



9 October 2017

ASX ANNOUNCEMENT

The Company wishes to advise that it intends to offer ordinary shares to all shareholders under a non-renounceable pro-rata rights issue. The rights issue will be on the basis of 2 new shares for every 5 shares on issue at the record date. The price of the new share will be 0.5 cents. The rights issue will raise approximately \$3,470,000. The funds will be used for the mobilisation and commissioning of the new Tomra XRT Machine that has recently been purchased; mining operations; and working capital.

The Company is currently preparing a disclosure document and will advise the exact timetable shortly.

Current optionholders will be provided the opportunity to exercise their options in order to participate in the rights issue.

The Company has previously announced that

- 1 included in the Merlin diamonds offered for sale during September 2017 was a white Gem Z rough diamond and it achieved a very high sale price of US\$11,897.51 per carat for a total of US\$157,880. This augers well for future white diamond production at Merlin especially in larger sizes. The white diamonds that were present among all sizes were of an above average colour, quality and model.

The 13.27 carat is a very high quality D colour diamond. It has a good model with minor imperfections and has faint fluorescence. Stones such as this, once polished, could receive the GIA grade, D flawless, which is the highest possible grade for a diamond.

Some of the Merlin white stones are also Type 2a, which gives an additional specialty to the diamond. These kind of stones are in very high demand in the diamond manufacturing and trading centres around the world and could therefore fetch a much higher price.



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2 it continues to re-establish operations at the Merlin diamond mine in the Northern Territory.

The Ector pipe has been dewatered ahead of re-establishing pit access and pre mining activities. Potential mining and ore-sorting contractors visited site during the month to familiarize with the required tasks. It is expected that contractors will mine, crush screen and machine sort the coarse ore fractions through a new Tomra X-RAY Transmission (XRT) Machine recently purchased and paid for in full. By using this new sorting technology, it is expected that larger diamonds will be recovered than previously possible as well as recovering low luminescing diamonds that were difficult to recover using previously used sorting technology.

All efforts are being made to mobilise and commission prior to December 2017.

(See website <http://www.merlindiamonds.com.au/>)