

Dunnedin to Acquire the Advanced Stage Kahuna Diamond Project

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August 18, 2014 / TNW-ACCESSWIRE / Vancouver, BC, Canada / [Dunnedin Ventures Inc.](#) (the "Company" or "Dunnedin") (TSX-V: DVI) is pleased to announce that it has entered into a Letter of Intent effective August 15, 2014 (the "LOI"), pursuant to which, and subject to regulatory approval, the Company will acquire the option to earn a 100% interest in the "Kahuna Diamond Project" (the "Project"), located in Nunavut, Canada.

The Company's CEO Chris Taylor stated, "This acquisition is transformative for Dunnedin and we are excited to rapidly advance this project towards feasibility through additional bulk sampling and resource definition. Multiple high grade diamond bearing kimberlite dikes and proximity to tide water provide a compelling opportunity."

Project Background

Kahuna is an advanced stage high grade diamond project discovered in 2001, located near Rankin Inlet, Nunavut. Three main diamondiferous kimberlite dikes have been discovered, the Kahuna, PST and Notch. These have strike lengths, widths and grades comparable to producing diamond mines.

Bulk sampling and drilling on the three main kimberlites has returned very high macrodiamond counts including diamonds over one carat in size. The largest diamond recovered was a 5.43 carat stone from the Kahuna dike that had been broken during the sample preparation process and was reconstructed as having an original size of 13.42 carats. The majority of diamonds are reported as clear and colourless to white, with a significant population of octahedral stones, however coloured stones have also been reported. The dikes occur within an extensive network of largely untested geophysical targets, which are overlain by dense diamond indicator mineral trains.

The Kahuna project comprises 13,000 Ha of mineral claims that cover the three main dikes, plus flanking ground that covers the prospective source regions of the main indicator mineral trains. Most of the diamond occurrences are located between 10 and 20 km of tide water of Hudson Bay.

The Kahuna Dike

The Kahuna dike is a 5.5 kilometre long, generally 2 to 4 metre wide, steeply-dipping kimberlite body defined by drilling, bulk sampling and geophysics. The average grade of three bulk samples totalling over 360 tonnes is estimated at 1.04 carats per tonne (cpt). The Kahuna dike has been confirmed with 30 drill holes along 4.5 km of strike, but has only been tested to depths of about 100 m. It remains open at depth, and is expected to have significant depth and total volume potential. Average true width is approximately 2.6 m, similar to the Snap Lake mine of DeBeers, in the N.W.T., Canada, which has an average width of 2.2 - 2.8 m. Results of bulk sampling completed on Kahuna are provided in Table 1. Photographs of diamonds from Kahuna are shown in Figure 1.

Bulk Sample Number	Weight in Dry Tonnes	Diamond Recovery (cpt)	Sieve Size (mm)							Largest Diamonds (carats)
			0.85	1.18	1.70	2.36	3.35	4.75	6.70	
1	3.13	1.11	129	78	20	6	1	0	0	0.27, 0.18, 0
2	98.13	1.03	1737	1528	263	48	6	0	0	0.98
3	151.63	0.94	2015	1850	302	76	20	3	1	5.44, 2.05, 1.44, 1.32
4	106.57	0.88	1609	1374	203	40	13	0	0	1.39, 1.19, 1

*Table 1: Bulk sampling results from the Kahuna dike. *Pink cubic diamond; all other stones reported as clear and colourless to white.*

The past operator revised upwards to 1.04 cpt an initially reported weighted average grade estimate derived

from the three main bulk samples of 0.95 cpt, after a tailings audit discovered a significant number of macrodiamonds had been missed during processing, including a 0.27 carat stone. This represents the most recent estimate of the grade potential of Kahuna.

The macrodiamond grades, strike length and width of the Kahuna dike show it has similar characteristics to the Snap Lake deposit which is being mined by DeBeers Canada, and make it an obvious target for near-term resource definition. However, it is only one of several closely spaced diamondiferous kimberlites that have been drill proven on the project to date.

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Figure 1: Photograph of diamonds collected from Kahuna

The PST dike

The PST dike has an undefined strike length and width, due to limited surface exposure and a muted geophysical signature. Macrodiamond grades were exceptionally high at 2.18 cpt in bulk sampling. The target was bulk sampled in an area where it has an exposed width of approximately 0.8 m and could be hand-trenched. Ground based magnetic surveying shows a linear signature of about 500 m length; however there are large magnetic anomalies at both ends of the linear that obscure it. These could represent different country rocks, or could be genetically related to the kimberlite.

The PST dike has been intersected in 6 drill holes in three separate drill setups across an unknown strike length, which is insufficient to quantify its geometry or potential size given that most dikes swell and pinch along strike. Mini bulk sampling results are presented below in Table 2.

The exceptional high grades reported from the PST dike make it a priority target for follow up work including more extensive bulk sampling, drilling and resource definition. Its close proximity to the Kahuna dike, at about 15 km, will facilitate concurrent work on both kimberlites.

Bulk Sample Number	Weight in Dry Tonnes	Diamond Recovery (cpt)	Sieve Size (mm)							Largest Diamonds (carats)
			0.85	1.18	1.70	2.36	3.35	4.75	6.70	
1	3.55	2.18	128	78	28	6	1	0	0	0.55, 0.29, 0.16

Table 2: Mini bulk sample results from the PST kimberlite dike. Stones were reported to be mostly clear to colourless and white.

The Notch dike

The Notch dike is located less than 2 km from the PST dike, and 10 km south of the Kahuna dike. Initial reported bulk sample results grossly underestimated the grade potential of this target, as discovered during bulk sample tailings audits. Due to the moderately increased hardness of its less altered matrix relative to the other dikes, a large number of macrodiamonds were not liberated during the original crushing process. This resulted in an upward revision to 0.82 cpt from 0.69 cpt of the average grade; a 26% increase. As the dike has a strike length of more than 3 km as inferred from geophysics, Notch is a very significant target for ongoing investigations. Where bulk sampled, the Notch dike had a width of approximately 1.5 m.

Bulk Sample Number

Weight in Dry Tonnes

Diamond Recovery (cpt)

Sieve Size (mm)

0.85

1.18

1.70

2.36

3.35

4.75

6.70

Largest Diamonds
(carats)

1

4.93

0.82

84

54

14

1
0 0 0

0.13, 0.11, 0.11

2

17.26

0.86

*

67

36

18

8
0 0

0.92, 0.81, 0.77, 0.63, 0.63

Table 3: Bulk sample results from the Notch kimberlite. *Not reported.

The combination of significant strike length, width and grade make the Notch dike an obvious target for follow up drilling, more extensive bulk sampling and resource definition.

Other Targets Including Kimberlite Dikes, Dike Blows and Pipes

The Killiq kimberlite dike was discovered during the most recent exploration efforts on the project and has not yet been followed up with bulk sampling. It is defined by a 1.1 km long weak magnetic signature, and was confirmed in four drill holes across 25 m of strike. It sits less than 2 km to the west of the PST dike, and appears to have similar kimberlite mineralogy. Caustic fusion results from the Killiq dike drill intercepts are presented in Table 4.

Sample Number

Dry Weight in kg

Sieve Size (mm)

0.106

0.15

0.212

0.3

0.425

0.6

0.85

Largest

Diamond

(mm)

1

29.9

76

49

27

13

9

1

1

1.36x1.1x0.76mm

Table 4: Diamond counts from drill intercepts from the Killiq kimberlite

Where drilled, the Killiq dike had a drill indicated width of 1 to 1.5 m. Importantly, the geophysical lineament that defines the dike ends in a large circular feature that may represent a "dike blow", where the kimberlite intersects a well-defined cross structure. The Killiq dike and possible blow are strong candidates for near-term exploration work, due to positive initial diamond counts and the potential for enhancement of kimberlite volume at the suspected blow.

The Kahuna Breccia kimberlite is interpreted as a dike blow off the main Kahuna dike. Gravity surveying defined areas of potentially increased width of the kimberlite system, three of which were drill tested. At the Kahuna Breccia, core drilling encountered 52 metres of highly altered granite host rock with numerous diamondiferous kimberlitic stringers, indicative of a more explosive emplacement of the dike system, or a kimberlite diatreme. Diamond counts from caustic fusion testing of kimberlite intercepts are presented in Table 5.

Sample Number

Dry Weight in kg

Sieve Size (mm)

0.106

0.15

0.212

0.3

0.425

0.6

0.85

Largest

Diamond

(mm)

1

2.95

15

14

11

7

2

0

1

2.14x1.64x1.1mm

Table 5: Diamond counts from drill intersections from the Kahuna Breccia, interpreted as a blow off the main kimberlite dike

These positive early results suggest a comparable diamond profile to the Kahuna dike, with enhanced size potential, and make the Kahuna Breccia a strong candidate for follow up exploration work.

In addition to the high grade dikes, a large number of circular geophysical targets are present, few of which have been drill tested, and the potential for diamondiferous kimberlite pipes with similar mineralization profiles to the dikes is significant. A number of circular geophysical targets on the property and surrounding area have been drill confirmed to be kimberlite pipes, however to date these have yielded only low diamond counts, and represent a younger phase of kimberlite emplacement that does not have the megacrystic indicator mineral content of the high grade dikes. Pipes from the same generation as the high grade dikes will be pursued through their distinctive indicator mineral chemistry.

Exploration Potential

Historical exploration expenditures completed on or around the property are estimated at \$25,000,000. In addition to bulk sampling and drilling, this includes over 10,000 regional till samples yielding over 20,000 microprobe-confirmed indicator minerals, and geophysics that includes high resolution fixed wing airborne magnetics, high resolution helicopter airborne magnetics and electromagnetics, ground based horizontal loop electromagnetics, and ground penetrating radar surveys. A 2010 technical report summarized that over 1000 linear geophysical anomalies are present in the local area, along with over 550 point anomalies.

While the Kahuna dike can individually be compared to DeBeers' Snap Lake project based on comparable widths and grades, the number of kimberlite dikes that are emplaced within a broader structural network gives the Kahuna project additional similarities to various African kimberlite dike projects, where kimberlites are emplaced in structurally-controlled swarms. Comparable kimberlite geology and diamond mineralization to these producing mines, and location 10 - 20 km from tide water in Hudson Bay, clearly demonstrate the Kahuna project's potential.

All carats per tonne grades reported in this release refer only to macrodiamonds found on the 0.85 mm sieve or larger.

Terms of the Option Agreement

In order to exercise the Option, the Company must make cumulative exploration expenditures on the Project totalling \$5,000,000, with no less than \$1,000,000 to be spent in each year over the three years following the one year anniversary of the date the Company acquires the Option. In addition, the Company must issue 11,000,000 common shares, and pay \$700,000 as follows: \$50,000 upon execution of the Letter of Intent, 2,200,000 shares and \$50,000 on receipt of Exchange approval and completion of a financing by the Company, 2,200,000 shares and \$100,000 by the first anniversary, 2,200,000 shares and \$150,000 by the second anniversary, 2,200,000 shares and \$150,000 by the third anniversary, and 2,200,000 shares and

\$200,000 by the fourth anniversary.

Non-Brokered Private Placement

The Company also announces that, subject to regulatory approval, it will conduct a non-brokered private placement of up to 20,000,000 common shares at a price of \$0.05 per share, for gross proceeds of up to \$1,000,000. The offering remains subject to the approval of the Exchange. All securities issued pursuant to the offering will be subject to a pooling arrangement, whereby 25% of the shares will be released from the pool on each 6 month anniversary of the financing, subject to earlier release at the discretion of the Board of Directors.

Chris Taylor, M.Sc. P.Geo, is the Qualified Person as defined by NI 43-101 standards who is responsible for the technical content of this news release. Historic results are compiled from various public documents including news releases and reports completed by or on behalf of the past operators of the project. Dunnedin has not conducted an independent review of these results.

For further information please contact Mr. Chris Taylor, M.Sc., P.Geo, CEO at 604 681 0084.

On behalf of the Board of Directors Dunnedin Ventures Inc.

Chris Taylor
Chief Executive Officer

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Statements included in this announcement, including statements concerning our plans, intentions and expectations, which are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements". Forward-looking statements may be identified by words including "anticipates", "believes", "intends", "estimates", "expects" and similar expressions. The Company cautions readers that forward-looking statements, including without limitation those relating to the Company's future operations and business prospects, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements.

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