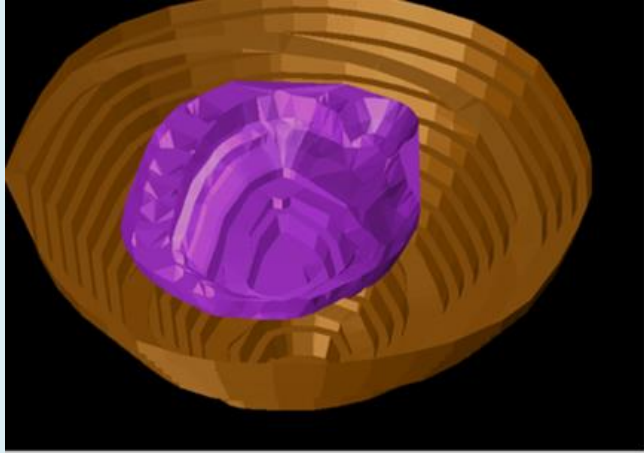


Progress Update for the Merlin Diamond Mine



October 2016



Notices



Disclaimer - Forward Looking Statement

This presentation contains “forward looking statements”. Such “forward looking statements” may include without limitation (1) estimates of future earnings, the sensitivity of such earnings to diamond values and foreign exchange rate movements (2) estimates of future diamond production (3) estimates of future cash costs (4) estimates of future cash flow, the sensitivity of such flows to diamond values and foreign exchange rate movements (5) statements regarding, future debt payments (6) estimates of future capital expenditure (7) estimates of reserves, resources and statements regarding future exploration results.

Where the Company expresses or implies an expectation or belief as to future events or results such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, “forward looking statements” are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such “forward looking statements”. Such risks include but are not limited to diamond values, currency fluctuations, increased production costs and variances in grades or recovery rates from those assumed in mining plans, as well as political and operational risks in the countries and states in which the Company operates or sells product and governmental regulation and judicial outcomes.

The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Corporate Overview



Corporate Snapshot

ASX Code	MED
Shares on issue	543,811,742
Share price (A\$/share)	0.024
Market Cap (at 2.4 cents/share)	A\$13.05 million

Experienced Board & Management Team



Mordechai Gutnick
Director



Henry Herzog
Non-Executive Director



David Tyrwhitt
Non-Executive
Director



Peter Lee
Chief Financial Officer and
Company Secretary

Foundation Resources – Our Consultants



- Based in Perth, Western Australia.
- Consisting of a team of industry professionals including geologists, mining engineers, metallurgists and environmental scientists.
- With over 100 years of combined diamond experience, including in exploration, resource evaluation, production, operational management, mine planning and environmental management.
- The members of Foundation Resources have worked on a variety of diamond projects around the world, including in Botswana, Angola, DRC, Indonesia, South Africa, Namibia and Australia, for companies such as De Beers and Gem Diamonds. They are fully equipped to assist Merlin Diamonds in bringing their operation into production.

Home to World Class Diamonds



The largest diamond ever found in Australia came from the Merlin Diamond Mine measuring 104.73cts

- Ashton Mining Ltd and Rio Tinto Ltd completed 5 years of mining at the Merlin Diamond Mine between 1999-2003 processing over 2.2 million tonnes of ore to produce 507,000 cts.
- Merlin Diamonds is renowned for large, white gem quality stones with over 31% of the stones previously produced being in the +13 DTC size fraction (approximately 0.7cts).
- Of the +1ct diamonds, in excess of 75% were assessed as 'gem' or 'near gem' quality.



Largest diamond found in Australia 104.73cts



Some of the cut and polished stones produced from the 104.73ct rough stone

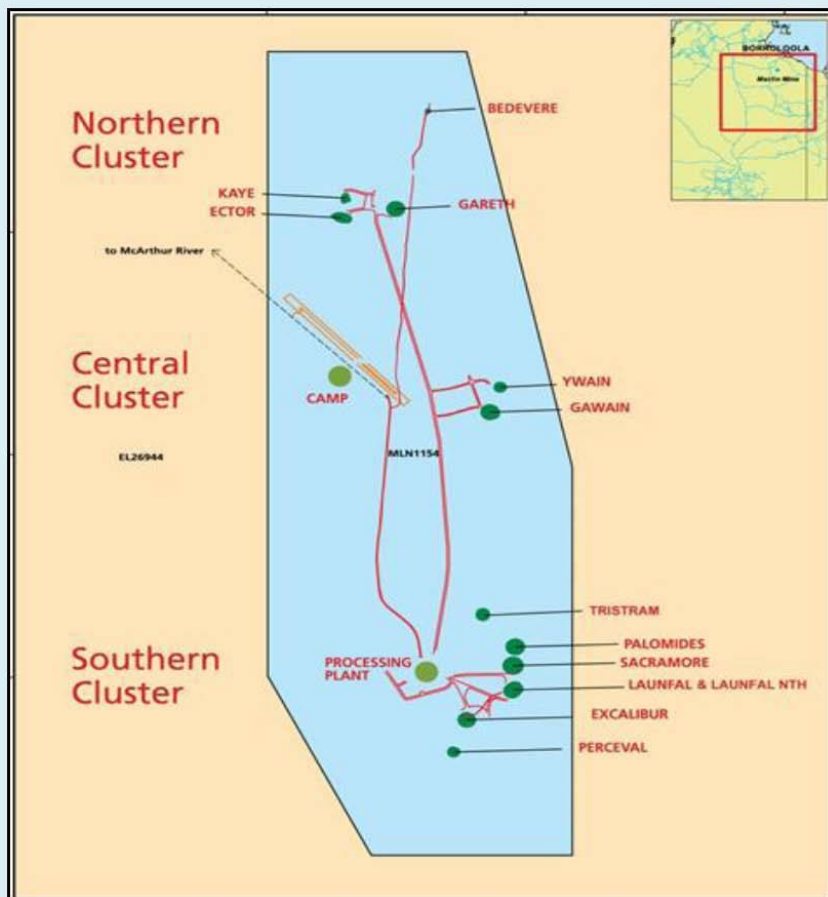


Merlin Project Areas

Merlin Diamonds has secured substantial tenement holdings in the North Kimberley and Arnhem Land totalling approximately 22,000km².



Merlin Diamond Field



- Located in the Northern Territory, approximately 80km south of Borroloola.
- Consisting of 13 known kimberlites in 3 separate clusters.
- 10 of the kimberlites have been mined to date.

Merlin Diamonds



Rough diamond production – whites and yellows



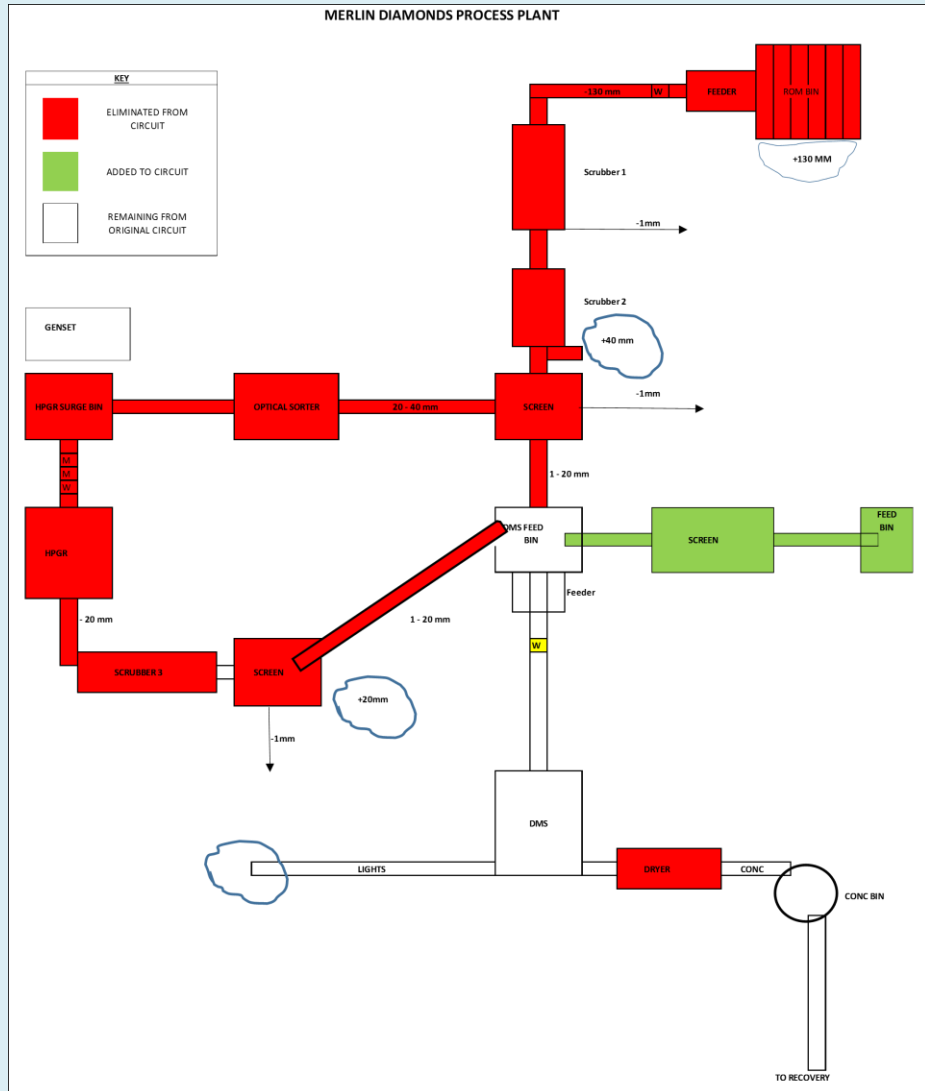
Polished diamond production – whites and fancy yellows



Village Facilities



Process Flowsheet Changes in 2016



- Original washing, crushing and screening circuit bypassed.
- Replaced by larger capacity contract mobile crushing and screening plant.
- Washed and screened ore fed directly into original DMS feed bin.
- Existing DMS utilised to produce heavy concentrate.
- Heavy concentrate fed directly to new final recovery unit

Mobile Crushing and Screening



- Mobile crushing and screening equipment situated on the ROM pad at the Merlin mine site.
- The crushing unit (red) crushing to -20mm.
- The screening unit (yellow), screening at 20mm.
- Commenced operation 1 October 2016

New Final Recovery



- Final recovery Flowsort unit acquired from the Ellendale diamond mine.
- To be installed after the DMS with direct feed for better security.



- Using Flowsort machines will improve productivity, diamond recovery and security.

Stockpiles



- Stockpiles of oversize ore to be processed at the start of production.
- Kimberlite generally highly weathered and friable.
- All stockpiles are within close proximity of the plant.

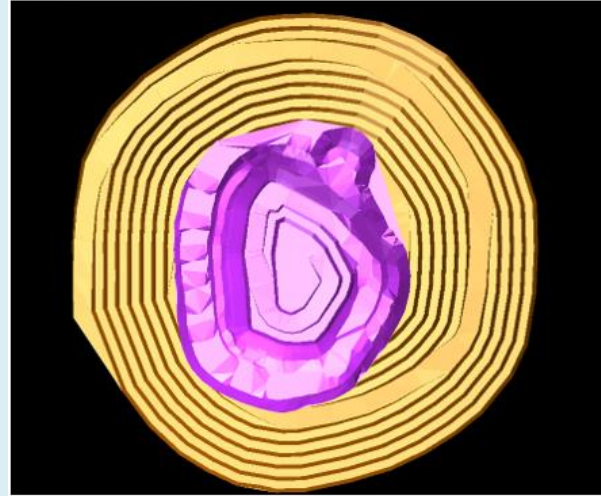
Pit Designs

Pit designs have been redone for Kaye and Ector during 2016. The following design parameters were used:

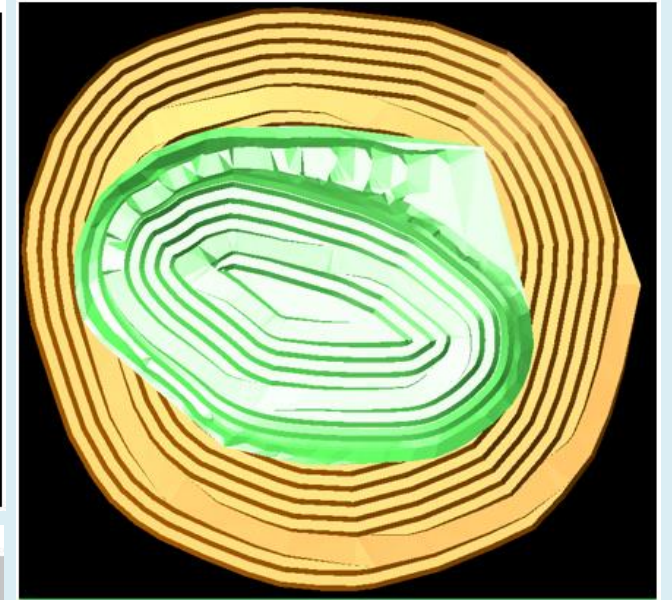
- Haul road width – 12m
- Haul road gradient – 10%
- Bench height – 10m
- Berm width – 5m
- Batter angle – 75 degrees

The designs shown have the final pits in brown and the starter pits in purple and green. The starter pits are based on completing the existing Kaye and Ector pits.

Kaye - Plan view



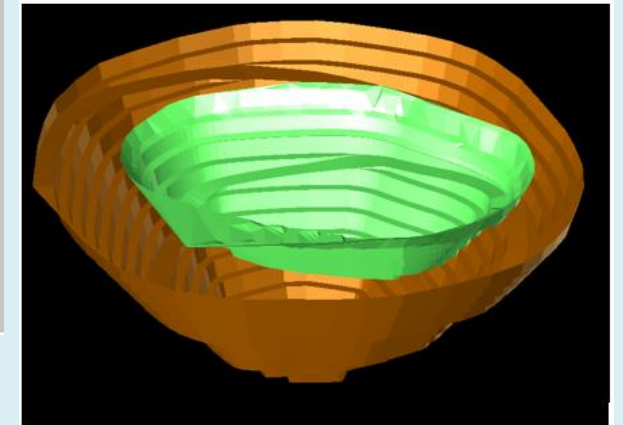
Ector - Plan view



Kaye - 3D view



Ector - 3D view



Exploration Targets

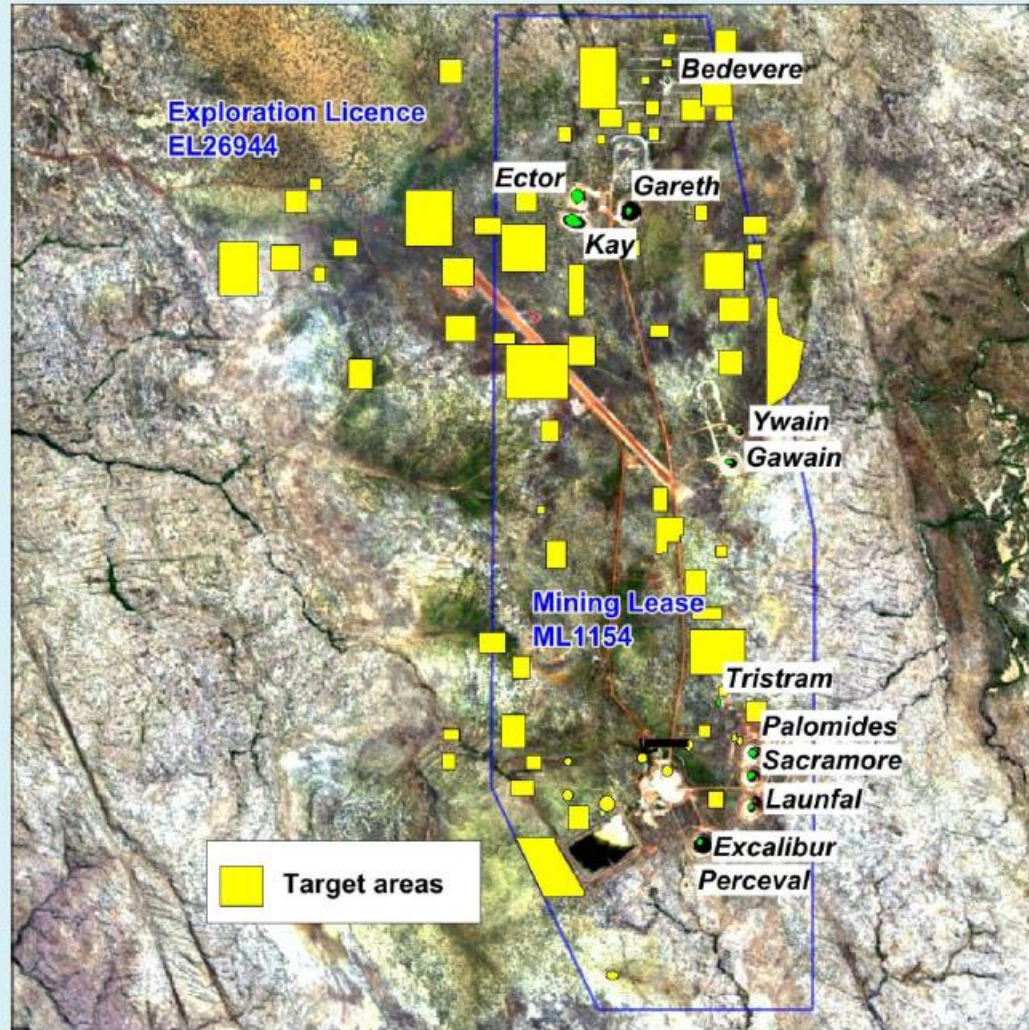
Rio Tinto's 1997 feasibility study on the Merlin Diamond Project made the following comments:

"Small pipes, such as Ywain, may be fairly common in the field..."

"There is some potential for significantly larger pipes...."

"...evidence indicates that the Merlin field is part of a broader kimberlite province."

" These factors (cretaceous cover, poor preservation of indicator minerals) while inhibiting the exploration effort, generally increase the possibility of other kimberlite fields and larger pipes to be present in the province."

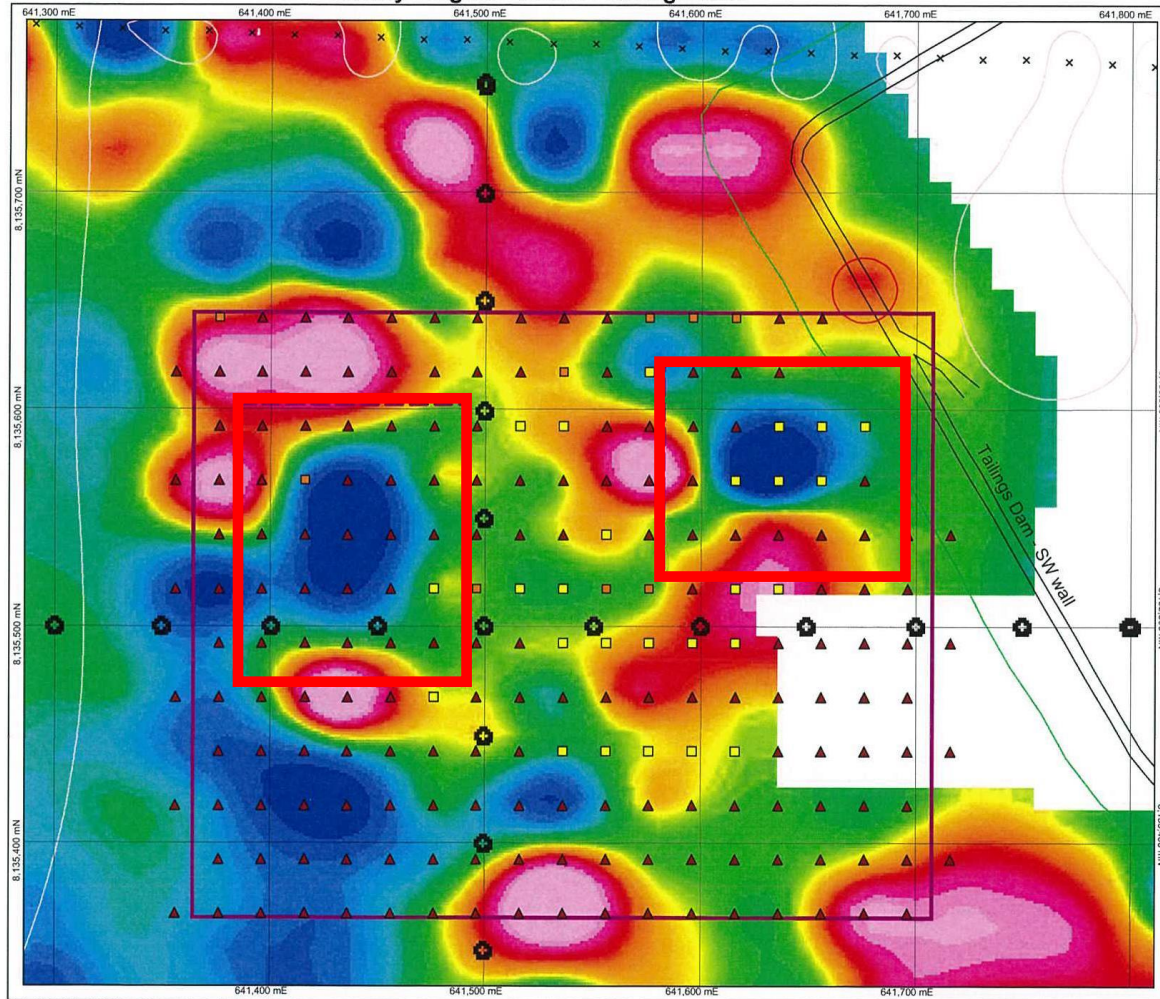


Merlin Mining lease priority exploration targets

Gravity Anomalies



Map 1: MERLIN PROJECT - MerAn010 - EM34-3 Grid
Gravity Targets - west of Tailings Dam



BACKGROUND IMAGE: 1995 Rio Merged Gravity Data

LEGEND

- x Ashton EM survey points
- contours - Ashton EM data
- EM34-3 grid area
- gravity anomaly proposed by JW

MerAn010
Rocktypes

- Bukalara Sst
- ferricrete
- sand

- There are two gravity anomalies in close proximity to the current mine operation that also require investigation.

DATUM - GDA94 zone 53
SCALE - 1 : 2,500

Contact Details



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