



Merlin Diamonds Limited

ABN 86 009 153 119

27 April 2017

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

By E-Lodgement

REPORT FOR THE QUARTER ENDED 31 MARCH 2017

Merlin Diamonds Limited
ABN 86 009 153 119

Level 1A
42 Moray Street
Southbank, VIC, 3006

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www.merlindiamonds.com.au

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

- Ramp up and production in progress.
- Recovery of multiple coloured diamonds including a pink diamond. This is the first pink diamond known to be recovered at Merlin.
- Extensive exploration programme looking for new kimberlite pipes on the Merlin Mine Lease to begin in early May 2017.
- Previous work identified seven drill ready targets and seventy four new exploration target areas that need to be investigated.



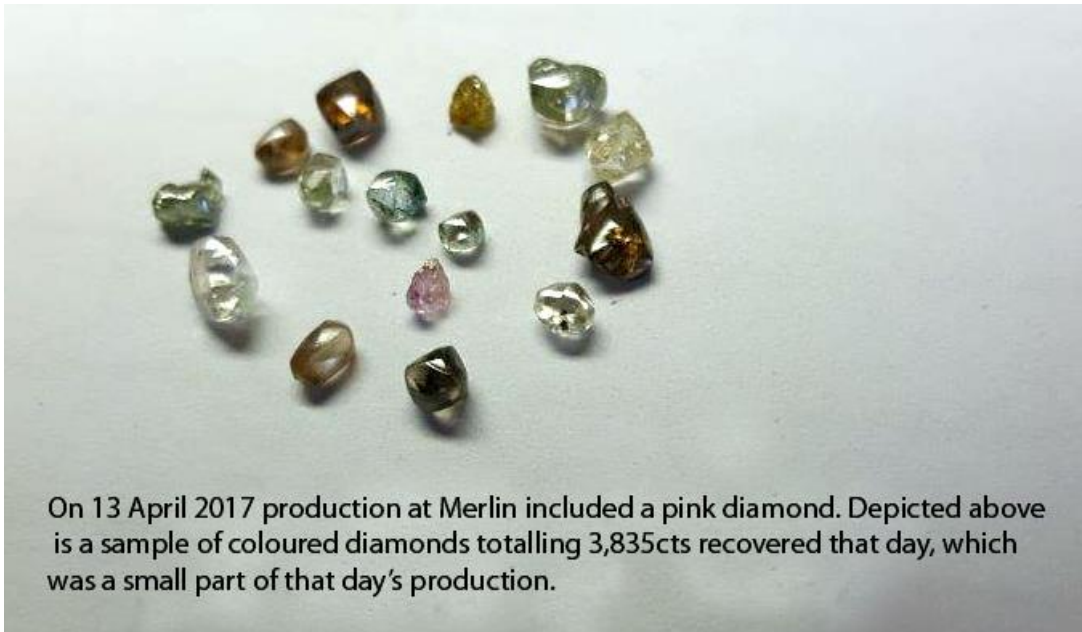
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MERLIN DIAMOND MINE PROJECT

Merlin Diamond Mine Operations

First pink diamond recovered at Merlin



On 13 April 2017 production at Merlin included a pink diamond. Depicted above is a sample of coloured diamonds totalling 3,835cts recovered that day, which was a small part of that day's production.

Numerous high quality diamonds recovered at Merlin from recent production





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Australia's 5th largest diamond 35.5 carats recovered

Merlin previously produced Australia's largest diamond at 104 carats. This 35.3 carat diamond reflects Merlin's history of recovering large diamonds.

Initial processing phase up-scaled with the introduction of scrubber

The commissioning of the scrubber significantly improves the preparation of the ore and throughput.

EXPLORATION OVERVIEW

Merlin Mining Lease (ML1154) and near Mine

No exploration work was undertaken this quarter.

Extensive exploration programme looking for new kimberlite pipes on the Merlin Mine Lease to begin in early May 2017.

Summary of Previous Work

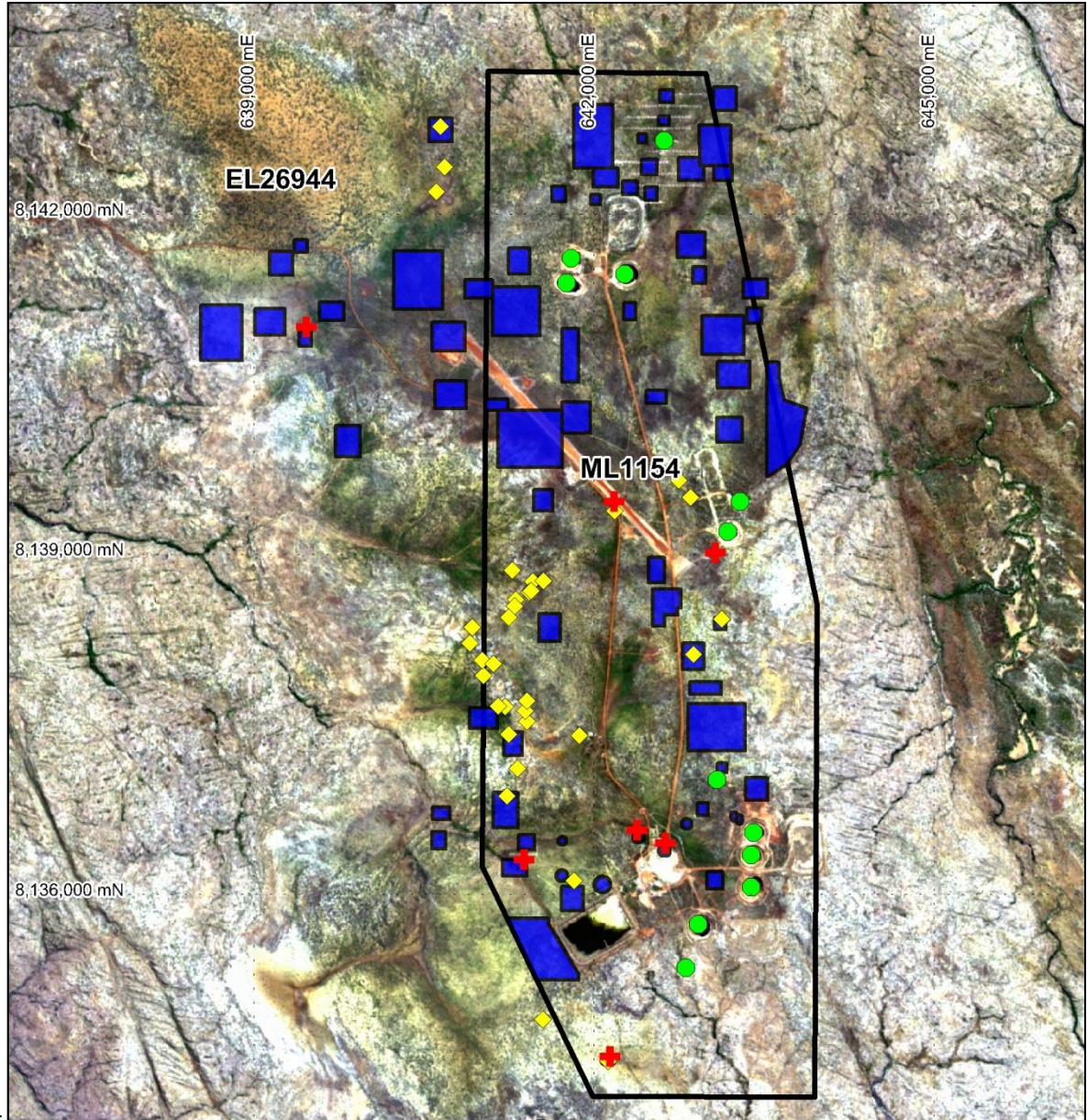
Review of all available historical data was completed in early 2014 with the identification of seventy-four new target areas that require further investigation. Seven of these targets are ready for immediate drilling (Figure 1). During 2013 the Company's field personnel completed an extensive heavy mineral sampling program on ML1154 and EL26944 targeting areas where sampling density was considered insufficient. Kimberlitic chromites have been recovered from a number of these samples in an area where no known kimberlites occur (Figure 1). This area has been poorly explored in the past relative to other parts of the mining lease and these results are highly encouraging. High resolution ground electromagnetic surveying will be undertaken to define drilling targets.







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Figure 1: Merlin Mine Lease Exploration



- | | | | |
|---|----------------------------|---|-----------------------------|
|  | Chromite recovered in 2013 |  | New exploration target area |
|  | Kimberlite pipe |  | Drilling target |



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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.



Merlin Diamonds Limited

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Table 1: Merlin Diamonds Limited Tenement Interests

Tenement	Project	State	Holder	Status	% Interest (Start of Quarter)	% Interest (End of Quarter)
EL26944	Merlin Orbit	NT	Merlin Operations Pty Ltd	Granted	100%	100%
EL28914	Merlin	NT	Merlin Diamonds Limited	Application	100%	0%
M80/526	Seppelt	WA	Merlin Diamonds Limited	Granted	100%	100%
M80/532	Seppelt	WA	Merlin Diamonds Limited	Granted	100%	100%
M80/492	Ashmore	WA	Striker Diamonds P/L	Granted	100%	100%
MLN1154	Merlin	NT	Merlin Operations Pty Ltd	Granted	100%	100%
EL10189	Merlin Orbit	NT	Merlin Operations Pty Ltd	Granted	100% Diamond rights only	100% Diamond rights only
EL10230	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL26206	Arnhem Land	NT	Merlin Diamonds Limited	Granted	100% Diamond rights only	100% Diamond rights only
EL28066	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL28067	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL28068	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL28069	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL28070	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL28071	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29398	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29399	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29400	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29401	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29402	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29403	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only



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Tenement	Project	State	Holder	Status	% Interest (Start of Quarter)	% Interest (End of Quarter)
EL29567	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL6532	Arnhem Land	NT	Rio Tinto Pty Ltd	Application	100% Diamond rights only	100% Diamond rights only
EL8681	Arnhem Land	NT	Rio Tinto Pty Ltd	Application	100% Diamond rights only	100% Diamond rights only
EL8682	Arnhem Land	NT	Rio Tinto Pty Ltd	Application	100% Diamond rights only	100% Diamond rights only

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MERLIN DIAMONDS LIMITED

ABN

86 009 153 119

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(7)	(229)
(b) development	-	-
(c) production	-	-
(d) staff costs	(364)	(576)
(e) administration and corporate costs	(705)	(2,572)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(12)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (GST Refund, Fuel Rebate Refund)	523	955
1.9 Net cash from / (used in) operating activities	(553)	(2,434)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	(22)	(196)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(230)	(2,215)
2.4	Dividends received (see note 3)		
2.5	Payments for development expenditure	(1,576)	(4,440)
2.6	Other (Environmental Bond)	(32)	(346)
2.7	Net cash from / (used in) investing activities	(1,860)	(7,197)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,572	9,144
3.2	Proceeds from issue of convertible notes	-	1,326
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	505	1,191
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (transaction costs re issue of shares)	(392)	(458)
3.10	Net cash from / (used in) financing activities	5,685	11,203

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	207	1,907
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(553)	(2,434)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,860)	(7,197)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,685	11,203
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,479	3,479

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,479	207
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,479	207

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	18
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	250
9.2 Development	2,100 inc production
9.3 Production	-
9.4 Staff costs	300
9.5 Administration and corporate costs	400
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	3,050

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	Refer table 1 of quarterly report.	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 28 April 2017

Print name: Peter Lee

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.