

ASX RELEASE

25 October 2018

ASX Code: POZ



QUARTERLY REPORT

Period Ending 30 Sept 2018

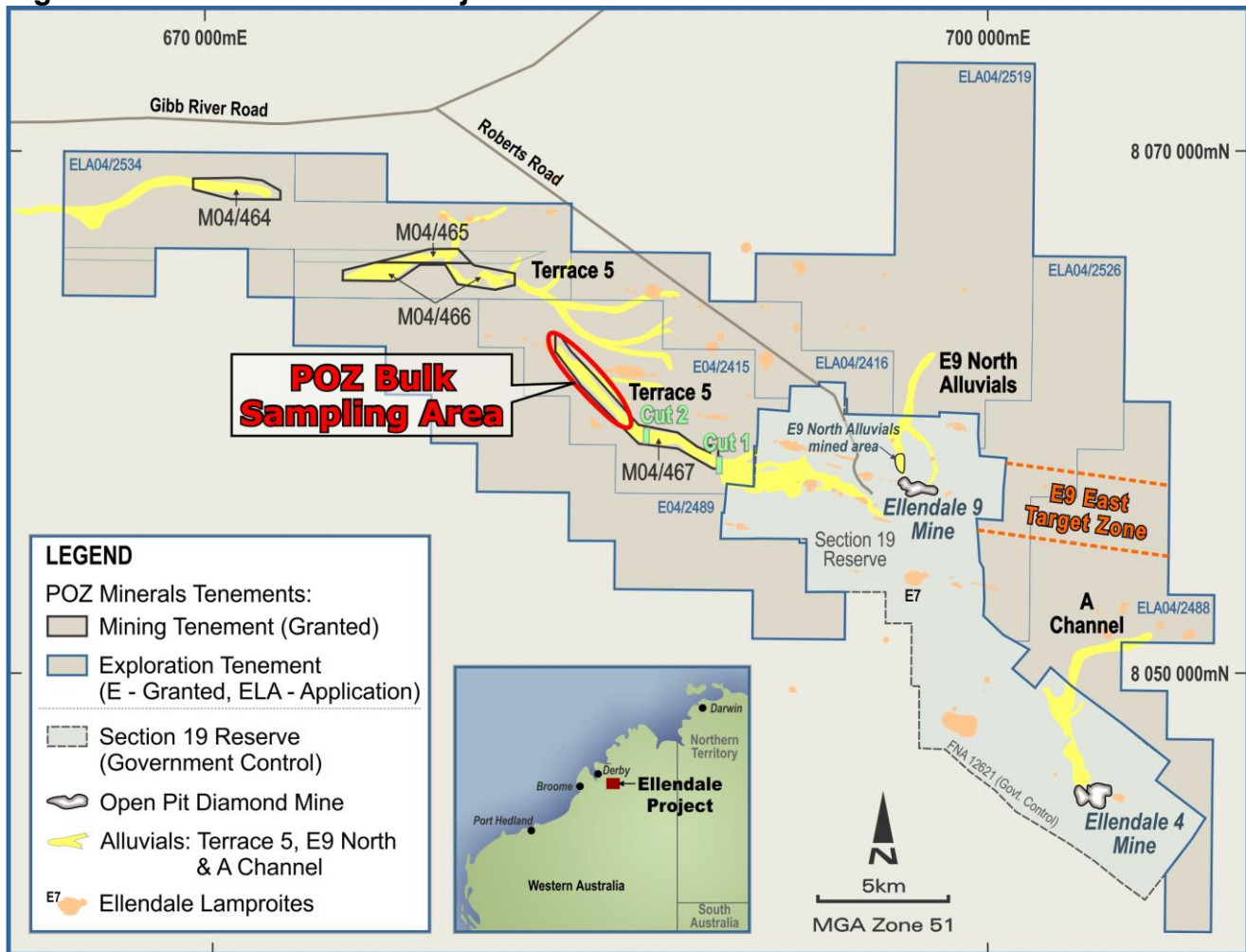
Highlights: Blina Diamond Project

100% POZ

- Engineering on the Blina diamond processing plant, including screens, trommel and the Sortex diamond recovery machines is close to completion.
- Full permitting for a 'shovel ready' project is anticipated to be finalised by November 2018.
- Trenching program identifies new and extensive areas of untested, shallow alluvial gravels in historically diamondiferous channel complex, 12km west of the Ellendale 9 diamond mine.
- Trenching confirms numerous target sites with excellent bedrock features for bonanza grade 'trap sites' to occur
- Company to present at the Gem Rendezvous conference in Singapore on 27 October 2018. Various broker and investor meetings will follow.
- POZ Directors Jim Richards and Grant Mooney joined government DMIRS officers and other interested parties for a field visit of the Ellendale Diamond Minesite on 18 September with a view to bidding for this lease.

POZ Diamond Sortex Machines Close to Completion



Figure 1: Blina Diamond Project Location & Tenements


POZ Minerals Limited ('POZ' or the 'Company') operates the Blina Diamond Project in the Ellendale Diamond Province of WA's Kimberley Region. The project consists of four granted mining leases and various exploration leases within an area of 436 km², situated 110km east of Derby.

A diamond bearing alluvial palaeochannel named Terrace 5 extends over some 40km of the POZ project area, with channel widths of 200m to 500m. The largest diamond recovered to date from Terrace 5 weighed 8.43 carats¹, with high quality stones larger than two carats common, a significant number of the diamonds are Fancy Yellows which attract a substantial pricing premium.

The Company has defined numerous high grade targets using the latest in Ground Penetrating Radar technology² over proven diamondiferous channels at Terrace 5. A recent Company trenching program has also discovered extensive areas of unsampled, shallow and highly prospective alluvial gravels³ which also require testing.

POZ is pursuing a program of systematic bulk sampling of these prospective gravel targets to define the extent and grade of the diamondiferous gravels in the Blina area, which will lead into trial mining of the best grades.

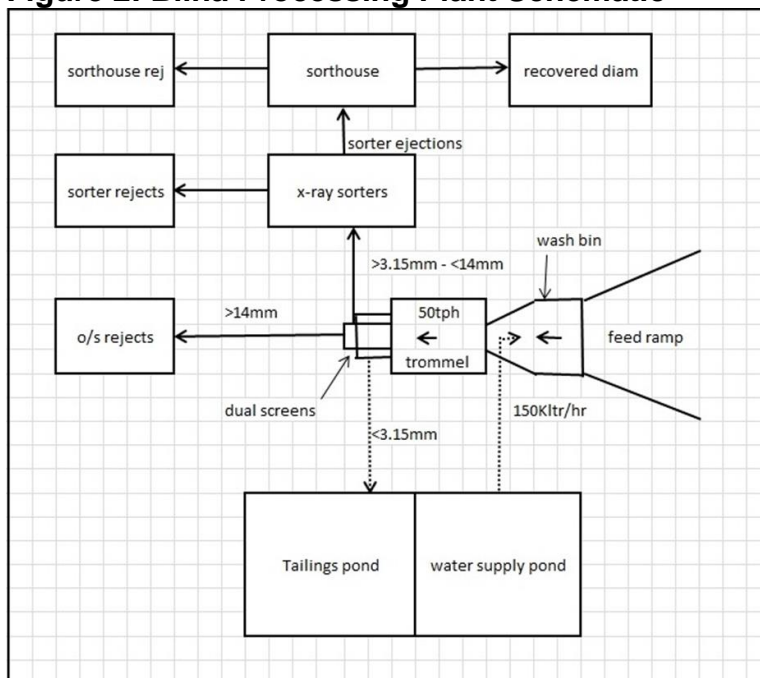
2.0 Blina Diamond Processing Plant Update

The bulk sampling/trial mining alluvial material will be treated at Blina through a Company-owned processing plant which is currently being configured in Perth. This report summarises the work done during the quarter and the current status of the plant and equipment, and the processing methodology.

The Blina Project alluvial gravels are free dig and do not require crushing. Gravel treatment is through a simple alluvial washplant and diamond recovery circuit. The main components of this processing plant have already been acquired or fabricated and are wholly owned assets of the Company. They consists of the following:

1. **Wash bin chute:** to feed the gravels into the trommel. This has been fabricated.
2. **Trommel:** to disaggregate the clay from the gravels. This 30m³ per hour unit (50 tonnes per hour) has been purchased and refurbished.
3. **Screens:** The sizing and de-watering screen unit sits on the end of the trommel and separates the material into three size fractions. This screen unit has been fabricated and is complete.
4. **X-Ray Diamond Sortex:** this machine separates the diamonds from the sorted target gravel size fraction ('concentrate' or 'middlings'). POZ's twin array Sortex system is estimated for completion by November.

Figure 2: Blina Processing Plant Schematic



This plant and machinery are currently being stored at the Company's engineering workshops in Perth. Once the equipment has been transported to site, water and electrics will be configured and the plant will be commissioned.

2.1 Wash Bin Chute

The mined gravels are placed into the feed bin chute and washed into the trommel under gravity via static water feed jets, see below.

Wash bin chute



Note the smooth feed outlet inside the bin to prevent hang-ups of diamonds

2.2 Trommel

A 30m³ per hour trommel has been purchased and refurbished. This unit was previously used at Blina and is suitable for the type of material the Company will encounter.



The Company-owned trommel with POZ Chairman Mr Jim Richards and POZ Processing Plant Consultant Mr Tom Reddicliffe

2.3 De-watering and Sizing Screens

For simplicity and to lower plant capex and operating costs, the dewatering and sizing screens have been incorporated into a rotary unit that attaches to the end of the trommel rotates with the trommel. The screens separate the material into three size fractions:

- a. +14mm: oversize discards
- b. -14mm to +3.15mm: concentrate (middlings) to the diamond Sortex machine
- c. -3.15mm: undersize/slimes to the tailings dam

This dewatering and sizing screen unit is fully fabricated and is ready for shipment.

Dewatering and sizing screen unit



Note the rotating inner 14mm screen is a sleeve within the 3.15mm outer screen. This configuration allows simultaneous sizing and dewatering within the one unit and is attached to and powered by the trommel assembly. The oversize is transited out of the unit via an extension sleeve (not shown in photo).

2.4 POZ Sortex Machines

Earlier in the year, the Company purchased four Sortex (*Flowsort*) machines from the Ellendale diamond minesite. This Sortex technology is proven over many years of operations at Ellendale to be a cost-effective and highly effective method of diamond recovery for the Ellendale/Blina type diamonds. Two of these machines have now been refurbished, rewired, and mounted into a dual array system within a sea container for ease of transport and for site security.

The POZ-owned Sortex unit is the final component of the processing plant. The concentrate from the screens will be transported via a Sanko conveyor into the feed hoppers on the top of the Sortex unit (see photos).

The only work now remaining is for a *Flowsort* technician from South Africa to run and fit the low voltage sensor cabling from the control panels to the Sortex machines and complete the final operational testing, which is planned for a November completion. The remaining two Company-owned Sortex machines remain in storage and can be commissioned should further capacity be required.

POZ Owned Sortex machine array



Dual array diamond Sortex recovery system built by POZ using Ellendale Sortex machines. Control panel on LHS



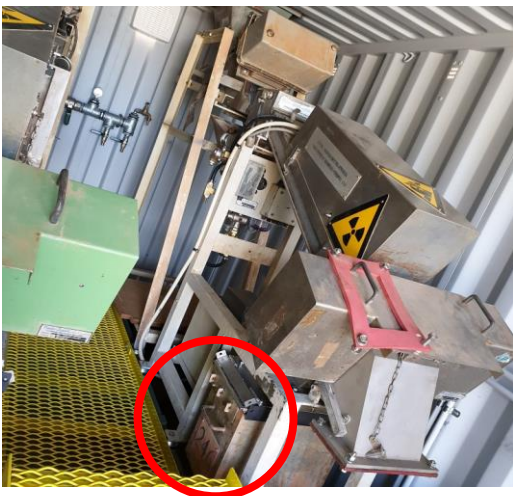
New fittings have been installed throughout



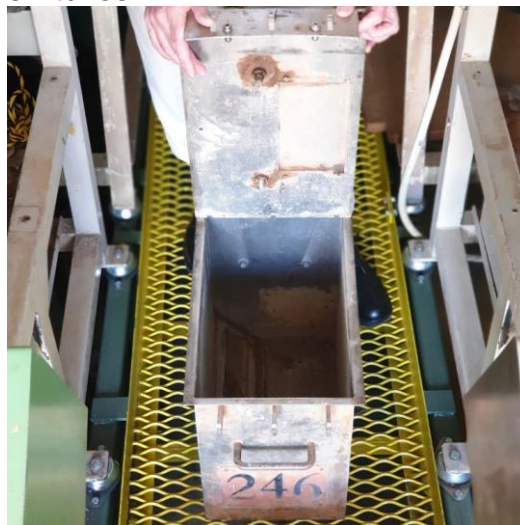
Concentrate feed hoppers on roof of Sortex unit. Feed in via Sanko conveyor



Sortex unit has all new wiring and trip switches



Note the secure diamond recovery box (#246) with multi-padlock brackets for double-handling security protocols



Secure diamond recovery box, note the internal water drain panel on LHS. POZ have eight such boxes

3.0 Plant Commissioning

Plant commissioning will include the laying down of a laterite pad, drilling a waterbore, fitting of electrics and hydraulics, water piping, and the excavation of a tailings storage facility (TSF). The plant processing area has already been partially cleared in anticipation of the water bore drilling.

Processing Plant Area at Blina: initial clearing for water bore drilling



4.0 Blina Phase 1 Trenching Operations

During the quarter, the Company completed a highly successful trenching program which commenced on 24 July. The aim of this program was to test and delineate the geology of diamond bearing target channels and trap sites to assist in planning future bulk sampling operations.

A total of 12 Trenches were excavated for 209 metres in length. All the trenches were been logged and recorded and the deeper trenches were backfilled and rehabilitated. Some shallower trenches remain open and these have been bunded for safety purposes.

These trenching operations have identified extensive new areas of previously untested, shallow and highly prospective gravels, all of which are free dig (they do not require blasting). The shallowest of these areas (in Trench 1) are within 0.3 of a metre from the surface. No water was encountered in any of the trenches.

Table 1: Summary of POZ Trenching Results

Trench Number	Area	Gravel Depth from Surface		Gravel Thickness		Trench Length (m)
		From (m)	To (m)	From (m)	To (m)	
Trench 1	Gravel Target A	0.3	0.6	0.8	2.0	64
Trench 2	Gravel Target A	0.4	0.5	1.1	2.0	20
Trench 3	Gravel Target A	0.3	0.4	1.0	1.5	25
Trench 4	Channel 1	1.2	1.4	1.1	1.3	20
Trench 5	Channel 1	1.0	1.1	1.1	1.2	12
Trench 6	Channel 1	1.1	1.2	0.5	1.3	10
Trench 7	Channel 1	1.1	1.2	2.1	2.2	12
Trench 8	Channel 1	0.9	1.2	1.6	1.7	14
Trench 9	Channel 1	1.3	1.6	1.2	1.4	9
Trench 10	Channel 1	3.0	3.1	2.5	2.9	11
Trench 11	Channel 2	0.2	0.3	1.5	2.0	10
Trench 12	Channel 1	Gravels appear to have been altered to duricrust, not suitable for bulk sampling				2
Total						209

Videos of the trenching operations can be viewed on the Company website: [click here](#)

4.1 Lateritic Overprinting of Alluvial Gravels

POZ geologists have concluded that some of the material which was previously logged as laterite/pisolite/mottled zone is in fact alluvial gravel which has been overprinted by a lateritisation (chemical weathering) event(s) which gives a mottled appearance.

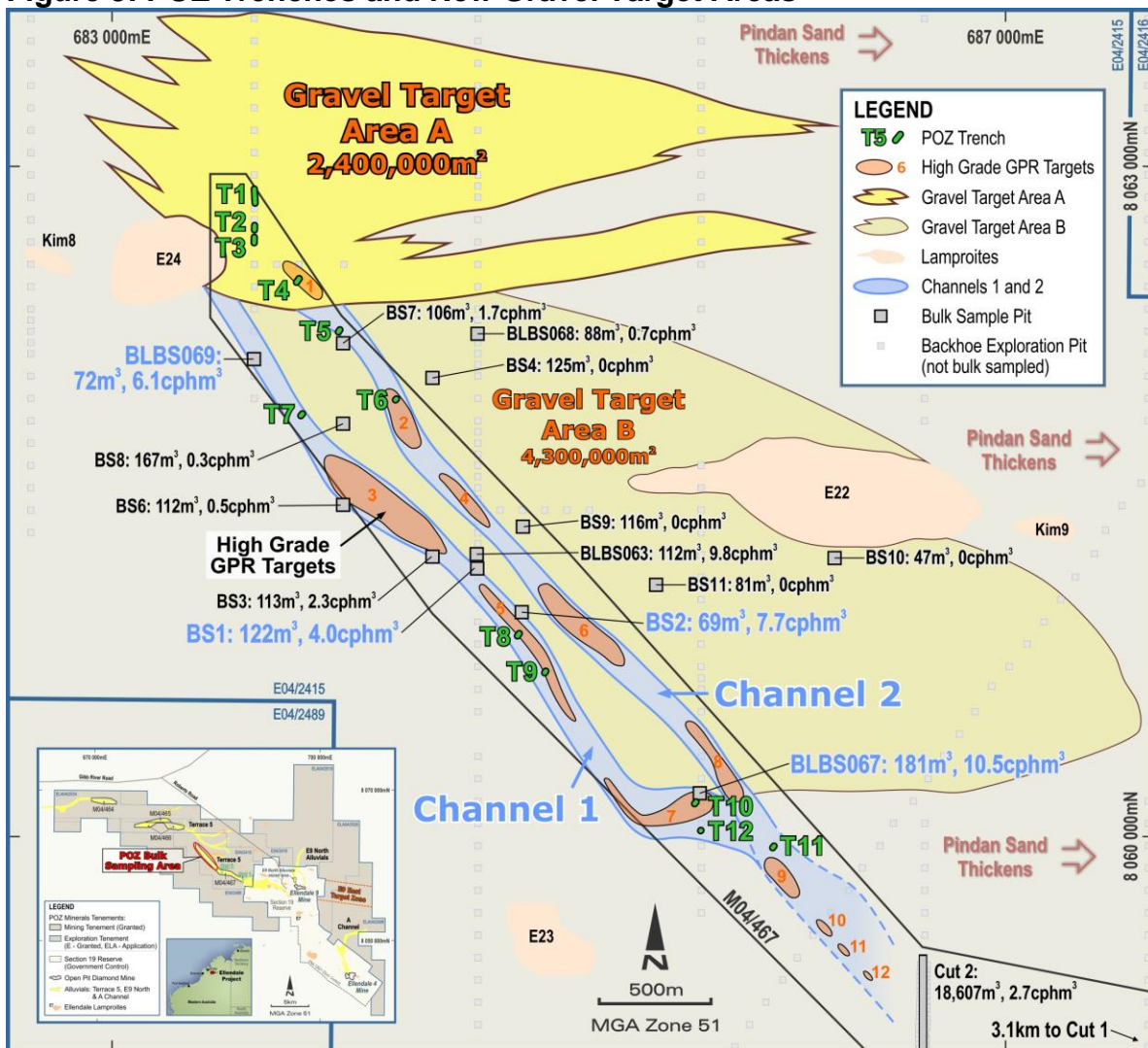
Upon careful inspection, alluvial textures and exotic clasts of rounded quartz and basement are visible within these shallow areas. These lateritised gravels grade downwards into fresher and more obvious gravels below (Figure 4).

This is of great importance because it means that much of the material previously logged as laterite/mottled zone, may in fact be diamondiferous alluvial gravel. This breaks open the project area to new exploration and targeting, because it greatly increases the areas and thicknesses of alluvial gravel targets.

4.2 Gravel Target Areas A & B

Observations from the POZ trenching and a re-interpretation of the logs from previous pitting operations have been used to define two new target areas: Gravel Target Areas A and B:

Figure 3: POZ Trenches and New Gravel Target Areas



4.3 Gravel Target Area A

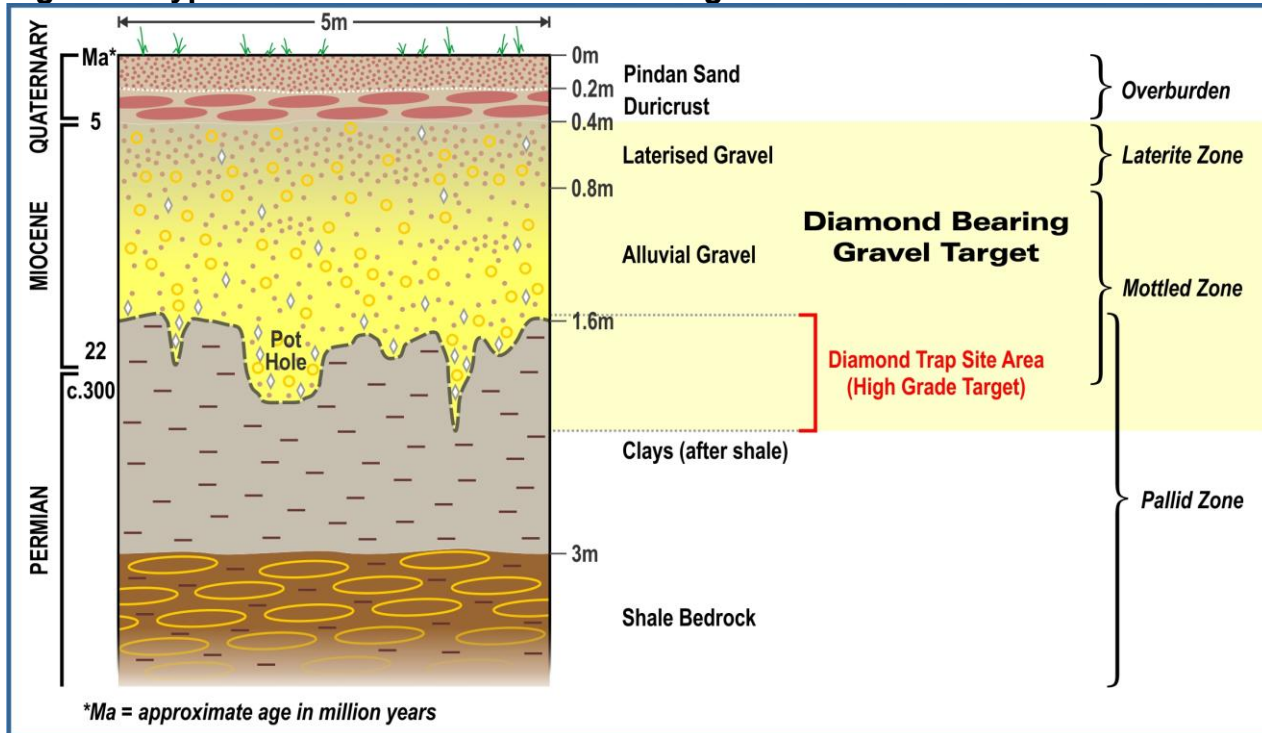
Gravel Target Area A is 2.4 million square metres of interpreted alluvial gravels, with gravel thicknesses estimated at between 0.8 and 2.5 metres (average 1.3 metres). No bulk sampling has ever been conducted over this area and these gravels are completely untested. The gravels are extremely shallow being within 0.3 of a metre from the surface as observed in POZ Trenches and around two to three metres from the surface over other parts of Area A, as interpreted from previous backhoe exploration pit logs (Figure 3).

POZ Trenches 1, 2, 3 and 4 intersected Area A type gravels and an interpretation of the geology within Trench 1 is shown in Figure 4. The gravels average around 60% clasts to 40% matrix and are mostly clast supported. Gravel clasts are approximately 70% laterite pisolites, 23% shale, 3% sandstone and 3% quartz. Clasts are 3mm to 150mm, well rounded to sub-angular. The matrix is an orangey-red, silty sandy clay.

This area shows excellent potential as a target for diamond bearing alluvial gravels, especially due to its shallowness, prospective geology and trap sites, gravel quality and proximity to the diamond bearing Channel 1 gravels.

Gravel Target Area A - Untested Gravels in Trenches 1 and 4:

	
<p>Trench 1, Alluvial gravels within 30cm of surface</p>	<p>Trench 1 rounded gravel clasts</p>
	
<p>Trench 4 rounded gravel clasts, many of which are partly saprolitised (turned to clay by weathering)</p>	<p>Trench 1 showing pothole type trap site in gravel</p>

Figure 3: Type Section from Trench 1 with Target Diamond Gravel


4.4 Gravel Target Area B

Gravel Target Area B targets approximately 4.3 million square metres of interpreted alluvial gravels with gravel thicknesses estimated as between 0.5 and 1.8 metres (average 1.2 metres). The gravels are shallow being on average within two to four metres from the surface.

All of the results from Area B bulk sampling operations are shown on Figure 3, these were reported in the POZ ASX Release dated 18 October 2017² [click here](#).

4.5 Channels 1 and 2 Trenching

POZ divided the original Terrace 5 area into two channels (1 and 2) based upon Ground Penetrating Radar (GPR)² results and these two channels were partially tested by the recent POZ trenching program (Figure 3).

Trenches 5 to 11 were dug into Channels 1 and 2 and all of these trenches encountered alluvial gravels (Table 1) which are prospective for diamonds and need to be tested by future bulk sampling operations. At Trench 12, the alluvial gravels had been turned into duricrust as a result of the lateritisation process; these gravels are massive and blocky and are not suitable for bulk testing.

Very limited bulk sampling has been conducted by previous operators over Channel 1 where a total of four bulk sample were taken with the results shown in Table 2. The best result was Bulk Sample 67 which returned a grade of 10.5 carats per hundred cubic metres with the largest diamond being 1.42 carats. The average stone size was large at 0.4 carats.

All of the results from the previous bulk sampling operations are shown on Figure 3, these were reported with JORC Table 1 in the POZ ASX Release dated 18 October 2017² [click here](#).

Table 2: Previous Diamond Bulk Sampling Results from Channel 1

Bulk Sample ID	Sample Volume	Diamonds Recovered	Diamond Grade	Average Diamond Size	Largest Diamond
	(cubic metres)	(carats)	(carats per hundred cubic metres)	(carats)	(carats)
BLBS067	181	18.98	10.5	0.40	1.42
BLBS069	72	4.39	6.1	0.63	1.87
BS1	122	4.95	4.0	0.31	1.57
BS2	69	5.34	7.7	0.38	1.03
Total	444	33.66	6.8	0.43	1.87

NB: Pits prefaced with BLBS were Kimberley Diamonds Limited

Pits prefaced with BS were Diamond Ventures NL



Screen size +1.5mm to 10.0mm

Average diamond size is not weighted

The four previous samples taken in Channel 1 totaled 444 cubic metres. The Company considers this to be too small a volume of sampled material to determine representative diamond grades for a target area which is over 450,000 square metres.

Channel 2 covers an area of 520,000 square metres, this area has never been bulk sampled and is untested.

Gravel Target Area B - Gravels in Trenches 6 and 7:

	
<p>Trench 6: partially lateritised rounded gravel clasts</p>	<p>Trench 7: alluvial gravels with rounded cobbles</p>

5.0 Ellendale Bid

POZ Directors Jim Richards and Grant Mooney joined government DMIRS officers and other interested parties for a field visit of the Ellendale Diamond Minesite on 18 September to assess the potential of the project prior to a POZ application under the EOI process.

The Company believes that the acquisition of the Ellendale Diamond Mine lease would be transformative for POZ and would provide enormous synergies with the adjoining POZ Blina Diamond Project. Full details of this process can be found on the POZ [ASX Release](#)⁴ dated 4 September 2018.

POZ Directors (L-R) Mr Jim Richards and Mr Grant Mooney at the Ellendale 9 pit during the recent site visit



6.0 Blina Project Permitting

The latest iteration of the Blina Project Mining Proposal was lodged with the Department of Mines, Industry Regulation and Safety (DMIRS) on 18 September. This permitting has taken longer than anticipated, however, the Company believes this proposal is now close to being granted.

The Blina Project Management Plan (safety case document) will be lodged with DMIRS this month. This is the final permitting required prior to bulk sampling/trial mining/full scale mining.

The Company anticipates that the Blina Project will be fully permitted (shovel ready) by November 2018.

7.0 Corporate Activity

Mr Richards attended the Diggers and Dealers Conference in Kalgoorlie from 6 to 8 August.

Mr Richards will speak at the Gem Rendezvous conference in Singapore on the 27 October. Various broker and investor meetings will follow.

8.0 R&D Cash Refund

As a result of the ground-breaking new GPR technology utilized by POZ to target high grade alluvial diamond trap sites, the Company has been deemed eligible for a Federal government R&D refund. This refund was received by POZ in late September and (after deductions) totaled \$182,039 in cash. POZ will be applying for further R&D refunds for the 2018-19 tax year and future years as applicable.

9.0 Summary and Outlook

The Company is excited by progress to date at the Blina Diamond Project. Engineering on the Company's wholly owned processing plant including the Sortex diamond recovery machines is close to completion and permitting is being finalised. Recent POZ trenching activities indicate vast areas of untested gravels adjacent to previously proven diamondiferous channels.

The Project represents a near shovel-ready bulk sampling/trial mining proposition with very low OPEX and CAPEX requirements and a unique and world class product in the form of Ellendale Fancy Yellow diamonds. The Company is currently progressing the necessary funding requirements prior to the mobilisation of the sampling and trial mining equipment to the field.

POZ Minerals is well placed to progress its activities with a cash balance of approximately \$1.63 million (30 Sept 2018).

Jim Richards
Executive Chairman

Enquiries To: Mr Jim Richards +61 8 9422 9555



This 8.43 carat Fancy Yellow diamond was previously recovered from Terrace 5 POZ tenements

References:

¹Further 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](#)

²Blina Diamond Project, Gamechanger GPR Survey; POZ ASX Release dated 18 October 2017 [click here](#)

³Trenching Discovers New Gravel Targets at Blina; POZ ASX Release dated 6 August 2018 [click here](#)

⁴POZ to Bid For the Ellendale Diamond Mine; POZ ASX Release dated 4 September 2018 [click here](#)

Bulletin 132 (Geological Survey of Western Australia); The kimberlites and lamproites of Western Australia by A.L. Jaques, J.D. Lewis and C.B. Smith.

The information in this report that relates to current and previously reported exploration results and the JORC Exploration Target 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 POZ Minerals Limited. 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.

^AThe Company is not aware of any new information or data that materially affects the information included in the previously reported exploration and production data (JORC 2004) and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement/year have not materially changed

No New Information

To the extent that the announcement contains references to prior technical information, exploration results and mineral resources; these have been cross referenced to previous market announcements made by the Company. These had been disclosed to JORC 2012 standard. Unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements that assumptions and technical parameters underpinning the relevant market announcement continue to apply and 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	Granted	100%	0%	0%	Granted
E04/2416	WA	Granted	100%	0%	0%	Granted
E04/2479	WA	Application	100%	0%	0%	Application
E04/2488	WA	Withdrawn	0%	0%	100%	Application
E04/2489	WA	Granted	100%	0%	0%	Granted
E04/2519	WA	Application	100%	0%	0%	Application
E04/2526	WA	Application	100%	0%	0%	Application
E04/2534	WA	Application	100%	0%	0%	Application
E04/2543	WA	Application	100%	100%	0%	Application
M04/464	WA	Granted	100%	0%	0%	Granted
M04/465	WA	Granted	100%	0%	0%	Granted
M04/466	WA	Granted	100%	0%	0%	Granted
M04/467	WA	Granted	100%	0%	0%	Granted
E20/908	WA	Granted	0%	0%	0%	Granted: AX8 Beneficial Owner
E25/525	WA	Granted	0%	0%	0%	Granted: AX8 Beneficial Owner
E38/3038	WA	Surrendered	0%	0%	100%	Granted
E69/2820	WA	Granted	20%	0%	0%	JV with Alloy Resources Limited
E69/3401	WA	Application	100%	0%	0%	Application
E80/4953	WA	Withdrawn	0%	0%	100%	Application
E80/5109	WA	Withdrawn	0%	0%	100%	Application
E80/5134	WA	Application	100%	0%	0%	Application
E80/5258	WA	Application	100%	0%	0%	Application
L04/98	WA	Granted	100%	0%	0%	Granted
L04/99	WA	Granted	100%	0%	0%	Granted
L04/100	WA	Granted	100%	0%	0%	Granted
L04/105	WA	Granted	100%	0%	0%	Granted
L04/106	WA	Granted	100%	0%	0%	Granted
L04/107	WA	Granted	100%	0%	0%	Granted

Table 1: Western Australia (Continued)

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
P04/273	WA	Application	100%	0%	0%	Application
P04/274	WA	Application	100%	0%	0%	Application
P04/275	WA	Application	100%	0%	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	Highland Plains	Granted	100%	0%	0%	POZ 100%: