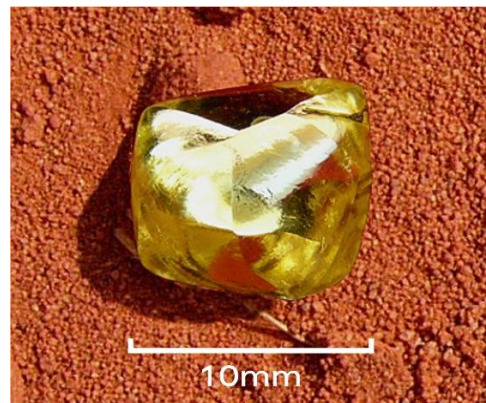
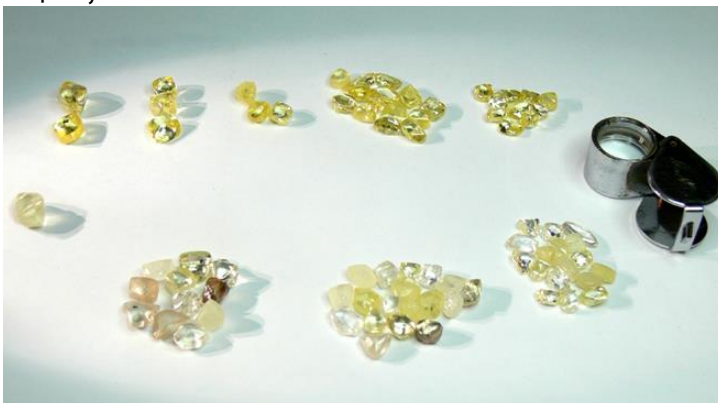


Blina Diamond Project Fancy Yellows Value Increases by 131% to US\$3,391 per carat

HIGHLIGHTS

- A recent independent appraisal on the value of a 1,497.57 carat parcel of diamonds previously mined from the wholly owned POZ Minerals (POZ) Blina Diamond Project, reports the Fancy Yellow component 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 (7% by weight) now constitutes 62% of the value of the whole diamond parcel (up from 50% in 2006).
- The overall parcel valuation is **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.
- The largest diamond in the valuation parcel is a Fancy Yellow stone weighing **8.43 carats**. 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).
- The 100% owned POZ Blina Diamond Project in the West Kimberley region of WA 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 POZ Terrace 5 ground has previously produced significant quantities of diamonds, including Fancy Yellows.
- Blina Project Mining licenses M04/466 and M04/467 were recently granted and bulk sampling and trial mining operations will commence over the area in 2018.

Some of the Terrace 5 diamonds included in this valuation parcel. All stones are greater than 2 carats. The Stone on RHS is an 8.43 carat Fancy Yellow valued at US\$44,482



1.0 Introduction

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 mining leases and two exploration leases within an area of 161km², situated 100km east of Derby.

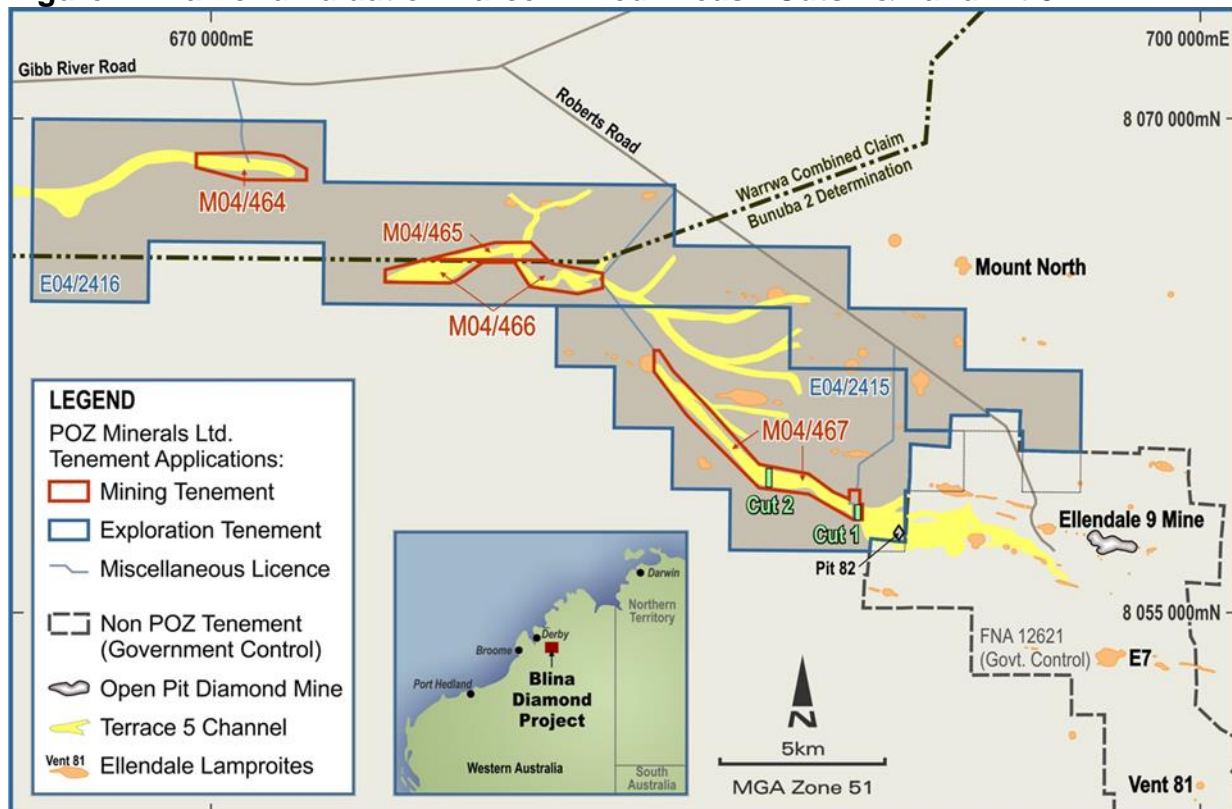
A diamond bearing alluvial palaeochannel named Terrace 5 extends over some 40km of the POZ project area, with channel widths from 200m to 500m. Diamonds recovered from the Terrace 5 gravels are considered large, with an average stone size of around 0.4 carats. Most stones are of gem or near-gem quality. The largest diamond recovered to date from Terrace 5 weighed 8.43 carats (from Pit 82)¹, with stones larger than two carats common.

A recent independent appraisal on the data from a 1,497.57 carat parcel of diamonds previously mined from Terrace 5 gives 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 Board believes that this major increase in the valuation of the Terrace 5 diamonds is an extremely significant development for the Company and will have a positive effect on the economics of the Blina Diamond project.

Figure 2: Diamond Valuation Parcel Mined Areas - Cuts 1&2 and Pit 82



2.0 Diamond Valuation Background

POZ recently commissioned Independent Diamond Valuers International ('IDVI') to provide diamond valuation services to the Company. IDVI was responsible for sorting, grading, valuing and selling diamonds from the Ellendale Diamond Mine (now closed) and the Blina Project, including Terrace 5 goods, from 2002 to 2016. IDVI's pricing system was used throughout this period and is utilised to provide this valuation. POZ considers IDVI to be a reputable, experienced, independent and qualified expert for the purposes of this valuation.

In 2006 IDVI performed a valuation on a 1,497.57 carat parcel of diamonds recovered from the mining of the Blina Terrace 5 Cuts 1 and 2 (in 2005 and 2006) and Pit 82 (in 2004), ground that is a part of POZ tenure today. This parcel was subsequently sold and this updated appraisal is based on the size and grading data from the original valuation. The 2006 valuation has been re-appraised using both IDVI's price book from 2016 and current 2017 market conditions to ascertain an estimated market price for the 1,497.57 carat parcel as of 1 November 2017. The full diamond valuation report by IDVI is attached as Appendix A.

3.0 Diamond Valuation Results

The IDVI market valuation dated 1 November 2017 and based on the data from a 1,497.57 carat parcel of diamonds previously mined from Terrace 5 is priced at **US\$389** per carat.

The original market valuation in April 2006 on the same parcel was priced at US\$238 per carat.

This is a highly significant increase of **63%** in the valuation of this diamond parcel from 2006 to 2017, which is a very important factor in assessing the mining economics of Terrace 5.

In terms of variability, the current market upper/lower estimate range on the parcel is priced at US\$350 to US\$430 per carat.

3.1 Fancy Yellow Component of the Valuation

Of particular interest is the increase in the value of the Fancy Yellow component of the parcel valuation 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 Yellows now constitute 62% of the value of the whole parcel (up from 50% in 2006).

Table 1 Blina Terrace 5 Market Valuation by Diamond Type Year Comparison

Diamond Type	US\$ per carat	US\$ per carat	% Increase
	November 2017	April 2006	To 2017
-			
Fancy Yellow	US\$3,391	US\$1,466	131
Commercial Goods	US\$158	US\$126	25
Weighted Average Total	US\$389	US238	63

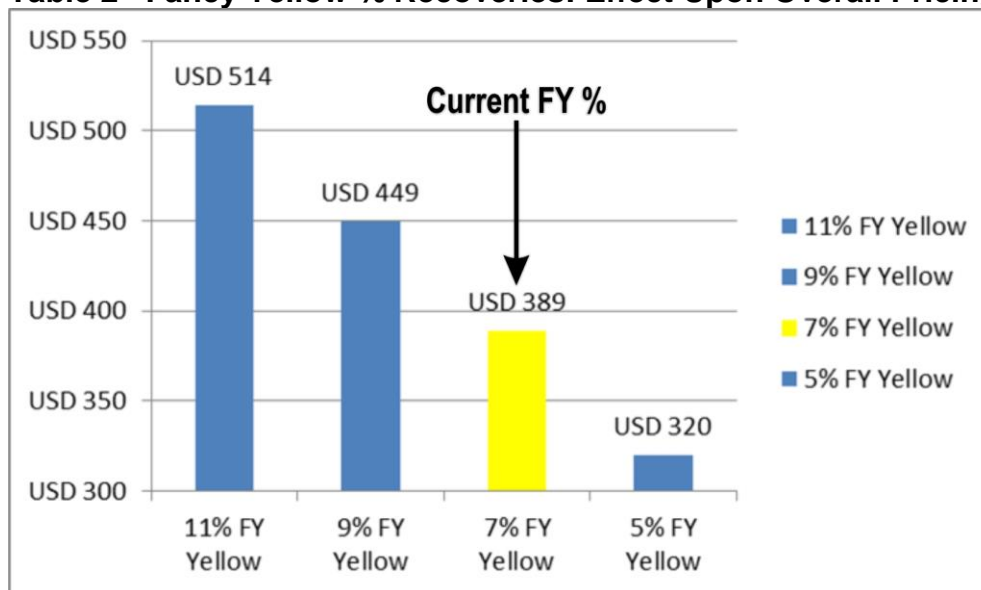
The largest stone in the valuation parcel was a Fancy Yellow stone weighing 8.43cts. This diamond has an estimated value of **US\$44,482** (A\$57,769) which is the equivalent of **US\$5,277 per carat** (A\$6,853 per carat).



This 8.43 carat Fancy Yellow diamond was the largest recovered from the Terrace 5 sampling (Pit 82¹) and is a part of the valuation parcel which is the basis of this report. This stone has an estimated value of US\$44,482

Within the valuation parcel, 7% of the stones were classified as Fancy Yellow. The Ellendale E9 pipe (believed to be the main source of the Terrace 5 diamonds) contained between 9% and 16% Fancy Yellows. Given the strong evidence that E9 is the main source for the Terrace 5 diamonds, there is potential for this particular Terrace 5 parcel to be statistically under-represented in terms of Fancy Yellow stones. Should the actual Run of Mine production from Terrace 5 prove to have a greater proportion of Fancy Yellows than the 7% in this valuation parcel, that would have a positive effect on the project economics, see Table 2.

Table 2 Fancy Yellow % Recoveries: Effect Upon Overall Pricing



The true Fancy Yellow component of Terrace 5 will only be known as mining proceeds, but Table 2 indicates the considerable economic effect of even small changes in the percentage of Fancy Yellows that are recovered in any parcel.

Prior to the mine closure in 2015, Kimberley Diamond Company (KDC) had a contract to sell the Fancy Yellow component of their Ellendale mine production to Laurelton Diamonds (the jeweller Tiffany & Co), at a premium to the IDVI price book.

Although this agreement is no longer in place, it does indicate the potential for POZ to sell the Fancy Yellow component of company production at a premium above the current valuation. These premium sales could be to tier one jewellery brands like Tiffanys, other buyers or a retailer seeking to build upon or create a unique diamond brand.

3.2 Market Valuation by Size

A summary of the parcel diamond values by size is shown in Table 3. A total of 89% of the total value of the Terrace 5 valuation parcel sits within the 0.90 to 8.79 carat size range, which could be considered large by world standards.

Table 3 Blina Terrace 5 Market Valuation by Size, November 2017

Sizes	Size range	Price per carat	Weight (carats)	Value US\$	% Value
8 carats	7.80 - 8.79ct	\$5,277	8.43	\$44,482	8%
7 carats	6.80 - 7.79ct	\$611	6.86	\$4,190	1%
6 carats	5.80 - 6.79ct	\$5,874	5.90	\$34,656	6%
5 carats	4.80 - 7.79ct	Nil	0.00	Nil	0%
4 carats	3.80 - 4.79ct	\$4,762	20.90	\$99,516	17%
3 carats	2.80 - 3.79ct	\$1,291	78.12	\$100,842	17%
8-10 grainer	1.80 - 2.79ct	\$693	156.93	\$108,805	19%
6 grainer	1.30 - 1.79ct	\$536	111.45	\$59,738	10%
4 grainer	0.90 - 1.29ct	\$288	225.82	\$65,033	11%
3 grainer	0.66 - 0.89ct	\$98	174.42	\$17,023	3%
+11 Sieve size	~ 0.40cts	\$81	348.34	\$28,135	5%
+9 Sieve size	~ 0.25ct	\$69	195.83	\$13,446	2%
+7 Sieve size	~0.10ct	\$50	88.1	\$4,428	1%
+5 Sieve size	~0.05ct	\$39	68.03	\$2,658	0%
-5 Sieve sizes	~0.02ct	\$25	8.43	\$210	0%
Total		\$389	1,497.56	\$583,164	100%

*Diamonds in the 1.5-16mm range recovered from Cuts 1&2; 1.2 to 14mm from Pit 82
 These valuations are based upon the 1,497.57 carat parcel data from the Blina Diamonds Terrace 5 Project originally sized and graded by IDVI in 2006. All sieve sizes in this report supplied by IDVI.*

The average stone size from the mining of Cuts 1 and 2 was reported by the original operator as 0.42 carats¹.

3.2.1 Significance of the Valuation by Size Data

This valuation by size data is extremely useful in terms of evaluating the project economics. Tables 4 and 5 shows how the value curve skews to the left of the stone size curve (the x-axis of both graphs is the same). This indicates how 97% of the value of the Terrace 5 diamonds sits within the larger stone sizes of plus 11 sieve size (2.86mm or ~0.4 carats).

POZ's aim is to achieve the best commercial balance between plant throughput, screen sizes and diamond recoveries: the bigger the minimum screen size, the higher the throughput (but with diamonds smaller than that minimum screen size being lost). This valuation by size data will enable the configuration of more efficient plant throughput levels. (For reference, the +9 sieve size equates to a 2.35mm sieve size).

Table 4 Stone Size Distribution: Terrace 5 versus Ellendale 9 Diamonds

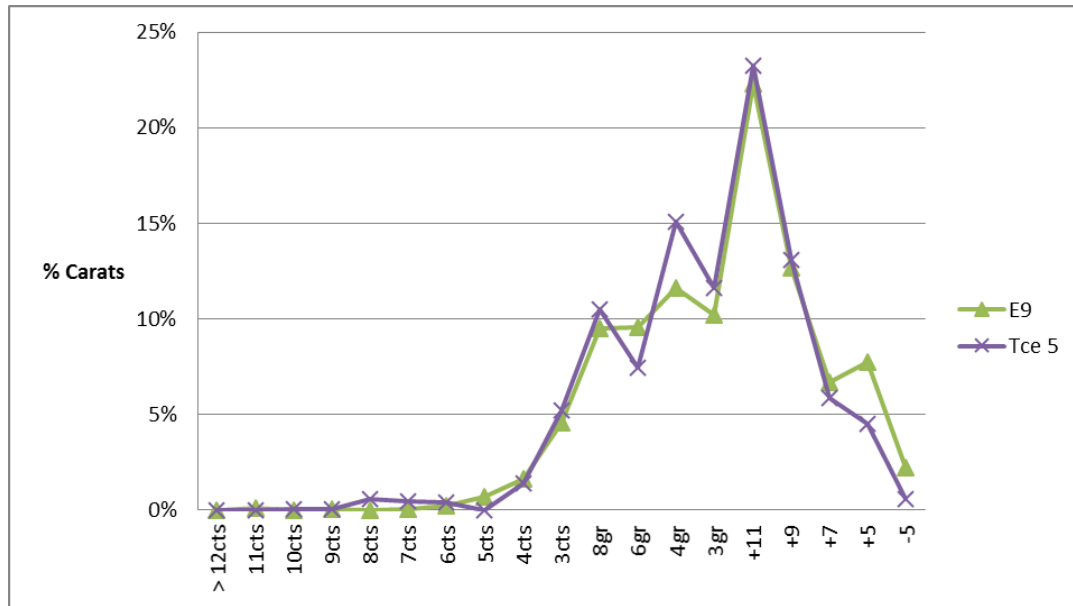
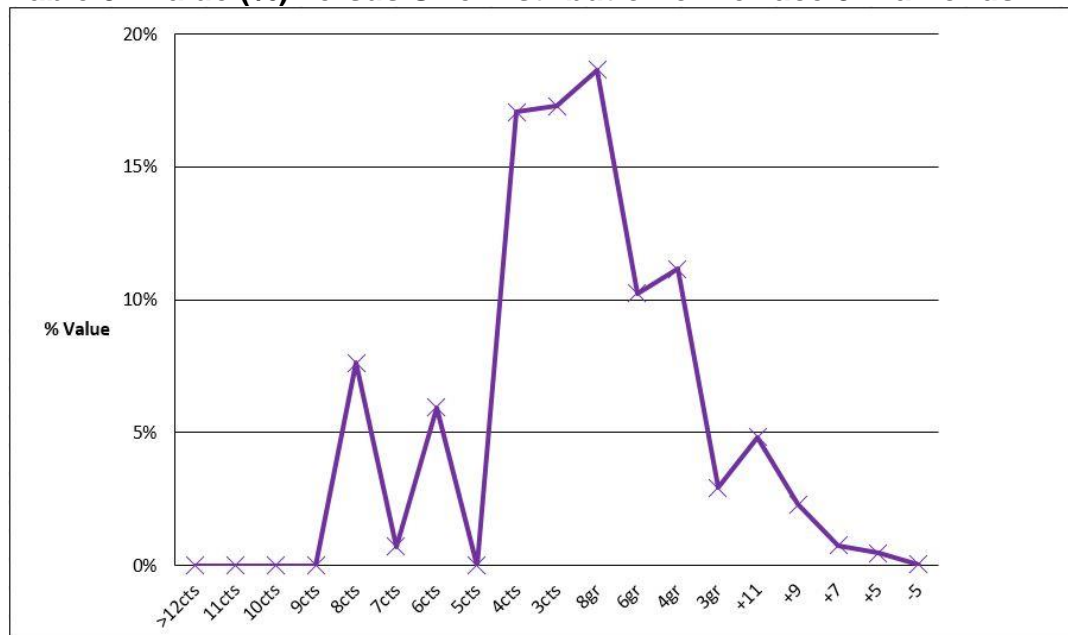


Table 5 Value (%) versus Size Distribution of Terrace 5 Diamonds



3.3 Size Distribution Comparison: Terrace 5 versus Ellendale 9 Diamonds

The size distribution of the Terrace 5 goods shows a remarkable similarity to the Ellendale E9 production (Table 4), albeit with a smaller percentage of diamonds in the fine (smaller) size fractions. This provides further empirical evidence that Terrace 5 (as sampled) is largely derived from the erosion of the Ellendale 9 pipe. This in turn could have positive ramifications for the proportion of Fancy Yellows which are found when Terrace 5 is mined (para 3.1).

3.4 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.

3.5 Valuation Composition by Colour

The valuation graded the diamonds by colour as follows:

7%	Fancy Yellow
18%	White
46%	Off-white
29%	Brown

The Fancy Yellow component at Blina has already been covered in para 3.1, however a significant number of the Terrace 5 Off-white stones have a yellow hue which grades from just below Fancy Yellow down to a very pale yellow. The stones in this colour range with a stronger yellow component are very attractive and have potential for premium branding in their own right.

Data from the original valuation was used to collate the information above; this information should be used as a guide only as to the actual composition of the Terrace 5 diamonds.

4.0 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.

The increase of 131% in the valuation of the parcel's Fancy Yellow component to US\$3,391 per carat shows that Blina could produce some of the worlds most desirable diamonds and thus be in an excellent position to brand and market this unique and conflict-free product to leading buyers and jewelry houses.

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 channels¹.

The increased diamond values in this report together with the highly successful [GPR geophysics survey](#) conducted by POZ earlier in the year (which targeted high grade/bonanza alluvial trap sites within the diamond bearing channels), provides excellent momentum going forward into the sampling and trial-mining program in 2018.

Jim Richards
Executive Chairman
POZ Minerals Limited
Ground Floor, 16 Ord Street, West Perth 6005, Western Australia
www.pozminerals.com.au

Enquiries To: Mr Jim Richards +61 8 9422 9555

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](#)

POZ ASX Release 18 October 2017 includes further exploration & Table 1 data: [click here](#)

Exchange Rate used in this report is US\$1 = A\$0.77

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 diamond valuations was compiled by Mr Rod Criddle, a Director of Independent Diamond Valuers International ('IDVI'). IDVI has been responsible for sorting, grading, valuing and selling diamonds from the Ellendale Diamond Mine (now closed) and the Blina Project, including Terrace 5 goods, from 2002 to 2016. IDVI's pricing system was used throughout this period and is utilised to provide this valuation. POZ considers IDVI to be a reputable, independent, experienced and qualified expert for the purposes of this valuation. The valuation is an independent valuation. Mr Criddle consents to the diamond valuation information contained in his report in Appendix A being included in this report.

Appendix A: IDVI Independent Diamond Valuation Report



INDEPENDENT DIAMOND VALUERS INTERNATIONAL PTY LTD

1 November 2017

Blina Diamond Project:

Terrace 5 Diamond Valuation November 2017

Context

Independent Diamond Valuers International ('IDVI') has been requested to provide an updated valuation of the Blina Diamond Project, Terrace 5 diamond data by POZ Minerals Limited ('POZ'). IDVI has previously been responsible for sorting, grading, valuing and selling diamonds from the Ellendale Diamond Mine (now closed) and the Blina Project, including Terrace 5 goods, from 2002 to 2016. IDVI's pricing system was used throughout this period and is utilised to provide this valuation. This valuation is an independent valuation.

In 2006 IDVI performed a valuation on a 1,497.57 carat parcel of diamonds recovered from the mining of the Blina Terrace 5 in 2005 and 2006. This parcel was subsequently sold and this updated appraisal has been based on the size and grading data from the original valuation, as the actual diamonds are no longer available. The 2006 valuation has been re-appraised using both IDVI's Price Book from 2016 and current 2017 market conditions to ascertain an estimated Market price for the Terrace 5 parcel as of November 2017.

Valuation Results

These valuations are based upon the 1,497.57 carat parcel data from the Blina Diamonds Terrace 5 Project originally graded in 2006.

The original market valuation in April 2006 was priced at US\$238 per carat.

The current market valuation in November 2017 is priced at US\$389 per carat.

The Fancy Yellow component of the parcel has increased in value from US\$1,466 per carat in April 2006 to US\$3,391 in November 2017. As a result of this change, the Fancy Yellow component has increased as a percentage of the overall valuation from 50% in 2006 to 62% in 2017. The Commercial Goods component of the parcel has increased in value from US\$126 per carat in April 2006 to US\$158 in November 2017.

The current market upper/lower estimate range is priced at US\$350 to US\$430 per carat.

Table 1 Blina Terrace 5 Market Valuation, November 2017

Diamond Type	US\$ per carat
Fancy Yellow (FY)	US\$3,391
Commercial Goods (CG)	US\$158
Total	US\$389

Note all pricing is in US dollars.

Table 2 Blina Terrace 5 Market Valuation by Size, October 2017

Sizes	Size range	Price per carat	Weight (carats)	Value US\$	% Value
8 carats	7.80 - 8.79ct	\$5,277	8.43	\$44,482	8%
7 carats	6.80 - 7.79ct	\$611	6.86	\$4,190	1%
6 carats	5.80 - 6.79ct	\$5,874	5.90	\$34,656	6%
5 carats	4.80 - 7.79ct	Nil	0.00	Nil	0%
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4 grainer	0.90 - 1.29ct	\$288	225.82	\$65,033	11%
3 grainer	0.66 - 0.89ct	\$98	174.42	\$17,023	3%
+11 Sieve size	~ 0.40cts	\$81	348.34	\$28,135	5%
+9 Sieve size	~ 0.25ct	\$69	195.83	\$13,446	2%
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+5 Sieve size	~0.05ct	\$39	68.03	\$2,658	0%
-5 Sieve sizes	~0.02ct	\$25	8.43	\$210	0%
Total		\$389	1,497.56	\$583,164	100%

Price Sensitivity

The volume of this diamond parcel is considered sufficient for an indicative result though not sufficient for pricing certainty on any future production, particularly when given the sensitivity of pricing of the Fancy Yellow component.

Kimberley Diamond Company's (KDC) Ellendale mine (now closed) had a contract to sell the Fancy Yellow component of their production to Laurelton Diamonds (the jeweller Tiffany & Co), this agreement was based on a percentage premium above the IDVI Price Book. It is uncertain if similar premium prices can be achieved with the Blina Terrace 5 Fancy Yellow goods. However, there is a potential opportunity to capitalise on the uniqueness of these Fancy Yellow goods to sell at above market prices as demonstrated by KDC's arrangement with Tiffany's.

The TQ (Tiffany Quality) Fancy Yellow component amounted to 7% of the Terrace 5 parcel. The goods were likely to have contained Fancy Yellow near Gem goods and Light Fancy Yellow Gem goods that are not included in this 7%.

Given the Ellendale E9 pipe contained between 9% and 16% TQ Fancy Yellows and the proximity of Terrace 5 to the E9 pipe, there is potential for the Terrace 5 parcel to understate the Fancy Yellow component and therefore the overall price.

The Size Distribution of the Terrace 5 goods shows remarkable similarity to the Ellendale E9 production albeit with a smaller percentage of fine (smaller) size fractions.

Table 3 Price Impact of Fancy Yellow Component on Terrace 5 Parcel Valuation

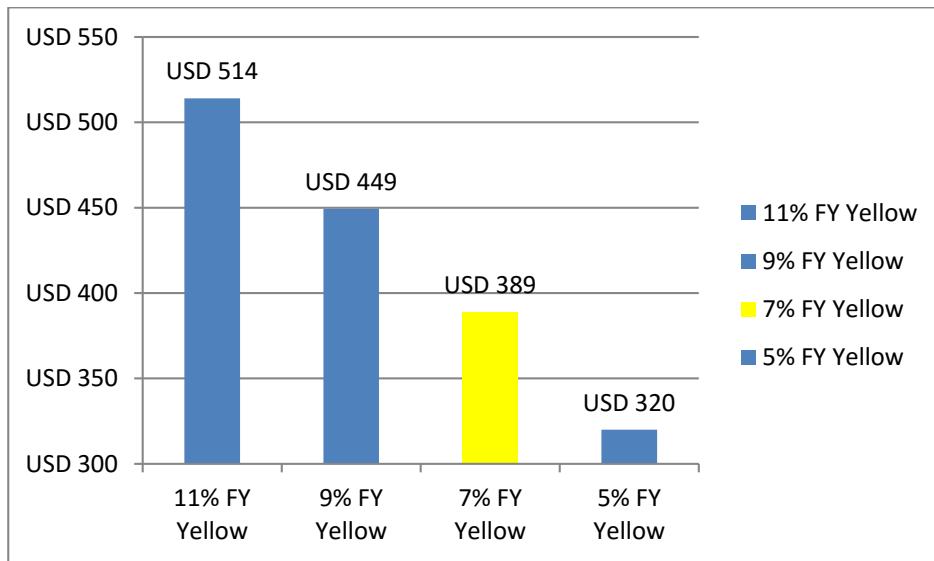
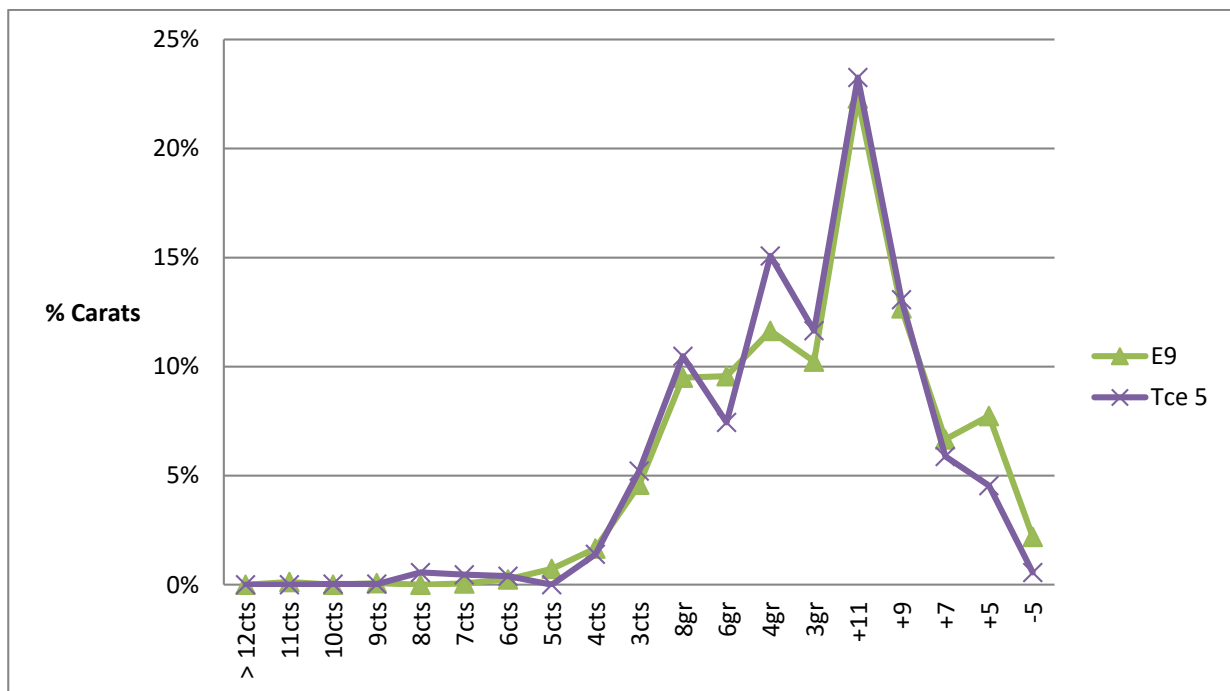


Table 4 Size Distribution Terrace 5 v Ellendale 9 Diamonds



Factors potentially affecting the price and the ability to project pricing to future samples/production are:

- Sample size (is this parcel an accurate reflection of “normal” production?)
- Size Distribution (either a change in size recovered or a recovery issue)
- Colour distribution (particularly the Fancy Yellow percentage)
- Quality Distribution
- Marketing of the Fancy Yellow diamonds
- Market Fluctuations
- Any branding of the POZ Minerals diamond production.

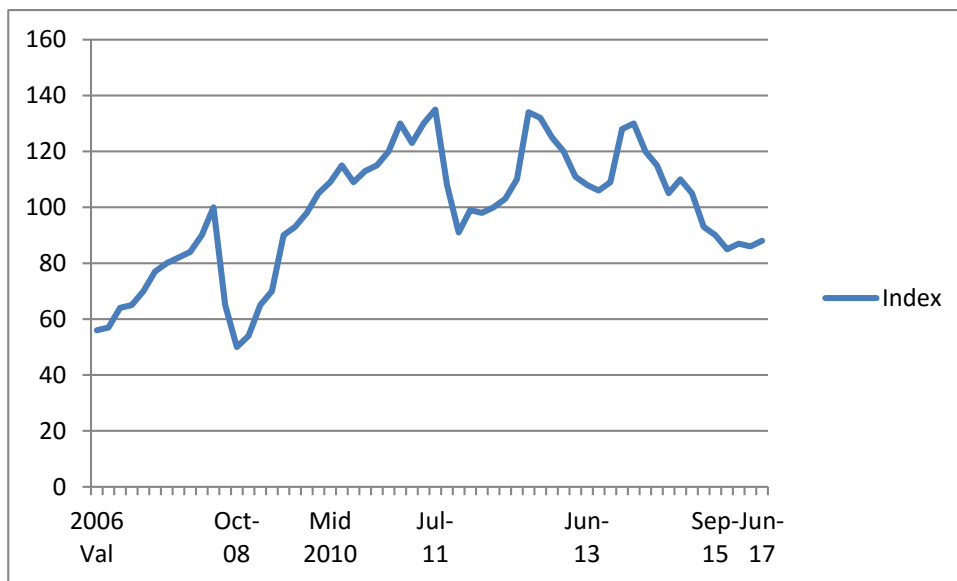
Market Update

Since 2015 the overall rough diamond market price has contracted approximately 5%. One of the key drivers being the Indian Government Demonetisation programme that had a negative impact on the diamond prices particularly in the smaller size fractions, the Blina Terrace 5 production has been largely unaffected by the demonetisation as less than 10% by value of the production falls into the smalls.

The Fancy Yellow (FY) market has also contracted slightly mainly driven by smaller Fancy and light Fancy goods, prices for the larger Vivid and Intense Fancy goods have remained robust. Unlike white goods, Fancy coloured diamonds do not have a structure polished price list.

Overall market sentiment suggests a view that in the longer term the supply/demand should work in favour of increasing prices in the next few years.

Table 5 IDVI Rough Market Index



This price trend is based on sales results of the Ellendale goods till 2016, indicative of the overall market, since this time various market sources have been utilised. As can be seen from this chart, market volatility has a significant effect on any price estimate.

For further assessment of the market projecting forward we suggest the Bain and Co annual Diamond Report as well as the Rappaport Trade/IDEX online sites for ongoing updates.

<http://www.diamonds.net/Prices/>

<http://www.idexonline.com/>

Nature of Terrace 5 Goods

This assessment is based on the data only.

The average stone size fits into the +11 sieve size range of approximately 0.4cts; the largest stone in the sample was a Fancy Yellow stone weighing 8.43cts (estimated value US\$44,482).

Table 6 Composition by Quality

Gem	38%
Near Gem	55%
Industrial	7%
	100%

Table 7 Composition by Colour

Fancy Yellow	7%
White	18%
Off-white	46%
Brown	29%
	100%

A significant number of the off white stones do have some yellow hue which grades from below the Fancy Yellow grading down to a very pale yellow. The stronger yellow component of this colour classification of Blina stones may have potential for branding.

Data from the original valuation was used to collate the information in Tables 6 and 7; this information should be used as a guide to the actual composition of the Terrace 5 diamonds.

The Blina goods would appear to be very similar in nature and size distribution to the KDC Ellendale E9 production and given that they come from alluvial trenches they are likely to have a slightly worn appearance and may contain iron oxide within any grooves or cracks in the stones, this would be removed during the recovery cleaning process.

Please feel free to contact IDVI to discuss.

Rod Criddle

Director IDVI

