



Merlin Diamonds Limited

ABN 86 009 153 119

30 April 2018

Manager Companies
Australian Securities Exchange
Level 6, 20 Bridge Street
Sydney NSW 2000

By E-Lodgement

REPORT FOR THE QUARTER ENDED 31 MARCH 2018

Merlin Diamonds Limited
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Directors

Mr Mordechai Gutnick
Chairman & Managing Director

Mr Henry Herzog
Non-Executive Director

Dr David S Tyrwhitt
Non-Executive Director

Senior Management

Mr Peter Lee
CFO & Company Secretary

HIGHLIGHTS

Merlin Mine – Operations

- A 7.313cts fancy yellow diamond and a 1.448cts blue/green diamond were recovered, along with 6 pink diamonds, the largest being .28cts and the total pink diamonds recovered weighed 1.03cts. A significant occurrence for Merlin and its future prospects for coloured diamonds.
- Over 1000 diamonds have been recovered since the commissioning of the scrubber and DMS, from stockpiles on the ROM.
- Production of diamonds will be announced on a quarterly basis, from the June quarter.
- Refurbishment of scrubber and DMS onsite completed.
- Commissioned scrubber, dewatering screen and DMS.
- Mobile screening plant introduced into new circuit to remove over size before entering scrubbing.
- Ector pit dewatered, tender for mining contractor currently active for Ector, Gawain and Ywain.
- New processing plant from South Africa and China ordered and manufacturing has begun.
- XRT machine has been reprogrammed and received enhancement modification to run larger size fraction of 18-40mm at a higher feed rate.

Planned activities in June 2018 quarter

- Prepare civil works for new processing plant
- Choice of mining contractor to be finalised
- Recruitment of additional personal for the larger scale operation and night shifts
- Process ROM ore from Ector, Gawain and Ywain pits



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MERLIN DIAMOND MINE PROJECT

Merlin Diamond Mine Operations

1. MINING OPERATIONS UPDATE

Merlin is expecting to lock in a deal with one of many local mining contractors and begin mining operations in Ector. The large kimberlite pipe in Ector has one of the highest proportions of larger diamonds compared to other pipes at Merlin and has had very little mining in the past. Ease of mining will also allow plenty of ore to be relocated to the ROM in a short time frame, in order to feed the increased rate of the state of the art XRT machine. High focus will also be on valuable Gawain and Ywain as soon as pits are ready for mining.

2. TROMMEL SCRUBBER

Scrubbers and trommels are key instruments in any mineral recovery process. Combining the two, by taking a top grade scrubber and adding a high performance screening and sizing trommel onto the end of it will result in streamlining the process. In turn reducing down time and increasing through put. This is exactly what will be achieved in the trommel scrubber wash plant arriving from China, it will separate the material into 3 different size fractions early in the upstream process increasing head feed rate from the current 40tph to 150tph through the processing plant. It will also produce an even cleaner 18-40mm product for the X-ray sorter.

3. DENSE MEDIUM SEPARATION

Dense medium separation or DMS is a simple process based on specific gravity. It has been the basis of heavy mineral separation as far back as 1858. It is a robust process when conducted across mixed size fractions from 1-20mm with extremely high separation efficiency. This technology has been used in diamond recovery for decades. It has been improved and refined over time, with South Africa leading the market producing high quality plants. The DMS module arriving from South Africa will boost the 2-18mm production rate from 15tph to 40tph.

4. TOMRA X-RAY TRANSMISSION SORTER

X-ray transmission sorting or XRT is state of the art technology. It uses an electric X-ray tube and a highly sensitive cutting-edge X-ray Camera to penetrate material and capture a density image at high speed to separate high and low density fractions. The XRT will be used to process larger size material and find 100ct + diamonds. With the new plant setup the expected feed rates are above 80tph through the XRT sorter.

The information in this report is based on information compiled by Dr DS Tyrwhitt who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr DS Tyrwhitt is a consulting geologist employed by DS Tyrwhitt & Associates Pty Ltd. Dr DS Tyrwhitt is a director of Merlin Diamonds Limited, has 50 years' experience in the industry and has more than 5 years' experience which is relevant to the style of mineralisation being reported upon to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Tyrwhitt consents to the inclusion in the report of the matters based on the information in the form and context to which it appears. Attached is a copy of the Company's Mining Exploration Entity Quarterly Report in accordance with Listing Rule 5.3.