



Merlin Diamonds Limited

ABN 86 009 153 119

31 October 2018

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

By E-Lodgement

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018

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 Joseph Gutnick
Executive Chairman

Mr Mordechai Gutnick
Managing Director

Mr Henry Herzog
Non-Executive Director

Dr David S Tyrwhitt
Non-Executive Director

Senior Management

Mr Peter Lee
CFO & Company Secretary

Mr Joshua Harper
General Manager
Operations

- One large white stone of 17.4 carats was sold at tender to Safdico International Ltd for USD\$5,000 per carat. Following cutting and polishing by Safdico, the white diamond is now a 5 carat D flawless white diamond. D flawless White diamonds are the highest quality white diamonds. The stone will now be sold by Safdico on behalf of Merlin and the proceeds will be shared on a 50/50 basis after the deduction of the price paid by Safdico. This will generate at least a further USD\$90,000 for Merlin and once again demonstrates the high quality of the diamonds at Merlin.
- Diamond production from May 2018 to current of 2,844.118 carats from Ector and stockpiles.
- Merlin has engaged in discussions with an external mining consultant to conduct a study to determine the best options for mining at Merlin and in particular options to mine underground at Palsac, Ywain, Gwain and Excalibur. The scope of the study to be agreed between the parties will determine, for each deposit, the practicality and high level economics of the potential options. The outputs of the study can be used to guide and prioritise future work by determining which deposit is likely to be most viably mined first and



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which mining methodology that better suits. The Palsac and Excalibur deposits consist of a single diamond pipe with Ywain and Gawain being two diamond pipes at relative close distance whereby the possibility of sharing some of the underground infrastructure may be possible. The study should take 3 months to be completed.

- Mining of Ector and the processing of stockpiles will be reviewed following the commissioning of the new DMS Plant at the end of the wet season. Meanwhile, the plant is being put on care and maintenance.
- Diamonds sales in Antwerp to-date of \$362,000 however not all diamonds have been sold.
- An anomaly has been identified south of Excalibur and current plans are to drill the anomaly prior to the wet season (see attached figure).

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.

A Merlin Diamond Mine



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%
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
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")

30 SEPTEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	362	362
1.2 Payments for		
(a) exploration & evaluation	(44)	(44)
(b) development	-	-
(c) production	-	-
(d) staff costs	(41)	(41)
(e) administration and corporate costs	(805)	(805)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(11)	(11)
1.7 Research and development refunds	-	-
1.8 Other (GST Refund, Fuel Rebate Refund)	236	236
1.9 Net cash from / (used in) operating activities	(303)	(303)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(438)	(438)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Payments for development expenditure	(2,361)	(2,361)
2.6	Other (Environmental Bond)	-	-
2.7	Net cash from / (used in) investing activities	(2,799)	(2,799)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	800	800
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	1,956	1,956
3.6	Repayment of borrowings	(18)	(18)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (transaction costs re issue of shares)	(10)	(10)
3.10	Net cash from / (used in) financing activities	2,727	2,727

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	507	507
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(303)	(303)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,799)	(2,799)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,727	2,727
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	132	132

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	132	507
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)	132	507

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	38
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.		

The Company has a secured note deed with Cuart Investments PCC Ltd for \$2 million of which \$500,000 has been drawn to date. It is subject to shareholder approval at the annual general meeting to be held on 30 November 2018. There is no interest applicable to the facility. Full details are contained in the notice of annual general meeting. At the annual general meeting, shareholder approval is also being sought for a \$2.5 million convertible note facility with Edensor Holdings Pty Ltd.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	100
9.2 Development	200
9.3 Production	-
9.4 Staff costs	150
9.5 Administration and corporate costs	500
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	950

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: 31 October 2018

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.