

Merlin Diamonds Limited

ABN 86 009 153 119

Prospectus

For

For the issue of two (2) Shares at an issue price of \$0.065 (6.5 cents).

This document is important document. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay. This Offer does not take into account your investment objectives, financial situation or particular needs. You should carefully consider the risk factors in section 1.4 and Section 5 in light of your circumstances.

This Prospectus has been prepared for the purpose of section 708A(11) of the Corporations Act 2001 (Cth) to remove any secondary trading restrictions on the sale of securities issued by the Company.

THE SHARE OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE.

CORPORATE DIRECTORY

Directors

Joseph Gutnick
David Tyrwhitt
Henry Herzog

Company Secretary

Peter Lee

Registered Office and Domicile

Level 8, 580 St. Kilda Road
Melbourne Victoria 3004
Australia
Telephone: +61 3 8532 2858
Facsimile: +61 3 8532 2805
E-mail: info@merlindiamonds.com.au
Internet:
<http://www.merlindiamonds.com.au>

Legal Form

A public company limited by shares

Country of Incorporation

Australia

Australian Securities Exchange Listing Code

MED

SECTION 1 IMPORTANT INFORMATION AND KEY RISKS

1.1 Important Notes

This Prospectus is dated 5 August 2015 and was lodged with ASIC on that date. Neither ASIC nor ASX takes responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates. The Shares will not be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

This offer is only available to the investor personally invited by the Company to participate in the Offer. An application for the Share offered pursuant to this Prospectus can only be submitted on an original Acceptance Form which accompanies this Prospectus.

It is important that the applicant reads this document in its entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for the Shares. There are risks associated with an investment in Merlin Diamonds Limited, and the Shares offered under this Prospectus must be regarded as a speculative investment. In particular, you should consider the risk factors that could affect the value of an investment in the Company, some of which are outlined in Section 5 of the Prospectus. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares.

This Prospectus is a “transaction specific Prospectus” for an offer of “continuously quoted securities” prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering Prospectus. In preparing this Prospectus regard has been made to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and their professional advisors. ASX maintains a database of publicly available information issued by the Company as a disclosing entity.

No person is authorised to give any information or to make any representation in connection with the issue which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the issue.

The information provided in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read and consider the information in this Prospectus in full before deciding to invest in the Shares, consider the risks that could affect the performance of the Company and seek professional advice from your accountant, tax adviser, stockbroker, lawyer or other professional adviser before deciding to invest.

No person (whether named in this Prospectus or otherwise) guarantees the performance of Merlin Diamonds Limited, the repayment of capital or the payment of a return on the share.

1.2 Application outside Australia and New Zealand

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer. Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in Section 8 of this Prospectus. If you are a resident in a country other than Australia and New Zealand you should consult your professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained. No

action has been taken by the Company to register or qualify or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside of Australia and New Zealand.

1.3 Not Underwritten

This offer is not underwritten.

1.4 Key Risks

The Shares offered under this Prospectus is considered speculative. The Directors strongly recommend the party to whom the invitation to subscribe is made to examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for the New Shares pursuant to this Offer. In addition, Eligible Shareholders should be aware that there are risks associated with an investment in the Company. There are certain risks which relate directly to the Company's business and are largely beyond the control of the Company and its Directors because of the nature of the business of the Company. The Company gives no assurances or guarantees of future performance or profitability, or payment of dividends.

Additionally, the Company gives no assurances or guarantees that the risks set out in this document will not change. There may be other material risks which are not disclosed in this document because they are not known by the Company or were not considered to be material at the date of this Prospectus.

The following summary, which is by no means exhaustive, represents some of the risk factors that are applicable to the Company:

- **Development and exploration risks**

You should be aware that development of mining operations involves planning, construction and operation of mining and processing facilities and these may be complex undertakings that involve various elements including engineering, design, procurement of equipment, transportation, water resources, construction and obtaining financing and permits required related thereto. Our future production, if any, will decline as a result of the exhaustion of the probable reserves and possible closure of any mine that might be developed, if we are unsuccessful in replacing the reserves that are depleted. Eventually, at some unknown time in the future, all of the economically extractable ore will be removed from the mine, and there will be no ore remaining unless this Company is successful in near mine site exploration to extend the life of the mining operation. This is called depletion of reserves. Our success in continuing to develop reserves, if any, will affect the value of your investment.

- **Tenement assets**

The Company has a very large land position covered by exploration licenses. The continued success of the Company is tied to maintaining those tenements through continued committed exploration spending and land administration. This requires available funds and sound systems and processes to operate as planned.

- **Future Capital requirements**

The available funds of the Company may not be sufficient to cover expenditure that may be required to execute the projects or planned operations of the Company or to expand its operations or projects or for other capital expenditure, further exploration or feasibility studies or otherwise in the Company's operations. The Company may need to raise additional equity or debt funds in the future to finance these activities and requirements. There is no assurance that the Company will be able to obtain additional financing when required in the future, or that the terms and time frames associated with such funding will be acceptable to the Company, particularly having regard to the

current uncertain economic environment and the effect that metal prices may have on future production and earnings performance. This may have an adverse effect on the Company's ability to achieve its strategic goals and have a negative effect on its financial results.

- **Native title**

The Company's mineral tenements and other entitlements to property and minerals may be affected by native title claims, unregistered agreements, transfers or unknown defects in title. Native title claims and Aboriginal heritage issues may have a material adverse impact on the Company's activities and may hinder or prevent its exploration and future mining activities or increase the cost of those activities.

- **Health and safety**

The businesses of the Company are subject to strict health safety and safety laws and regulations. The Company may become liable for past and current conduct of which violates such laws and regulations. Penalties for breaching health and safety laws can be significant and include criminal penalties.

Victims of workplace accidents may also commence civil proceedings against the Company. These events might not be insured by the Company or may be uninsurable. In addition, any changes in health and safety laws and regulations may increase compliance costs for the Company. Such an event would negatively impact the financial results of the Company.

- **Regulatory and legislative**

Any changes in the laws and regulations under which the Company operates may adversely impact the Company's activities, planned projects and financial results. These laws and regulations include mining and exploration-related laws, laws requiring permits and licenses, environmental regulations and health and safety laws and regulations. In the Company's experience changes in legislation have generally produced more regulatory requirements resulting in increased compliance costs for the Company.

- **Environment**

Mining and exploration activities are strictly regulated by environmental legislation and government authorities. There is a risk that environmental regulation may prevent or impede the Company's activities. It is possible that environmental approvals for the Company's projects are not granted or are delayed. If this occurred it may materially affect the Company's ability to develop its projects and therefore its investment outlook.

- **Changes in legislation and Government regulation**

Changes to legislation or government policy in Australia and in other major economic countries may affect future earnings and the relative attractiveness of investing in the Company.

- **Economic Conditions**

Economic conditions in Australia and globally, may affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future securities price may be affected by these factors, all of which are beyond the control of the Company or its Directors.

Neither the Company nor the Directors warrant the future performance of the Company or any

return on an investment in the Company. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

- **General**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the mining and resources industry, including, but not limited to, the following:

- the strength of the equity and share markets in Australia and throughout the world;
- general economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates and industrial disruptions;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and the returns to investors.

1.5 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 3 of this Prospectus.

1.6 Electronic Prospectus

Pursuant to ASIC Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow the distribution of an electronic prospectus and an electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

The Prospectus will be issued in paper form and as an electronic prospectus, which may be accessed on the internet at the Company's website www.merlindiamonds.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company (see the Corporate Directory in Section 1 for the Company's contact details) and the Company will send you, at no cost to you, either a hard copy or a further electronic copy of the Prospectus or both during the Offer period.

The Corporations Act prohibits any person passing an Application Form on to another person unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. The Company reserves the right not to accept the Application Form if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

1.7 Website

No document or information on the Company's website is incorporated by reference into this Prospectus.

1.8 Definitions

Throughout this Prospectus abbreviations and defined terms are used. Defined terms generally identifiable by the use of an upper case first letter and the definitions of those terms are contained in the Glossary in Section 8.

SECTION 2 DETAILS OF THE OFFER

2.1 The Offer

Under this offer the Company will invite an investor to subscribe for two (2) Shares at an issue price of \$0.065 (6.5 cents) (the **Offer**). The Company will only receive a nominal amount of \$0.013 under this Prospectus and therefore raising funds is not the purpose of this Offer. As at the date of this Prospectus, the Company has on issue 432,873,211 shares. Please refer to Section 5 for information on the rights and liabilities attaching to the Shares.

2.2 Indicative Timetable

Event	Date
Prospectus lodgement date	5 August 2015
Opening date of Offer	5 August 2015
Closing Date of Offer (5pm AEDT)	5 November 2015

These dates are indicative only. Subject to the Listing Rules and any applicable law, the Directors reserve the right to vary these dates, including the Closing Date, at their discretion. Should this occur, the extension will have a consequential effect on the above timetable.

2.3 Entitlements and acceptance

An application for the Shares by the party invited to apply must be made using the Application Form. A completed Application Form and accompanying cheque must be mailed to the Company at:

Merlin Diamonds Limited
PO Box 6135 St Kilda Road Central
Melbourne Vic 3004

or delivered to:

Level 8, 580 St Kilda Road
Melbourne VIC 3004.

A cheque or money order should be made payable to “Merlin Diamonds Limited” and crossed “Not Negotiable”. A completed Application Form and accompanying cheque from the party invited to subscribe for the Share must reach one of the above addresses by no later than 5.00pm EST on the Closing Date (subject to variation).

Cash payment will not be accepted. A receipt for payment will not be issued.

2.4 Application Form

A completed Application Form cannot be withdrawn and constitutes a legally binding application for, and acceptance of, the Shares on the terms set out in this Prospectus.

If the Application Form is not completed correctly it may still be treated as valid. The Company’s decisions as to whether to treat the acceptance as valid, and how to construe, amend or complete the Application Form is final.

2.5 Applicant Outside Australia

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer. Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in Section 8 of this Prospectus. If you are a resident in a country other than Australia and New Zealand you should consult your professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

No action has been taken by the Company to register or qualify or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside of Australia and New Zealand.

2.6 Minimum Subscription

There is no minimum subscription to be raised under the Offer.

2.7 Allotment of Share

The Shares offered by this Prospectus will be allotted in accordance with the Listing Rules.

Following allotment a holding statements in relation to the Shares will be dispatched to the shareholder as soon as practicable after allotment. It is the responsibility of the shareholder to confirm the number of Shares allotted to them prior to trading on the ASX. If the shareholder sells their Shares before they receive their holding statements, they do so at their own risk.

Prior to the allotment of the Shares, all application money shall be held by the Company on trust for the Applicant. The Company will retain any interest earned on the application money irrespective of whether the allotment of the Shares takes place and each applicant waives the right to claim interest.

2.8 ASX Listing

Application will be made to the ASX for the official quotation of the Shares within seven days of the date of this Prospectus. If the ASX does not grant quotation to the Shares within three months after the date of the Prospectus (or any longer period permitted by law), the Offer will be withdrawn and the Company will repay, as soon as practicable, without interest, all application monies received pursuant to the Offer.

The ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Share.

2.9 No Underwriting

This offer is not underwritten.

2.10 Governing Law

This Prospectus and the contract that arises from acceptance of the Application are governed by the laws applicable in Victoria and the Applicant submits to the non-exclusive jurisdiction of the courts of Victoria.

2.11 Taxation

The Directors do not consider it appropriate to give advice regarding the taxation consequences of subscribing for Shares under this Prospectus. The acquisition and disposal of Shares will have tax consequences which will differ depending upon the Applicant's individual financial affairs. The Applicant is urged to obtain independent financial advice about such consequences from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors do not accept any responsibility or liability for any such taxation consequences or subscribing for the Shares under this Prospectus.

2.12 Queries

This Prospectus provides important information and should be read in its entirety. If you have any questions about what action to take after reading this Prospectus, please contact your stockbroker, financial Planner, accountant, lawyer or independent financial adviser. Any questions concerning the Offer should be directed to the Company Secretary, Peter Lee, on +61 3 8532 2858.

SECTION 3. PURPOSE AND EFFECT OF THE OFFER

3.1 Purpose of the Offer

The purpose of the Offer is to ensure that the Placement Shares are not subject to any trading restrictions. Section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- a) the relevant securities are in a class of securities that are quoted securities of the body;
- b) either;
 - i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale is made; or
 - ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3.2 Effect of the Offer

The effect of the Offer will be to remove any secondary trading restrictions on the placement Shares.

The Offer will also:

- a) Increase the number of Shares on issue by two (2) Shares; and
- b) Decrease the cash reserves of the Company by approximately \$3,944 being the estimated costs of the Offer.

3.3 Effect of financial Position.

The issue of two (2) Shares under this Prospectus will not have a material impact on the Company's financial position. For this reason pro-forma statement of the Company showing the financial effect of the Offer has not been included in this Prospectus.

The expenses of the Offer will be met from the Company's existing cash reserves. As such the Offer will have an effect on the Company's financial position, being a reduction in its cash reserves of approximately \$3,944.

3.4 Effect on Capital Structure

Share Capital	Number
Ordinary shares on issue at the date of this Prospectus	432,873,211
Shares pursuant to the Offer	2
Shares on issue after the Offer	432,873,213
Options on issue at the date of this Prospectus	27,300,000

On a fully diluted basis the Company would have 460,173,211 shares on issue at the date of this Prospectus and 460,173,213 shares on issue at completion of this Offer.

18,000,000 shares issued to Mr. JI Gutnick under the Merlin Diamonds Limited Incentive Share Scheme are held in voluntary escrow until such time that the Company has both (i) commenced commercial production; and (ii) made an operating profit after tax of at least A\$2 million, within a twelve month period from the beginning of production.

The 27,300,000 options issued under the Merlin Diamonds Limited Incentive Option Scheme are subject to vesting conditions and vest progressively up to September 2016.

Other than as described above, no shares or options are subject to escrow restrictions, either voluntary or imposed by ASX.

3.5 Financial Forecasts and Cashflow Projections.

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and consider that they do not have a reasonable basis to forecast future earnings for the Company. Given the speculative nature of mineral exploration and the stage of the Company's projects there are significant uncertainties associated with the future revenue earning potential of the Company and the timing and sustainability of the cash flow. On the basis of these inherent uncertainties, the Directors believe that reliable forecasts cannot be prepared and accordingly have not included forecast in this Prospectus.

SECTION 4 RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

A summary of the rights which relate to the Company's shares is set out below. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of the Company's shareholders.

Voting: At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every one of the Company's shares held by them.

Dividends: The Shares offered under this Prospectus, will rank equally with all other issued shares in the capital of the Company and will participate in dividends out of profits earned by the Company from time to time. Subject to the rights of holders of the Company's shares of any special preferential or qualified rights attaching thereto, the profits of the Company are divisible amongst the holders of the Company's shares in proportion to the Company's shares held by them irrespective of the amount paid up or credited as paid up thereon. The Company's Directors may from time to time pay to the Company shareholders such interim dividends as in their judgement the position of the Company justifies.

Winding Up: Upon paying the Application Monies, the Company's shareholders will have no further liability to make payments to the Company in the event of the Company being wound up pursuant to the provisions of the Corporations Act.

Transfer of Securities: Generally, the Company's shares are freely transferable, subject to satisfying the usual requirements of security transfers on the ASX. The Company's Directors may decline to register any transfer of the Company shares but only where permitted to do so under its Constitution or the ASX Listing Rules.

For more particular details of the rights attaching to the Company's shares, investors should refer to the Constitution of the Company.

SECTION 5 RISK FACTORS

The Shares offered under this Prospectus is considered speculative. The Directors strongly recommend the party to whom the invitation to subscribe examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for the Shares pursuant to this Offer. In addition, shareholders should be aware that there are risks associated with an investment in the Company. There are certain risks which relate directly to the Company's business and are largely beyond the control of the Company and its Directors because of the nature of the business of the Company. The Company gives no assurances or guarantees of future performance or profitability, or payment of dividends.

Additionally, the Company gives no assurances or guarantees that the risks set out in this document will not change. There may be other material risks which are not disclosed in this document because they are not known by the Company or were not considered to be material at the date of this Prospectus.

This section does not take into account the investment objectives, financial circumstances or particular needs of shareholders. It is important that shareholders carefully read this Prospectus in its entirety (particularly the risks set out in this Section, consider their personal circumstances (including financial and taxation issues) and seek independent professional advice before deciding whether to subscribe for shares.

The following summary, which is by no means exhaustive, represents some of the risk factors that are applicable to the Company:

- **Development and exploration risks**

You should be aware that development of mining operations involves planning, construction and operation of mining and processing facilities and these may be complex undertakings that involve various elements including engineering, design, procurement of equipment, transportation, water resources, construction and obtaining financing and permits required related thereto. Our future production, if any, will decline as a result of the exhaustion of the probable reserves and possible closure of any mine that might be developed, if we are unsuccessful in replacing the reserves that are depleted.. Eventually, at some unknown time in the future, all of the economically extractable ore will be removed from the mine, and there will be no ore remaining unless this Company is successful in near mine site exploration to extend the life of the mining operation. This is called depletion of reserves. Our success in continuing to develop reserves, if any, will affect the value of your investment.

- **Tenement assets**

The Company has a very large land position covered by exploration licenses. The continued success of the Company is tied to maintaining those tenements through continued committed exploration spending and land administration. This requires available funds and sound systems and processes to operate as planned.

- **Future Capital requirements**

The available funds of the Company may not be sufficient to cover expenditure that may be required to execute the projects or planned operations of the Company or to expand its operations or projects or for other capital expenditure, further exploration or feasibility studies or otherwise in the Company's operations. The Company may need to raise additional equity or debt funds in the future to finance these activities and requirements. There is no assurance that the Company will be able to obtain additional financing when required in the future, or that the terms and time frames

associated with such funding will be acceptable to the Company, particularly having regard to the current uncertain economic environment and the effect that metal prices may have on future production and earnings performance. This may have an adverse effect on the Company's ability to achieve its strategic goals and have a negative effect on its financial results.

- **Native title**

The Company's mineral tenements and other entitlements to property and minerals may be affected by native title claims, unregistered agreements, transfers or unknown defects in title. Native title claims and Aboriginal heritage issues may have a material adverse impact on the Company's activities and may hinder or prevent its exploration and future mining activities or increase the cost of those activities.

- **Health and safety**

The businesses of the Company are subject to strict health safety and safety laws and regulations. The Company may become liable for past and current conduct of which violates such laws and regulations. Penalties for breaching health and safety laws can be significant and include criminal penalties.

Victims of workplace accidents may also commence civil proceedings against the Company. These events might not be insured by the Company or may be uninsurable. In addition, any changes in health and safety laws and regulations may increase compliance costs for the Company. Such an event would negatively impact the financial results of the Company.

- **Regulatory and legislative**

Any changes in the laws and regulations under which the Company operates may adversely impact the Company's activities, planned projects and financial results. These laws and regulations include mining and exploration-related laws, laws requiring permits and licenses, environmental regulations and health and safety laws and regulations. In the Company's experience changes in legislation have generally produced more regulatory requirements resulting in increased compliance costs for the Company.

- **Environment**

Mining and exploration activities are strictly regulated by environmental legislation and government authorities. There is a risk that environmental regulation may prevent or impede the Company's activities. It is possible that environmental approvals for the Company's projects are not granted or are delayed. If this occurred it may materially affect the Company's ability to develop its projects and therefore its investment outlook.

- **Changes in legislation and Government regulation**

Changes to legislation or government policy in Australia and in other major economic countries may affect future earnings and the relative attractiveness of investing in the Company.

- **Economic Conditions**

Economic conditions in Australia and globally, may affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future securities price may be affected by these factors, all of which are beyond the control of the Company or its Directors.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

- **General**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the mining and resources industry, including, but not limited to, the following:

- the strength of the equity and share markets in Australia and throughout the world;
 - general economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates and industrial disruptions;
 - insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
 - changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and the returns to investors.
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SECTION 6 ADDITIONAL INFORMATION

6.1 Continuous Disclosure and Documents Available for Disclosure

The Company is listed on ASX and its Shares are quoted on ASX. The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company (unless an exception applies). Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of each of the following documents, free of charge, to any person who asks for it, during the application period for this Prospectus:

- (a) the annual financial report for the financial year of the Company ended 30 June 2014 (being the last annual financial report lodged with ASIC in relation to the Company before the issue of this Prospectus); and
- (b) all continuous disclosure notices given by the Company after the lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Prospectus with ASIC being:

Date	Detail
5 August 2015	Notice of general meeting
31 July 2015	Quarterly Activities and Cashflow Report
13 July 2015	Appendix 3B
30 June 2015	Appendix 3B
11 June 2015	Appendix 3B
2 June 2015	Appendix 3B
30 April 2015	Quarterly Activities and Cashflow Report
29 April 2015	Appendix 3B
29 April 2015	Results of meeting
7 April 2015	Reinstatement of quotation
7 April 2015	Market update
30 March 2015	Notice of general meeting/proxy form
25 March 2015	Update on suspension of trading
23 March 2015	Suspension from official quotation
19 March 2015	\$4.5m research 7 development expenditure refund from ATO
19 March 2015	Trading halt
16 March 2015	Half yearly report and accounts
2 March 2015	Placement
26 February 2015	Change in substantial shareholder notice for TND
24 February 2015	Response to ASX price query
12 February 2015	Response to ASX query – Appendix 5B – 31 December 2015
12 February 2015	Change in substantial shareholder notice for TND
30 January 2015	Quarterly Activities and Cashflow Report
22 January 2015	BBY research report
15 January 2015	Change of Directors' Interest Notice
15 January 2015	Issue of Shares
29 December 2014	Change of Directors' Interest Notice
29 December 2014	Appendix 3B
29 December 2014	Issue of Shares
27 November 2014	Change of Directors' Interest Notice
27 November 2014	Change of Directors' Interest Notice

27 November 2014	Change of Directors' Interest Notice
27 November 2014	Directors' Statement re Takeover
27 November 2014	Appendix 3B
27 November 2014	Results of Annual General Meeting
31 October 2014	Quarterly Activities and Cashflow Report
28 October 2014	Notice of Annual General Meeting

6.2 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and the Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares traded on ASX during the three months immediately preceding the date of lodgment of this Prospectus with ASIC and the respective dates of those sales were"

Highest:	0.07
Lowest:	0.06
Last:	0.066

6.3 Interests of Directors

The Directors do not have an interest in the Offer.

The Directors relevant interests in Securities as at the date of this Prospectus are set out below:

Name	Shares	Options
Jl Gutnick	64,923,077	18,000,000
DS Tyrwhitt	Nil	500,000
H Herzog	Nil	500,000

Non-executive Directors' base fees are presently limited to a maximum of \$400,000 per annum between all non-executive Directors. The non-executive Directors are currently paid a fee of \$30,000 per annum.

The Directors' remuneration paid for the financial year ended 30 June 2014 is contained in the Company's annual report released to the ASX on 30 September 2014.

6.4 Interests of experts and advisors

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- promotor of the Company; or
- an underwriter (but not a sub-underwriter),

holds, or has held within the two (2) years preceding lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Offer; and
- the Offer,

and no amounts have been paid or agreed to be paid (in cash, Shares, Options or otherwise) and no

benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- the formation or promotion of the Company; or
- the Offer.

6.5 Consents

Each of the parties referred to in this Section:

- does not make, or purport to make, any statement in this Prospectus other than as specified in this Section;
- has not authorised or caused the issue of this Prospectus;
- does not make the Offer; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statement included in or omitted from this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

6.6 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$3,944 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	\$
ASIC fees	2,290
ASX fees	1,654
	3,944

6.7 Litigation

As far as the Directors are aware, there are no current or threatened civil litigation, arbitration proceedings or administrative actions or appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Company.

6.8 Privacy Statement

By filling out an Acceptance Form to apply for Shares, you are providing personal information to the Company. The Company, may collect, hold and use that personal information in order to process your Application, service your needs as a shareholder, provide facilities and services that you request and carry out appropriate administration.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information appropriately. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Registry for ongoing administration of the shareholder register;
-

- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

The Corporations Act requires the Company to include information about the shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Acceptance Form may not be able to be processed.

The information contained in the Company's register of members must remain there even if that person ceases to be a shareholder. Information contained in the register of members is also used to facilitate corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its shareholders) and compliance by the Company with legal and regulatory requirements.

You may request access to your personal information held by or on behalf of the Company. A fee may be charged for access. You can request access to your personal information by writing or telephoning the Registry.

6.9 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532 (ASTC), a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are registered in the Issuer Sponsored subregister, your statement will be dispatched by Link Market Services and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to shareholders at the end of any calendar month during which the balance of their holding changes. Shareholders may request a statement at any other time, however there may be a charge associated with the provision of this service.

6.10 Dividend Policy

The Company has not declared a dividend since its incorporation and at the date of this Prospectus, does not intend to pay any dividends in the two year periods following the date of this Prospectus. During this period the Board expects to incur significant expenditure on the exploration and development of the Company's projects and in identifying, evaluating and, if warranted, acquiring other resource projects or assets in Australia and/or overseas that have the potential to add shareholder value. The extent, timing and payment of dividends by the Company in the future will be at the discretion of the Directors and will depend on a number of factors including future earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or eh franking credits attached to such dividends, can be given.

Section 7 AUTHORITY OF DIRECTORS

Each of the Directors of Merlin Diamonds Limited has consented to the issue of this Prospectus and to its lodgement with ASIC and has not withdrawn that consent in accordance with the Corporations Act.

Dated 5 August 2015

Signed for and on behalf of Merlin Diamonds Limited
by JI Gutnick (Chairman and Managing Director).

8 DEFINED TERMS

AEDT means Australian Eastern Standard Time.

Applicant refers to a person who submits an Acceptance Form.

Application refers to the submission of an Acceptance Form.

Application Form" means the Application Form accompanying this Prospectus.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Closing Date means 5.00pm AEDT 5 November 2015.

Company means Merlin Diamonds Limited ACN 009 153 119.

Directors mean the directors of the Company.

\$ or ¢ means the lawful currency of Australia.

Issuer Sponsored means the facility for registration of shares managed by the share registry on behalf of the Company.

Listing Rules means the Listing Rules of the ASX.

Share means a Share proposed to be issued pursuant to this Offer.

Non-qualifying Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

Offer means the offer of Shares at an issue price of \$0.065.

Prospectus means this Prospectus.

Opening Date means 5 August 2015.

Registry means Link Market Services Limited

Section means a section of this Prospectus.

This **Prospectus** is dated 5 August 2015.

APPLICATION FORM

Only complete this Application Form if you are directed to do so by the Company.

This Application Form relates to the offer of 2 shares in Merlin Diamonds Limited at an issue price of 6.5 cents per share made under a Prospectus dated 5 August 2015. The expiry date of the Prospectus is 5 November 2015 unless the Directors of Merlin Diamonds Limited extend that date in accordance with the Corporations Act. This Prospectus contains information about investing in the shares of the Company and it is advisable to read this document before applying for the Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable).

I/we the undersigned (the "Applicant") hereby apply to the Company for:

Number of Shares applied for	
Application moneys at 6.5 cents per Share	\$
Name of Applicant	
Postal address of applicant	
Contact name	
Contact number	
CHESS details (if applicable)	

DECLARATION

By lodging this Application Form and a cheque for the application money the Applicant hereby:

- a) applies for the number of Shares specified in the Application Form or such lesser number as may be allocated by the Directors;
- b) agrees to be bound by the constitution of the Company; and
- c) authorises the Directors to complete or amend this Application Form where necessary to correct any errors or omissions.

Signature _____

Print Name _____

Designation _____

Date _____

INSTRUCTIONS

- 1) Enter the number of Shares you wish to apply for (which cannot be more than two (2)).
- 2) Enter the total amount of application moneys payable. To calculate this amount, multiply the number of Shares you are applying for by the issue price for each Share (that is 6.5 cents).
- 3) Enter the full names (s) of all legal entities that are to be recorded as the registered holders.
- 4) Enter the postal address for all communications from the Company.
- 5) Enter the name and telephone number of the person who should be contacted if there are any questions with respect to this application.
- 6) If you are CHESSE sponsored, enter your Participant Identification Number (PID) and Holder Identification Number (HIN), otherwise leave this box blank and a Shareholder reference Number (SRN) will be allocated to you on issue.
- 7) Unless otherwise agreed by the Company, payment must be made to **“Merlin Diamonds Limited”** by cheque drawn or payable on a bank in Australia, crossed **“Not Negotiable”** and be in Australian dollars. Receipt of Payment will not be acknowledged.

If you have received an Application Form without a complete and unaltered copy of this Prospectus, please contact the Company who will send you, free of charge, either a printed or electronic version of this Prospectus (or both).

CORRECT FORMS OF REGISTRABLE TITLE

Note that legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full name and the surname are required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below:

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Brown <John David Brown A/c>	John Brown Family Trust
Deceased estates	Mr John David Brown <Est John David Brown A/c>	John Brown <Deceased>
Partnerships	Mr John David Brown and Mr Michael James Brown	John Brown & Son
Clubs/Unincorporated Bodies	Mr John David Brown <ABC Football Club A/c>	Brown Investment Club or ABC Football Club
Superannuation Funds	John Brown Pty Ltd <Super Fund A/c>	John Brown Superannuation Fund