

ASX RELEASE

30 January 2018

ASX Code: POZ



QUARTERLY REPORT

Period Ending 31 December 2017

Summary:

Blina Diamond Project

(100% POZ)

- Granting of all four Mining Leases and Agreements with Traditional Owners paves the way for low cost alluvial diamond testing in 2018 and significantly **de-risks** potential transition to production.
- Recent appraisal of a 1,497 carat parcel of diamonds previously mined from the Blina Diamond Project, reports a valuation of **US\$389 per carat** (A\$505 per carat). This is a 63% increase on the previous price of US\$238 per carat made in 2006.
- A JORC (2012) **Exploration Target** for the Terrace 5 alluvials is **700,000 to 1,000,000 cubic metres at 2.3 to 4.1 carats per cubic metre**, for contained diamonds of **1.6 to 4.1 million carats**. The potential quantity and grade of this Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.
- Latest surveys define **nine new 'High Grade' diamond targets** which the Company believes are the most prospective targets identified to date within Terrace 5. Target depths are shallow ranging from **2 to 8 metres**.
- Diamond exploration field operations to commence in March 2018.

POZ Gold Projects – Upcoming AX8 Float

- The successful sale agreement over the POZ Mount Monger and Bulgera Gold Projects was executed on 22 January, with the incoming party, Accelerate Resources Limited ('AX8') to list on the Australian Stock Exchange in early February 2018.
- AX8 has paid POZ \$30,000 cash, and will issue 3,000,000 Shares to POZ at an issue price of \$0.20 each for a total value of \$600,000. These Shares will be listed on the ASX.



8.43 carat Fancy Yellow diamond previously recovered from the Blina Project alluvials (POZ ground) during Terrace 5 sampling (Pit 82). This stone alone is valued at US\$44,482.

1.0 Blina Diamond Project, WA

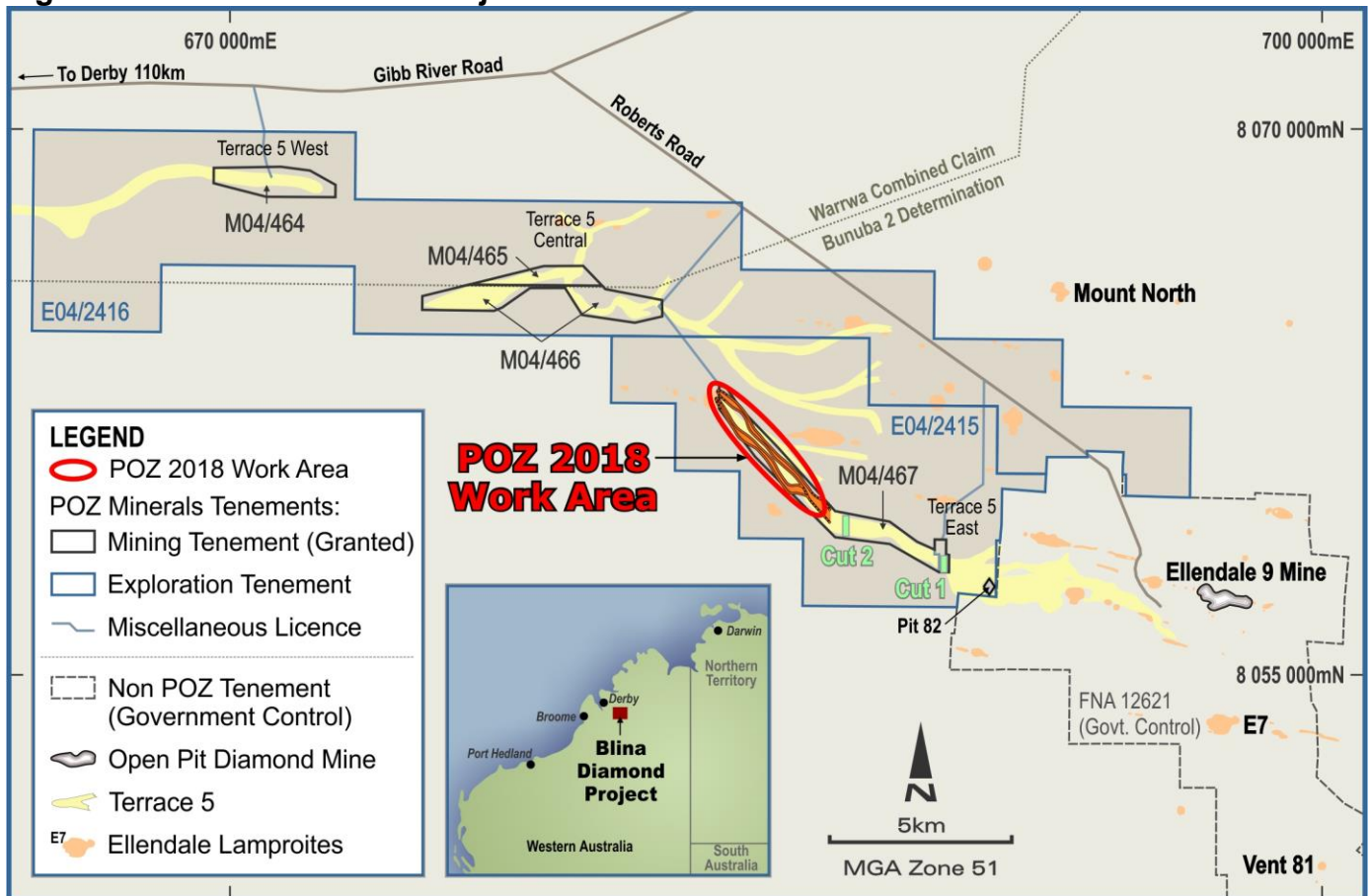
POZ 100%

The Blina Diamond Project in the Ellendale Diamond Province of WA's Kimberley Region is 100% owned by POZ Minerals Limited ('POZ' or the 'Company'). The project consists of four granted mining leases and two exploration leases within an area of 161 km², situated 100km 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 carats (from Pit 82, Figure 1), with stones larger than two carats common.

The key to exploring the Terrace 5 diamondiferous channel is to find the best alluvial trap sites which are most likely to host the highest diamond grades, these trap sites usually occur around the sediment/bedrock contact. POZ Minerals has completed a ground geophysics survey using the latest in Ground Penetrating Radar (GPR) technology and the Company believes we now have a fast and inexpensive breakthrough technique which can discover these trap sites and their highly prospective diamondiferous gravels.

Figure 1: Blina Diamond Project Location & Tenements



POZ has merged historic drilling, trenching, bulk sampling, trial mining, indicator mineral sampling and geophysical data with the latest state of the art GPR data to generate high grade alluvial diamond trap site targets on the proven diamondiferous channels.

These targets will be tested this year via bulk sampling and trial mining, a field program will commence in March 2018.

1.1 Grant of Mining Leases De-Risks Project

During the quarter all four of the company's mining lease applications were granted. This is a major step forward for the Company and reflects the considerable work and preparation which has gone into the Blina Diamond Project to date.

The grant of these leases was assisted by securing two historic Mining Agreements with the following groups:

- The Bunuba Dawangarri Aboriginal Corporation ('Bunuba'), the Traditional Owners for the southern part of the Blina Diamond Project area. [ASX Release](#)
- The Warrwa Combined Native Title Group ('Warrwa'), the Traditional Owners for the northern part of the Blina Diamond Project area. [ASX Release](#)

As a result of the grant of these mining leases, the project has been significantly de-risked. The company now has the ability to immediately transition to a full scale mining operation, should commercial diamond grades be encountered during the upcoming field seasons sampling operations.

1.2 Diamond Valuation

During the quarter, an independent appraisal on the data from a 1,497.57 carat parcel of diamonds previously mined from Terrace 5 was conducted. This gave a price of **US\$389 per carat** (A\$505 per carat). This is a **63% increase** on the previous valuation of US\$238 per carat made in April 2006.

This substantial price increase is mainly due to the greatly increased pricing of the fancy yellow component of the parcel which has gone up by **131%** to **US\$3,391 per carat** (A\$4,403 per carat). The previous valuation of the Fancy Yellows in 2006 was US\$1,466 per carat. The Fancy Yellow component now constitutes 62% of the value of the whole parcel (up from 50% in 2006).

The largest stone in the valuation parcel was a Fancy Yellow stone weighing 8.43cts. This diamond has an estimated value of US\$44,482 (A\$57,769) which is the equivalent of US\$5,277 per carat (A\$6,853 per carat).

1.3 Valuation Composition by Quality

The valuation parcel had a Gem content of 38%, Near-gem of 55% and Industrial of 7%. The combined Gem and Near-gem content of 93% could be considered high by world standards.

1.4 Blina Project Diamond Valuation Summary

The Board is very pleased with this new major increase in the valuation of the Terrace 5 diamonds. We believe it is an extremely significant development for the Company which will also have a positive effect on the economics of the Blina Diamond project. [ASX Release](#)

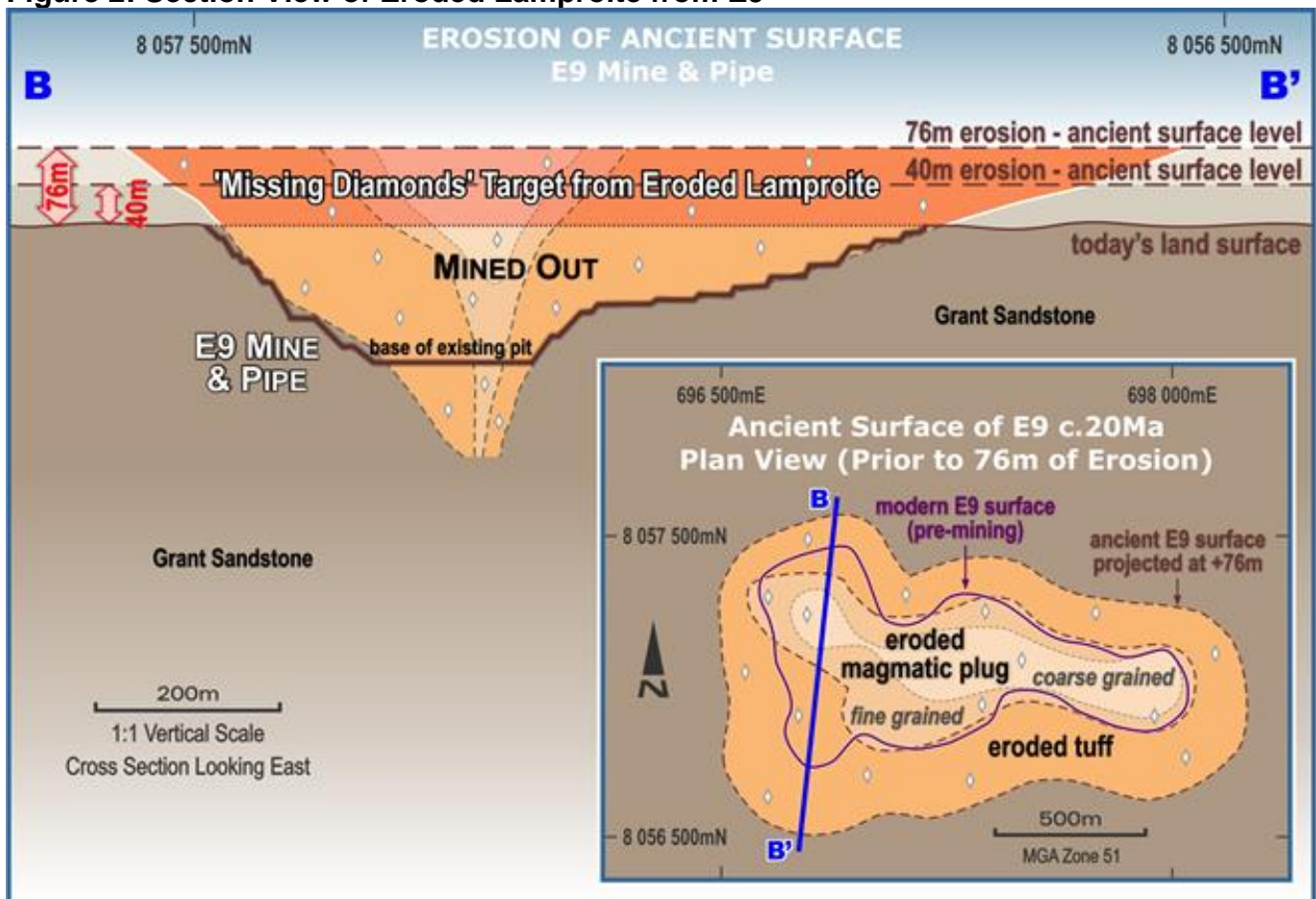
1.5 Terrace 5 JORC (2012) Exploration Target

The JORC (2012) Exploration Target for the Terrace 5 alluvials is from **700,000 to 1,000,000 cubic metres** at a grade of **2.3 to 4.1 carats per cubic metre**, for contained diamonds of **1.6 to 4.1 million carats**.

Table 1 Exploration Target Summary

Volume Gravels (m3)		Grade (carats per cubic metre)		Total Diamonds (million carats)	
From	To	From	To	From	To
700,000	1,000,000	2.3	4.1	1.6	4.1

Figure 2: Section View of Eroded Lamproite from E9



This Exploration Target is based on estimating the amount of ‘Missing Diamonds’ which have been eroded from the E9 pipe (Figure 2) and have ended up in the Terrace 5 palaeochannel (Figure 1). A full technical summary is detailed in the recent [POZ ASX Release](#).

This maiden JORC Exploration Target demonstrates the potential of Terrace 5 to deliver very high grades on what would be a relatively simple, shallow, low capital cost and low operating cost alluvial mining process.

Previous explorers lacked a method of indirectly mapping the prospective bedrock-cover contact. The highly successful recent POZ geophysical survey using Ground Penetrating Radar may well prove to be a gamechanger for this project by quickly and inexpensively defining the highest quality diamond targets at this contact. **The potential for discovering bonanza grades within these newly defined trap site targets presents an exciting and significant upside.**

1.6 Nine 'High Grade' Diamond Targets Identified

By combining GPR and historic pitting and trenching data, POZ has identified two new discrete channels within Terrace 5. These have been named Channel 1 and Channel 2 (Figure 3). Previous testing on Channel 1 indicates it is strongly diamondiferous, Channel 2 is untested.

Channels 1 and 2 are deeper, and presumably older, than the other defined Terrace 5 gravels in the area. The historic bulk sampling which took place over the newly defined Channel 1 gave some of the best results within the Terrace 5 system, with grades up 10.5 carats per hundred cubic metres (cphm³), see Table 2.

Table 2: Bulk Sample Results from Channel 1

Sample	Volume (m ³)	Diamond grade (carats per hundred m ³)	Average diamond size (carats)	Largest Stone (carats)
BLBS067	181	10.5	0.4	1.3
BLBS069	72	6.1	0.6	1.9
BS1	122	4.0	0.3	1.6
BS2	69	7.7	0.4	1.0

Within Channels 1 and 2, POZ has identified **nine new 'High Grade' targets**, which the Company believes are the most prospective areas within the entire Terrace 5 system. These nine 'High Grade' targets have minimal overburden (2 to 8 metres), lie within proven diamondiferous channels and show up on the GPR as excellent potential alluvial trap sites.

Figure 3: High Grade Targets 1-9

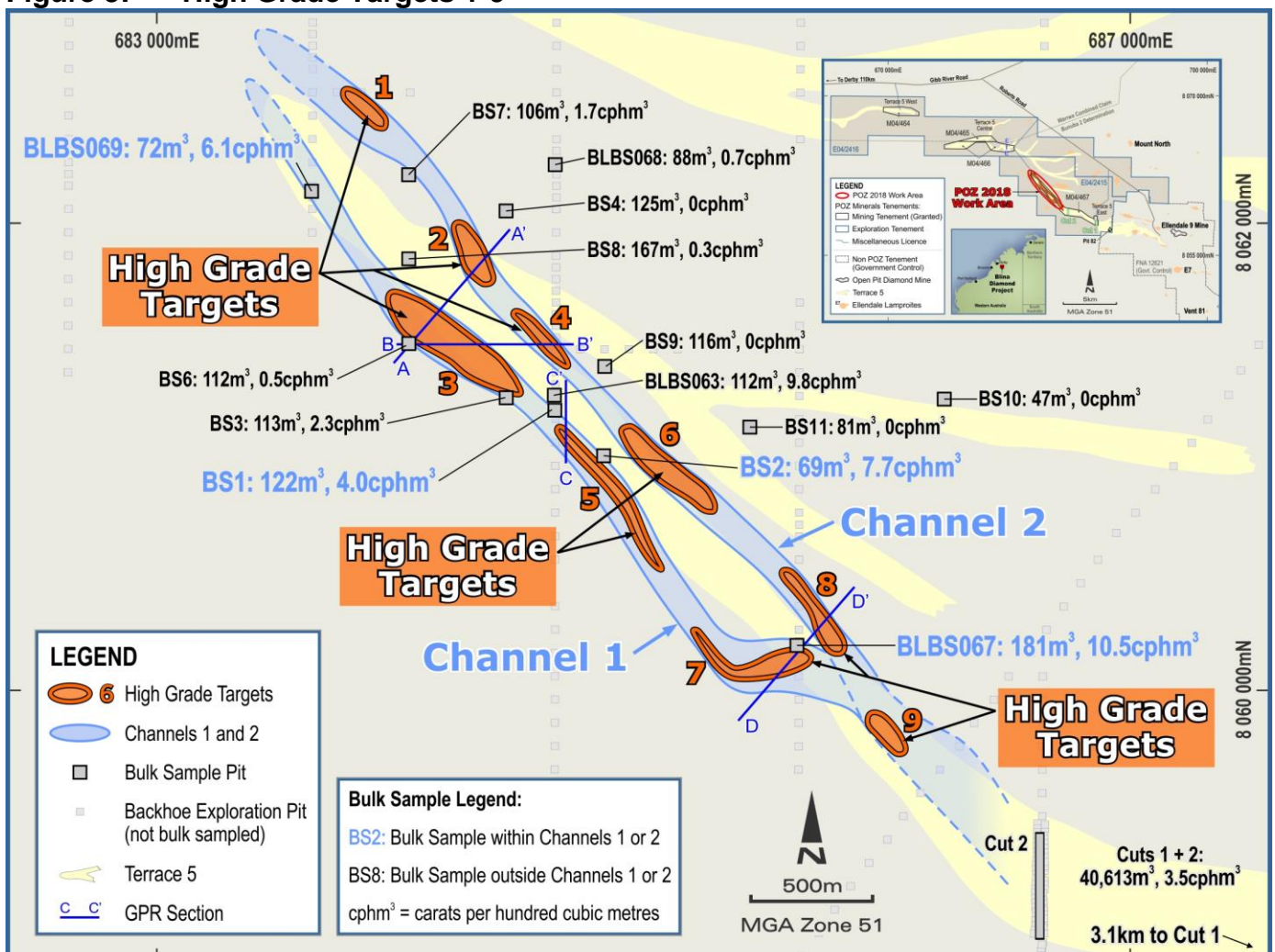
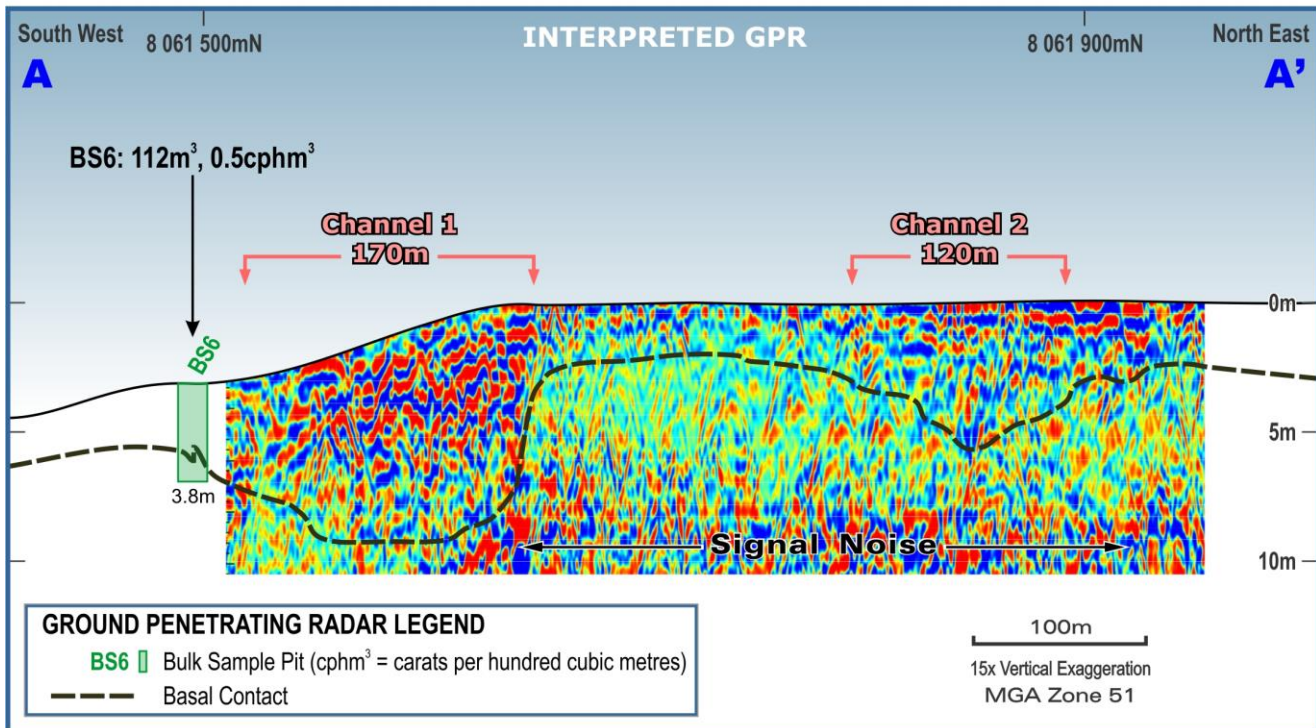
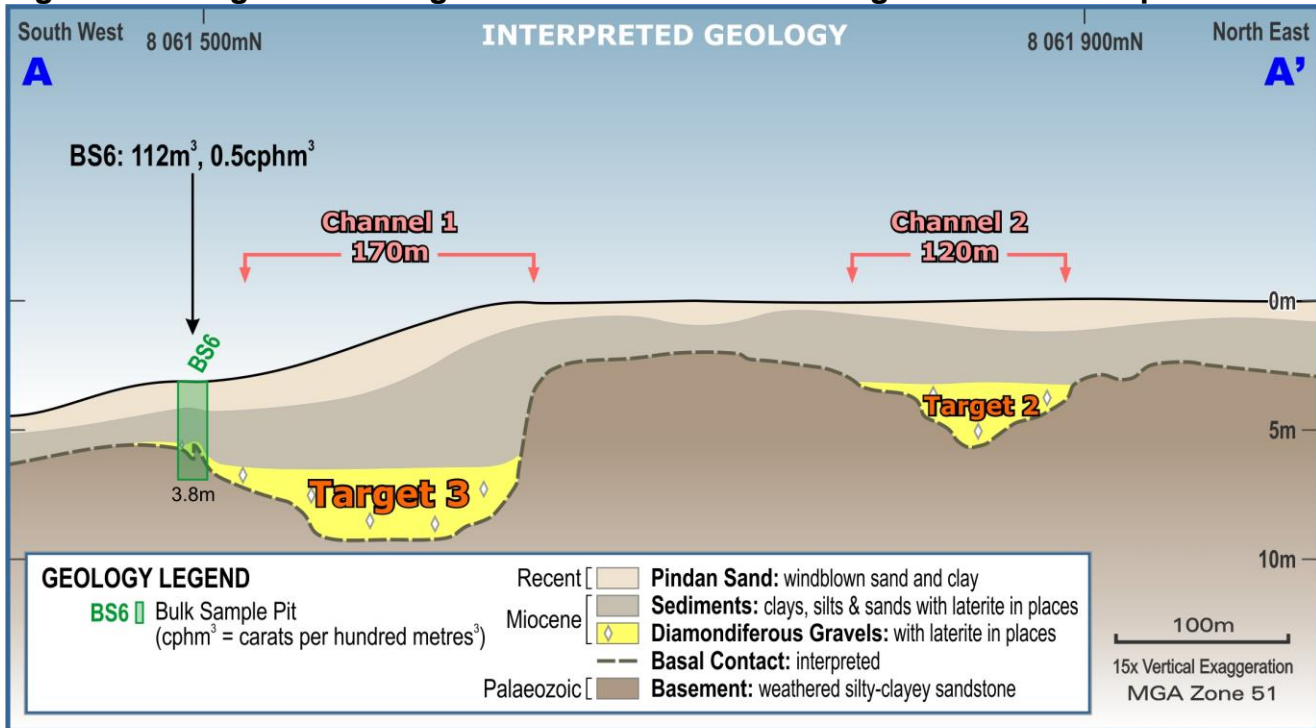


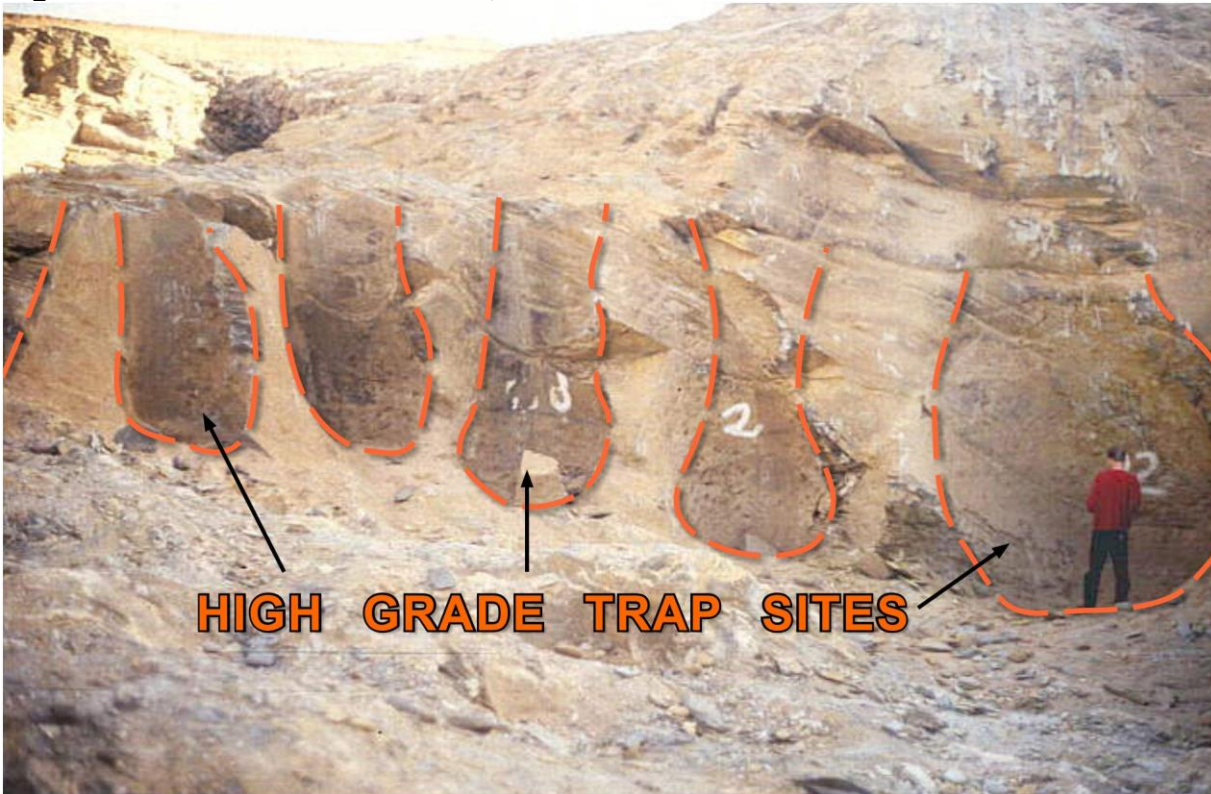
Figure 4: High Grade Targets 2 & 3 Ground Penetrating Radar with Interpretation



1.6.1 High Grade Alluvial Diamond Trap Sites: Examples

The bonanza grades and returns that can be found within high grade alluvial diamond trap sites make these systems a highly desirable target for alluvial diamond miners. An example of the type of high grade pothole trap sites POZ is looking for at Blina is shown in the photo below taken at the Auchas Diamond Mine on the Orange River in Namibia.

Figure 5: Auchas Diamond Mine, Namibia. Potholes



1.7 Lookahead Work Program

The Company is currently involved in planning and permitting activities with the aim of conducting bulk sampling and trial mining operations at Blina in 2018. For operational reasons, it is planned to only conduct earth moving and treatment during the dry season (April to December).

The on-site work program will commence in March 2018. Below are some of the action items which are either completed, underway or planned:

- ✓ Grant of Mining Leases. Completed.
- ✓ Aboriginal Heritage and Mining Agreements in place. Completed.
- ✓ Independent Valuation for Terrace 5 diamonds. Completed.
- ✓ JORC Exploration Target for the Terrace 5 gravels. Completed.
- ✓ Analysis of GPR and historical data to generate detailed alluvial targets for bulk sampling operations. Completed (further studies continue).
- ✓ Fauna and flora survey. Completed.
- Conduct a heritage clearance survey with Traditional Owners, a detailed notice of this survey has been given to the BDAC group. Planned March 2018.
- Full operational permitting for bulk sampling and trial mining operations in 2018 includes an on-site alluvial treatment plant. Application lodged on 19 December 2017, follow-up is ongoing.
- Set up an on-site camp. March/April 2018.
- Finalise equipment contracts. March/April 2018.
- Commence systematic bulk sampling operations of priority targets. April/May 2018.
- Set up and commission alluvial treatment plant. April/May/June 2018.
- Recover diamonds and grade information. May/June 2018.
- Conduct diamond sales should commercial production be achieved.

2.0 Gold Projects (WA)

On 22 January, the conditional sale agreement over the POZ Mount Monger and Bulgera Gold Projects ([ASX Release](#)) was executed, with the payment to POZ of \$30,000 cash. The incoming party, Accelerate Resources Limited ('AX8') is scheduled to list on the Australian Stock Exchange in early February 2018.

- AX8 will become the beneficial owner of the Mount Monger and Bulgera Gold Projects, and;
- AX8 will issue 3,000,000 Shares to POZ at a deemed issue price of \$0.20 each for a total value of \$600,000. These Shares will be listed on the ASX, and will be escrowed for 12 months.
- AX8 will pay to POZ 1,000,000 options at an exercise price of \$0.25 per Option and an expiry date on 30 April 2021.

POZ will retain a 1% net smelter royalty on the project tenements.

The Board of POZ considers this to be an excellent outcome for our shareholders. When AX8 lists, POZ will be the equal largest shareholder in AX8 and the Company still retains a strong exposure to these quality gold projects through our 1% gross royalty.

3.0 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% P₂O₅ (ASX release 31 March 2009).^A The Project is 100% owned by POZ and has no private royalties. POZ continues to speak with interested parties with a view to finding an equity partner for Highland Plains.

4.0 Summary and Outlook

The Company considers the Blina Diamond Project to have the potential to deliver a relatively simple, low capital cost and low operating cost alluvial mining project. Much of the exploration risk has already been accounted for given the positive results of previous work and the successful recovery of significant quantities of very high quality diamonds from the alluvial channels.

The increased recent diamond valuation and the newly defined 'high grade' targets provides excellent momentum going forward into the sampling and trial-mining program with fieldwork scheduled to commence in March 2018.

With greater focus on the Blina Diamond Project, the upcoming float of AX8 resources is also a very good commercial outcome for the Company's gold projects.

The Company is well placed to move its activities forward with a cash balance of approximately \$1.65 million (31 December 2017).

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 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.

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.

^AThe 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	Granted	100%	0%	0%	Granted
E04/2416	WA	Application	100%	0%	0%	Application
E04/2479	WA	Application	100%	0%	0%	Application
E04/2488	WA	Application	100%	0%	0%	Application
E04/2489	WA	Granted	100%	0%	0%	Granted
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	Application	100%	0%	0%	Application
E25/525	WA	Granted	100%	0%	0%	Granted
E38/3038	WA	Granted	100%	0%	0%	Granted
E38/3058	WA	Surrendered	0%	0%	100%	Granted
E38/3161	WA	Surrendered	0%	0%	100%	Granted
E52/3276	WA	Granted	100%	0%	0%	Granted
E52/3316	WA	Granted	100%	0%	0%	Granted
E69/2820	WA	Granted	20%	0%	0%	Joint Venture with Alloy Resources Limited
E69/3401	WA	Application	100%	0%	0%	Application
E70/4894	WA	Surrendered	0%	0%	100%	Surrendered
E80/4953	WA	Application	100%	0%	0%	Application
E80/5109	WA	Application	100%	0%	0%	Application
E80/5134	WA	Application	100%	0%	0%	Application
L04/98	WA	Granted	100%	0%	0%	Granted
L04/99	WA	Application	100%	0%	0%	Application
L04/100	WA	Granted	100%	0%	0%	Granted
L04/105	WA	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	Highland Plains	Granted	100%	0%	0%	POZ 100%:
EL30891	NT	HP West	Surrendered	0%	0%	100%	Surrendered