 2: Northern Territory

Lease	Mineral Field	Location	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
EL25068	NT Aus	Highland Plains	Granted	100%	0%	0%	POZ 100%
EL28153	NT Aus	Nicholson	Granted	100%	0%	0%	POZ 100%
EL30890	NT Aus	HP West	Granted	100%	0%	0%	POZ 100%
EL30891	NT Aus	HP West	Granted	100%	0%	0%	POZ 100%
EL31345	NT Aus	HP West	Application	100%	100%	100%	POZ 100%
EL31415	NT Aus	HP West	Application	100%	100%	100%	POZ 100%