

## ASX RELEASE

31 July 2018

ASX Code: POZ



## QUARTERLY REPORT

Period Ending 30 June 2018

### Highlights: Blina Diamond Project

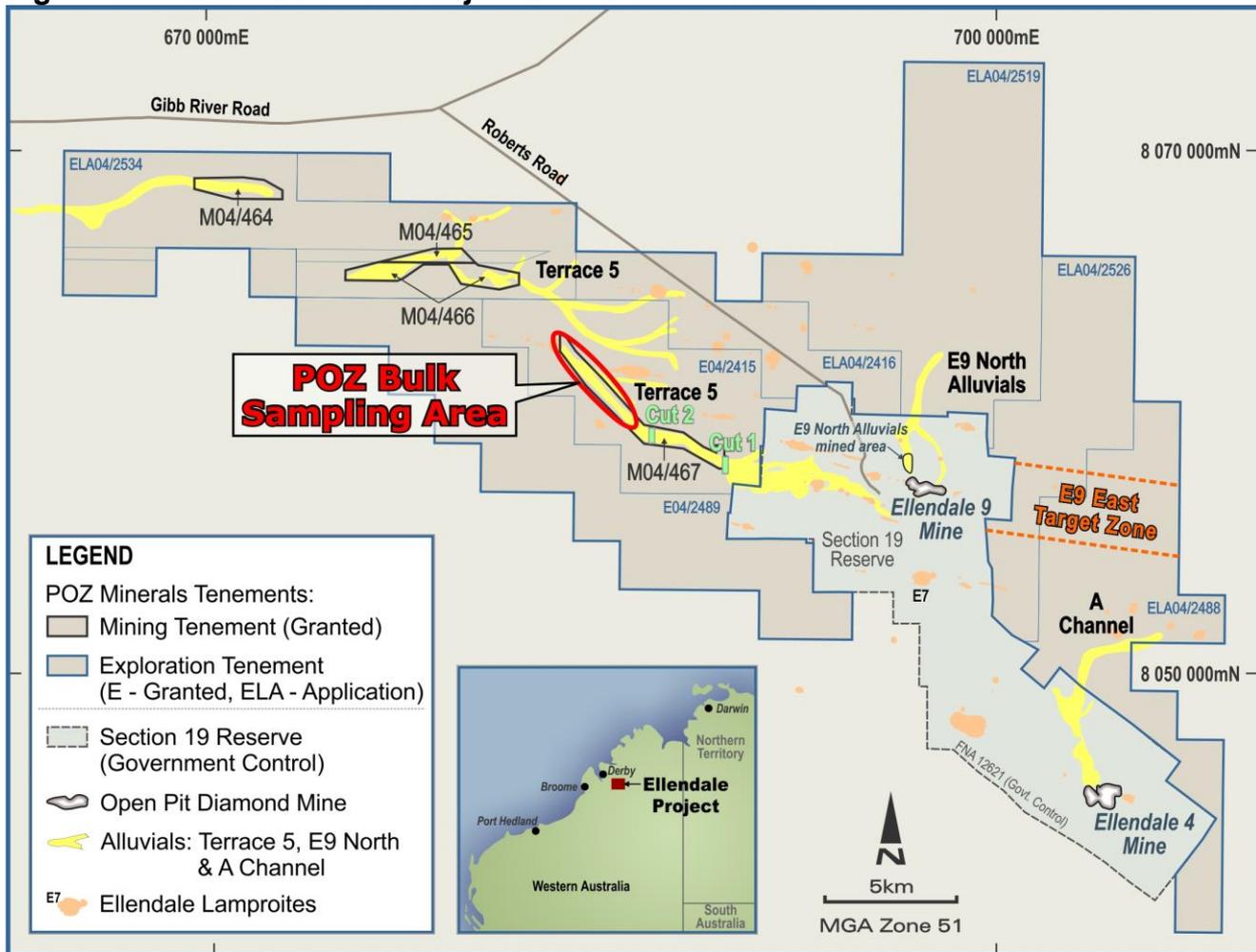
(100% POZ)

- Two major equipment purchases for the diamond processing plant: a 50 tonne per hour trommel and two duplex diamond 'Sortex' recovery machines
- Sortex Machines are currently being configured for operational use within a sea container which will provide ease of transport, security and weather protection for the diamond recovery system
- Auger program discovers coarse and highly prospective new gravels on Mining Lease
- A road access and clearing works program were completed during the quarter
- The Blina Project area has been expanded through the acquisition of 285 km<sup>2</sup> of new ground which abuts the original Kimberley Diamonds Ellendale Mining Lease
- On 11 July, the amended POZ Mining Proposal for the Blina Project, was lodged with the Department of Mines, Industry Regulation and Safety (DMIRS)

### A Road Access and Clearing Works Program at Blina Was Completed During the Quarter



**Figure 1: Blina Diamond Project Location & Tenements**



**1.0 Blina Diamond Project, WA**

**POZ 100%**

POZ Minerals Limited ('POZ' or the 'Company') Blina Diamond Project in the Ellendale Diamond Province of WA's Kimberley Region is 100% owned by POZ. The project consists of four granted mining leases and various exploration leases within an area of 436 km<sup>2</sup>, 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 carats<sup>1</sup>, with stones larger than two carats common, a significant number of the stones are Fancy Yellows.

**2.0 Major Equipment Purchases**

POZ has purchased and is currently reconfiguring a suitable processing plant in order to recover diamonds from bulk sampling operations at the Blina Project and determine the grade of the contained alluvial gravels.

## 2.1 Trommel

During the quarter, the Company purchased a 50 tonne per hour trommel (see photo below), which will be the single largest item of equipment on the processing plant. The trommel is used to disaggregate clays from the alluvial gravels and should prove highly effective for treating the diamondiferous gravel types encountered at the Blina Project.

### Recently Purchased 50 Tonne Per Hour Trommel with POZ Chairman Mr Jim Richards and POZ Processing Plant Consultant Mr Tom Reddicliffe



This trommel is the same one that was originally used at the Blina Diamond Project by the previous operators in 2005 and 2006. This equipment has been shown to be highly effective and fit for purpose for treating the alluvial gravel types which are encountered at Blina.

The purchased trommel ancillary equipment also includes the electric drive motor, hydraulic pump, hydraulic oil reservoir, drive gearing (x2) and oil cooler. A Perth based engineering group has been progressing the configuration of the plant with progress to date as follows:

- The feed bin chute (to feed into trommel) has been fabricated and is ready for transport to site.
- The processing plant sizing and de-watering screens sit on the outflow end of the trommel, these will sort and clean gravels into the correct size fraction ready for input into the Sortex machines. The fabrication of these screens is now complete.
- The processing plant trommel base unit is at the Ellendale minesite and will be deployed to the nearby POZ Blina site once permitting and logistics allow. The unit has been assessed in the field and measurements taken to ensure the equipment will be compatible with the equipment being fabricated in Perth.
- Electrical work on the trommel unit will be completed once the equipment is deployed to Blina and attached to the base unit.

- It is a requirement of Department of Mines, Industry Regulation and Safety (DMIRS) that the POZ Mining Proposal is granted prior to the deployment of the plant to site, this process is well underway (see 6.0 below).

## 2.2 Flowsort Diamond Sorters (Sortex Machines)

During the quarter, the Company acquired two duplex X-ray Flowsort diamond recovery machines ('Sortex machines'). These machines were last used on production at the Ellendale minesite in the West Kimberley (adjacent to the Blina Project) and were operating at the time the diamond mine closed in 2015. This Sortex equipment has proven to be highly effective for the recovery of the diamond types and sizes which are found at the Ellendale 9 mine and the POZ Blina Project.

These POZ-owned machines have been removed from their previous location at the Ellendale minesite and moved to Perth where they are being configured for operational use within a sea container which will provide ease of transport, security and weather protection for the diamond recovery system. The framework for the machines is currently being built.

### Recently Purchased X-Ray Sortex diamond recovery machines



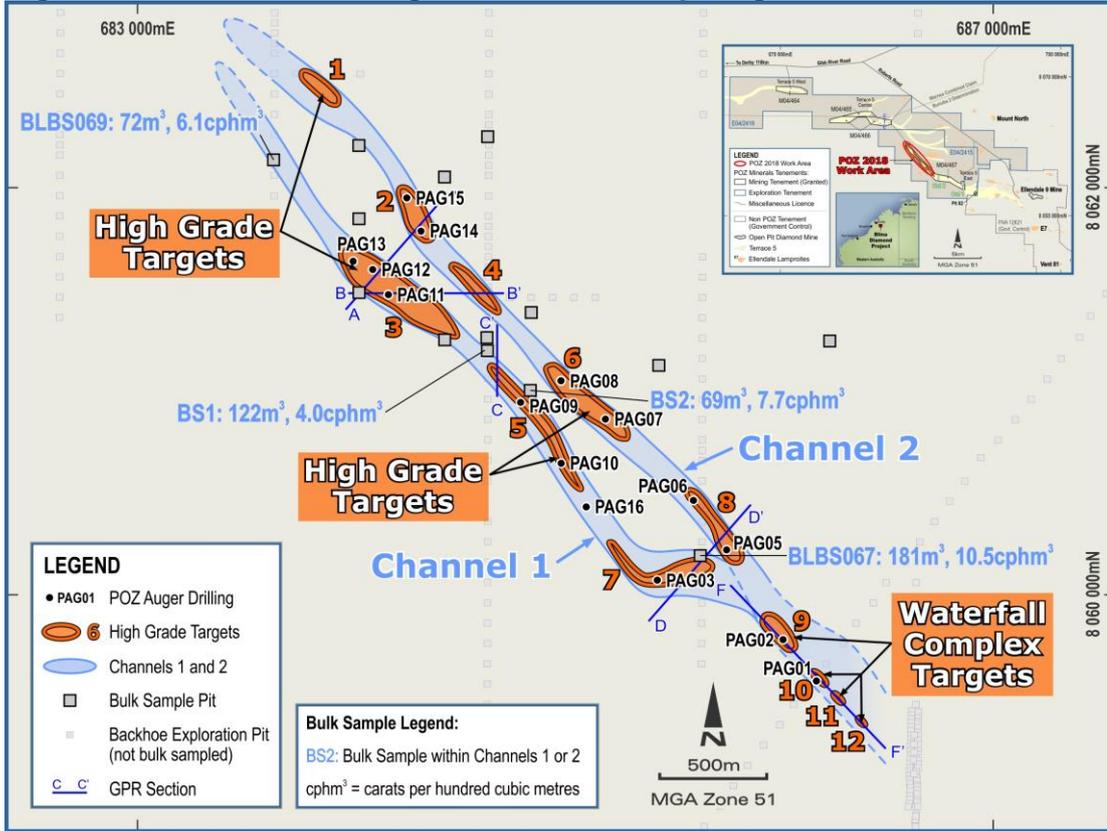
## 3.0 Auger Drilling Program Discovers New Gravels

During the quarter, the Company completed a 16 hole, 144 metre, shallow augering program over mining lease M04/467.

This drilling campaign resulted in the discovery of significant intersections of highly prospective potentially diamondiferous gravels in holes PAG 14 and 15 (Figure 2) and of other potential gravels in all but one of the other holes.

This was unexpected as the target gravels are interpreted to consist of gravel clasts which have now been largely weathered into clays (sapolitised). The use by POZ of an auger rig may have assisted the recovery of intact gravels. Much of the previous drilling at Blina used an aircore rig which is more likely to destroy the remnant gravel textures during the drilling process.

**Figure 2: GPR Defined Targets and Follow-up Auger Drillholes**



The photo below is of Auger Hole PAG 14 gravels from 6 to 8 metres (2 metres total, open at depth). The sample was sieved to 2mm and a portion of the coarse fraction (70% of total sample) was washed:

	<ul style="list-style-type: none"> <li>• plus 2mm sieved sample (washed): Gravel clasts including quartz and saprolitised sandstones and claystones</li> </ul> <p><b>This is a highly prospective target gravel for diamonds</b></p> <ul style="list-style-type: none"> <li>• +2mm sieved sample (unwashed): Gravel clasts including quartz and saprolitised sandstones and claystones</li> <li>• -2mm sieved (dry): Sands, silts and clays (likely derived from the saprolitisation process)</li> </ul>
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### 3.1 Auger Drilling Geological Summary

This auger drill program sampled the previously defined POZ Ground Penetrating Radar targets<sup>3</sup> and successfully identified potential diamondiferous gravels in all but one of the 16 drillholes.

Drillholes PAG 14 and 15 discovered some new highly prospective potentially diamondiferous gravels with clast sizes up to 20mm. PAG 14 probably encountered a larger clasts which halted drilling and the hole did not reach basement. From 6 to 8 metres, 70% of the PAG 14 hole was gravel, consisting of 2mm to 20mm (minimum) material.

It is anticipated that future exploration work will be a combination of auger drilling and trenching.

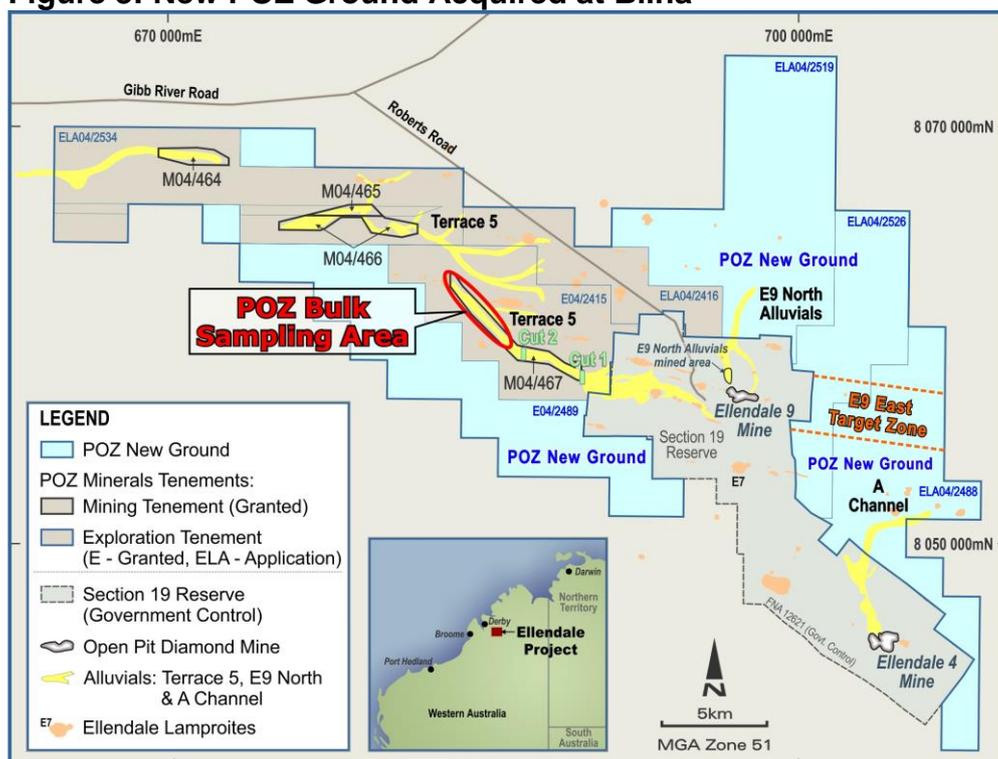
### 4.0 Project Area Expanded Through New Ground Acquisition

During the quarter, the Company announced an expansion of the Blina Diamond Project through the acquisition of 285 km<sup>2</sup> of new ground surrounding the former Ellendale 9 ('E9') diamond mine. The Company has spent a considerable period acquiring this ground and is satisfied that, together with the advanced Terrace 5 alluvial diamond prospect (161 km<sup>2</sup>), POZ now has control over the best exploration ground available in the Ellendale diamond province.

This new ground has had extensive previous diamond exploration work and hosts extensions to two previously defined diamondiferous channels named the E9 North alluvials (previously mined) and the A Channel alluvials (Figures 1 and 3). The new ground is also highly prospective for diamondiferous lamproite pipes, especially in the E9 Extension Target area which is on-strike from the E9 lamproite mine.

The former E9 and E4 mines (not operational) and surrounds are currently under government control and are expected to be opened for Expressions of Interest (EOI) later this year. The result of this process does not affect the current POZ diamond projects at Blina, but POZ is an interested party in this process.

**Figure 3: New POZ Ground Acquired at Blina**



## 5.0 Road and Track Clearing Program

A road access and clearing works program within Mining Lease M04/467 and surrounding leases was completed in June. This now allows vehicular access for field operations and includes an additional site access road (for a total of three).

## 6.0 Blina Project Permitting

Subsequent to the end of the June Quarter (on 11 July), the amended POZ Mining Proposal for the Blina Project was lodged with the Department of Mines, Industry Regulation and Safety (DMIRS). This Mining Proposal represents a considerable amount of work and consultants studies undertaken by POZ over the last few months. Although this process has taken longer than anticipated, once granted the Mining Proposal will allow the immediate transition from exploration sampling to full mining (providing economic gravels have been recovered), with no regulatory, environmental or Native Title impediment.

The Company will continue to conduct our field operations, including trenching, under currently granted Program of Works notices (POW's). The deployment of the processing plant is best undertaken during the northern dry season and this work requires the grant of the Mining Proposal by DMIRS, POZ continues to liaise closely with the department to ensure the Mining Proposal is granted as soon as possible.

## 7.0 Corporate Activity

To view a video of Mr Richards presenting at the Sydney Resources Round-up Conference on 10 May 2018, [click here](#) and select the video dated 17 May 2018.

Mr Richards presented the Blina Diamond Project at the Brisbane Mines and Money conference on Wednesday 20 June and fielded questions from a diverse and engaged group of delegates and shareholders at the Company booth on 20 and 21 June.

Mr Richards will be attending the Diggers and Dealers Conference in Kalgoorlie from 6 to 8 August.

## 8.0 Musgraves Project Option Deal

During the quarter, the Company signed an Option Agreement for the sale of the Company's Musgraves Vanadium Project ('Project'). The Project is 100% owned by POZ and is situated in the Musgraves region of Western Australia on tenement application E69/3401. The incoming party (Buyer) is a private Australian company, 979 920 01 Pty Ltd ('Buyer').

The Option Agreement grants the Buyer a 6 month exclusive right to purchase the Project for a total of \$120,000 cash plus a 1% net smelter royalty on any mineral production from E69/3401, for the period commencing 14 May 2017.

Should the Buyer conduct an initial public offering (IPO) or sell the tenement to a listed company, the Buyer will ensure an additional \$30,000 worth of shares in the listed entity are issued to POZ.

- The Agreement has been executed by both parties and a non-refundable Option Fee of \$30,000 cash from the total has been received by POZ;
- Subsequent to the end of the quarter an extension of option fee of a further \$30,000 cash has been received by POZ;
- To exercise the option, a final payment of \$60,000 is still payable.

The Board of POZ considers this to be a good outcome for our shareholders. The retained 1% Net Smelter Royalty from the Musgrave tenement could prove extremely valuable should the project move to production.

## 9.0 Summary and Outlook

Considerable progress has been made during the last quarter. The main components of the treatment plant have been purchased and various associated engineering works completed. Field operations have continued with an augering program and a road access and clearing works program and the Project area has been expanded through ground acquisitions.

Subsequent to the end of the quarter, trenching operations commenced, this will give the Company its first look at the actual material which is to be sampled and what is learned from this important campaign will then be used to better plan and implement the bulk sampling program.

The Company is well placed to progress its activities with a cash balance of approximately \$1.67 million (30 June 2018). POZ will be applying for a Research and Development (R&D) tax refund from the Government for relevant expenditures for the tax year ending 2017-18.

Jim Richards  
Executive Chairman

Enquiries To: Mr Jim Richards +61 8 9422 9555

**References:**

<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](#)

<sup>2</sup>Terrace 5 Diamond Valuation POZ ASX Release dated 6 November 2017 [click here](#)

<sup>3</sup>Blina Diamond Project, Gamechanger GPR Survey; POZ ASX Release dated 18 October 2017 [click here](#)

<sup>4</sup>Australian Landforms Understanding a Low, Flat, Arid and Old Landscape (Rosenberg Publishing) 2012, by E.M. Campbell, C. R. Twidale. Page 104

Maiden JORC Exploration Target; POZ ASX Release dated 21 November 2017 [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 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.*

## 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
E04/2519	WA	Application	100%	100%	0%	Application
E04/2526	WA	Application	100%	100%	0%	Application
E04/2534	WA	Application	100%	0%	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	Application	100%	0%	0%	Application
E25/525	WA	Granted	100%	0%	0%	Granted
E38/3038	WA	Granted	100%	0%	0%	Granted
E52/3276	WA	Granted	0%	0%	100%	Transferred to Accelerate Resources Ltd
E52/3316	WA	Granted	0%	0%	100%	Transferred to Accelerate Resources Ltd
E69/2820	WA	Granted	20%	0%	0%	JV with Alloy Resources Limited
E69/3401	WA	Application	100%	0%	0%	Application
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	Granted	100%	100%	0%	Granted
L04/106	WA	Application	100%	100%	0%	Application
L04/107	WA	Application	100%	100%	0%	Application

**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%	100%	0%	Application
P04/274	WA	Application	100%	100%	0%	Application
P04/275	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%: