



PINK DIAMONDS DISCOVERED AT MERLIN MINE

Merlin Diamonds Limited (“Merlin”) (ASX: MED) is pleased to announce that 32 pink diamonds totalling 6.639 cts have been recovered from mining operations at the Merlin Diamond Mine in the Northern Territory (see figure 1 overleaf).

The Company is encouraged by the discovery of these pinks at Merlin and it is a good indicator that more significant discoveries will be made as mining in the five pits - Excalibur, Gwain, Ywain, Ector and Kaye - commences.

Mining operations are expected to ramp up significantly this quarter as contractor Rusca Bros Services begins extracting fresh ore from the first pit. Further diamond discoveries will materialise.

The Company will provide shareholders with further updates shortly.

JOSEPH GUTNICK
Executive Chairman

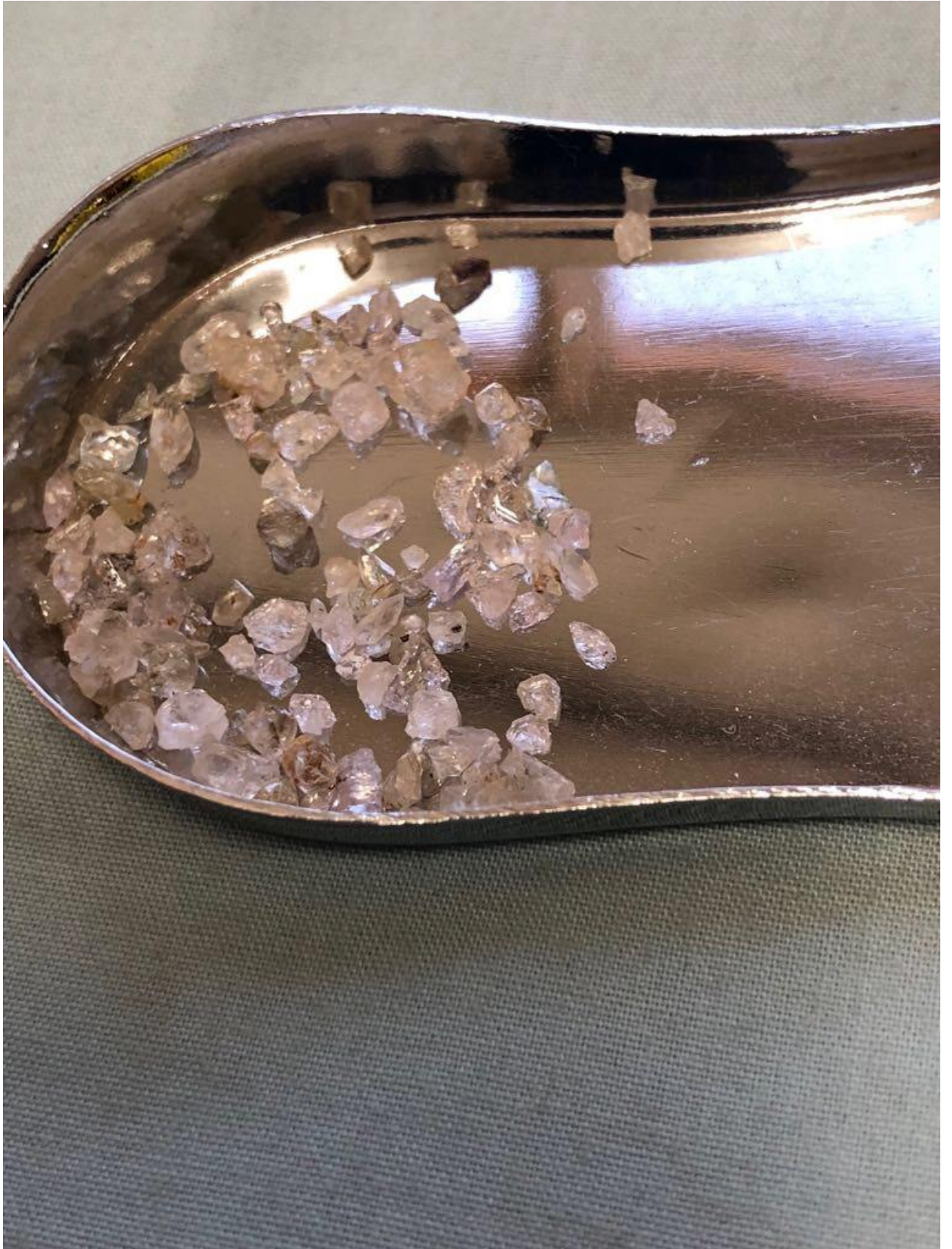


Image 1: Pink diamonds totalling 6.639 cts recovered from Merlin Diamond Mine