



Merlin Diamonds Limited

ABN 86 009 153 119

31 July 2014

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

By E-Lodgement

REPORT FOR THE QUARTER ENDED 30 JUNE 2014

Merlin Diamonds Limited
ABN 86 009 153 119

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Directors

Mr Joseph Gutnick
Executive Chairman and
Chief Executive Officer

Mr Henry Herzog
Non-Executive Director

Dr David S Tyrwhitt
Non-Executive Director

Senior Management

Mr Peter Lee
CFO & Company Secretary

Mr Craig Michael
Executive General Manager

Mr Mike Kammermann
Exploration Manager

HIGHLIGHTS

Merlin Mine - Mining Operations

- Feasibility work on alternative mining methods highlights the suitability of using a mechanical clamshell grab to commence mining operations at the Merlin Diamond Mine.
- The clamshell grab operation is likely to reduce upfront capital outlay, minimise operational risk and decrease the amount of time required for the project to become cash flow positive. Borehole mining is still being assessed for later production once readily accessible material utilising the clamshell grab has been depleted.
- Merlin aims to restart production at the Merlin Mine upon completion of the feasibility study for the mechanical clamshell grab operation (with associated Ore Reserve estimation) and raising the required funds needed to commence mining.

Merlin Mine - Exploration

- Seven (7) drill ready targets identified
- Seventy-four (74) new exploration target areas identified
- Continuing focus on EM34 surveying to investigate new target areas and produce additional drilling targets

Corporate

- Blumont Group Limited have extended the offer period under its takeover offer to 30 September 2014.



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MERLIN DIAMOND MINE PROJECT

Background

The Merlin diamond mine project is located some 100km south of the settlement of Borroloola in the Northern Territory and comprises 14 kimberlite pipes. Since 1998, nine of the Merlin pipes have been subject to open-pit mining over a 5 year period. These previous mining operations produced 507,000 carats of high quality diamonds. This included Australia's largest diamond at 104.73cts. In 2004, Merlin Diamonds acquired the project from the Rio Tinto parties and current management took control in 2008.

Mineral Resources and Ore Reserves

The combined Mineral Resource and Ore Reserve for all of the diamond pipes at Merlin is 30.1 million tonnes representing a total contained 7.2 million carats. An Ore Reserve for alternative mining methods has not yet been estimated but is currently underway. The information in the tables provided below was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Probable Ore Reserve

The combined Probable Ore Reserve for all diamond pipes at the Merlin diamond mine is 11.1 million tonnes for an average grade of 26 carats per hundred tonnes (cpht) representing a total contained 2.89 million carats.

	Probable Ore Reserve (Mt)	Grade (cpht)	Carats (Mcts)
<i>Southern Cluster</i>			
PalSac ²	8.1	30	2.41
<i>Sub-Total</i>	8.1	30	2.41
<i>Central Cluster</i>			
Gawain ²	0.5	39	0.21
Ywain ²	0.1	81	0.05
<i>Sub-Total</i>	0.6	44	0.26
<i>Northern Cluster</i>			
Kaye ²	0.9	12	0.10
Ector ¹	1.5	7	0.11
<i>Sub-Total</i>	2.4	9	0.22
TOTAL	11.1	26	2.89

¹Resource grade based on previous mining operation recovery using a +0.95 mm slotted bottom screen and a +0.95mm cut-off.

²Resource grade based on bulk sample test work using a +0.85 mm slotted bottom screen and a +1mm cut-off.

The above Ore Reserves are additional to the Mineral Resources and are estimated on open pit and underground mining assumptions. A Reserve for alternative mining methods has not yet been estimated.



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Inferred and Indicated Resources

The combined Indicated and Inferred Mineral Resource for all diamond pipes at the Merlin diamond mine is 19.02 million tonnes for an average grade of 24 cpht representing a total contained 4.31 million carats.

	Indicated Mineral Resource (Mt)	Inferred Mineral Resource (Mt)	Total (Mt)	Grade (cpht)	Carats (Mcts)
<i>Southern Cluster</i>					
PalSac ²		6.59	6.59	30	1.96
Launfal ²	1.58	1.70	3.28	25	0.82
Excalibur ¹	0.46	0.31	0.77	34	0.26
Tristram ²		0.74	0.74	6	0.04
<i>Sub-Total</i>			11.38	27	3.09
<i>Central Cluster</i>					
Gawain ²	0.53	0.61	1.14	39	0.45
Ywain ²	0.02	0.10	0.12	81	0.09
<i>Sub-Total</i>			1.26	43	0.54
<i>Northern Cluster</i>					
Gareth ¹	0.13	0.14	0.27	22	0.06
Kaye ²		2.14	2.14	12	0.26
Ector ¹		3.47	3.47	7	0.26
Bedeveve ²	0.37	0.14	0.50	21	0.11
<i>Sub-Total</i>			6.38	11	0.68
TOTAL	3.09	15.93	19.02	24	4.31

¹Resource grade based on previous mining operation recovery using a +0.95 mm slotted bottom screen and a +0.95mm cut-off.

²Resource grade based on bulk sample test work using a +0.85 mm slotted bottom screen and a +1mm cut-off.

The above Mineral Resources are additional to the Ore Reserve and are estimated on open pit and underground mining assumptions.

Merlin Diamond Mine - Mechanical Clamshell Grab Operation

Over recent months, in conjunction with further engineering studies on increasing production rates of the borehole mining system, Merlin's engineering and feasibility team have been assessing alternative mining methods. The purpose of assessing alternative methods was to further minimise upfront capital outlay, reduce operational risk and decrease the amount of time required for the project to become cash flow positive. Initial feasibility work has highlighted the suitability of using a mechanical clamshell grab suspended from a crane that could be affixed to the barge that is currently within the water filled Ywain pit (see figures 1 to 3). This mining methodology is commonly used in maritime dredging and construction operations.

The clamshell grab has the potential to access weathered diamondiferous kimberlite within the upper portions of the kimberlite pipes and may provide a number of years of operation before the need to return to a borehole mining system or conventional methods such as open pit or underground mining which have the ability to access deeper sections of the pipes.



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A feasibility study and associated Ore Reserve estimate is currently underway for the mechanical clamshell grab operation and is expected to be completed during the next quarter.

Merlin Diamonds is aiming to commence operations at the Merlin Diamond Mine upon raising the required funds as estimated in the upcoming feasibility study.



Figure 1 – Example of a mechanical clamshell grab (image courtesy of The Grab Specialists B.V.)



Figure 2 – Example of a shear leg crane on a barge (image courtesy of Maritime Constructions Pty Ltd)



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Figure 3 – Barge currently afloat in the water filled Ywain pit

EXPLORATION OVERVIEW

Merlin Mining Lease (ML1154) and near Mine

Review of all available historical data was completed in early 2014 with the identification of seventy-four new target areas that require further investigation. Four of these targets are ready for immediate drilling (Figure 1).

Exploration activity during the June quarter included EM34 surveying of several of the seventy-four targets. Interpretation of the survey results is ongoing and the Company expects to investigate further targets during the September quarter.

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 new results are highly encouraging. High resolution ground electromagnetic surveying will be undertaken to define drilling targets.

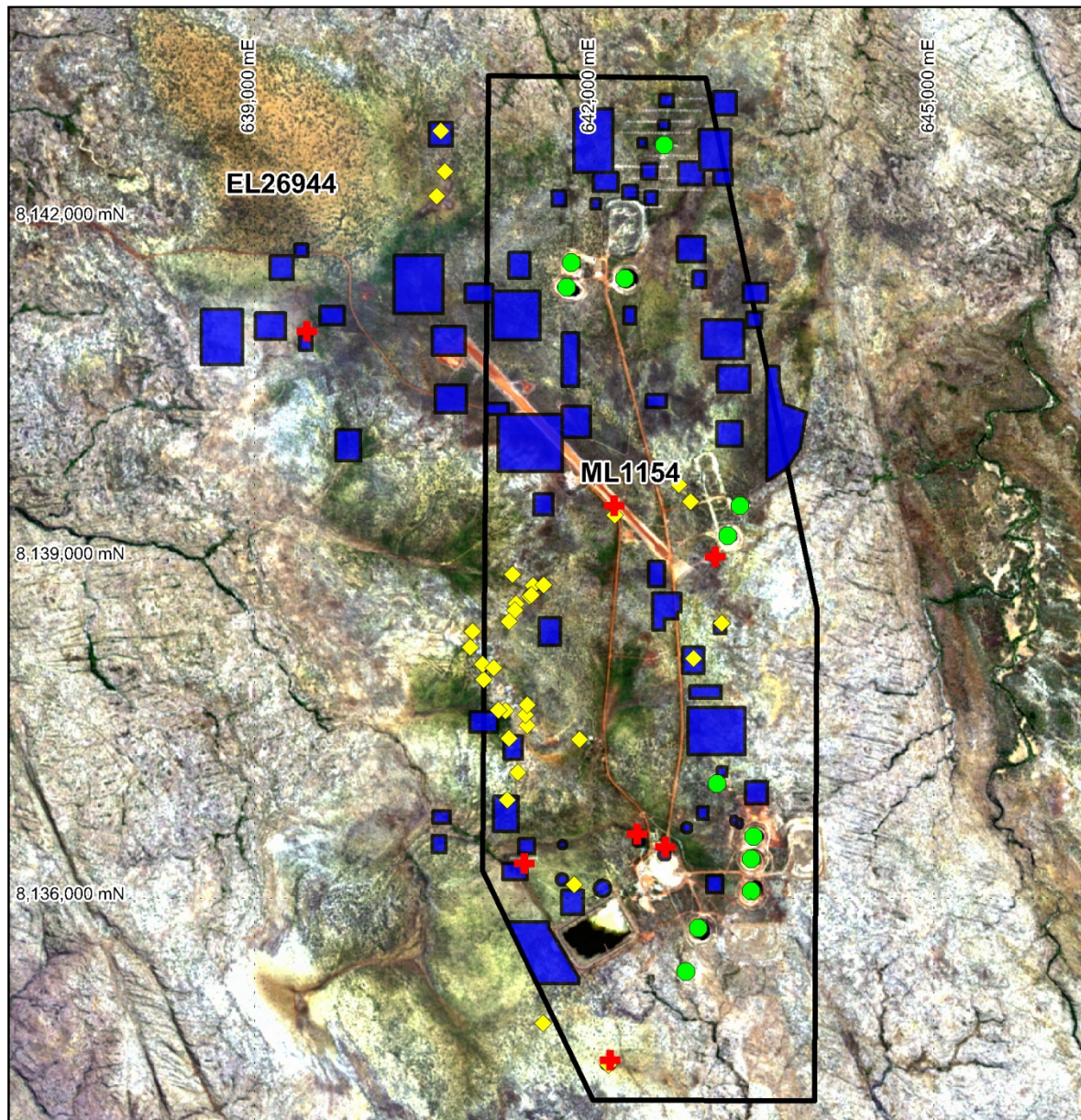
Approximately one hundred samples remain to be processed and it is anticipated that further positive results will be forthcoming.






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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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Borrooloola Alluvial Diamond Project

The Borrooloola Project comprises exploration licences EL24512 and EL24082. Alluvial gravels are exposed at surface on EL24512 in an area covering 5km². However, the total area which could potentially host alluvial gravel deposits on the Company's tenements is yet to be explored and is in the order of 300km². This significantly increases the opportunity to identify a large volume, high value alluvial diamond deposit.

During 2011 the Company completed a bulk sampling program on an area of outcropping gravel. Material from three costeans, 3,000 tonnes in total, was processed at the Merlin diamond mine, yielding 22 stones with a total weight of 1.09 carats. Thirteen of the recovered diamonds were white in colour including the largest two at 0.19 and 0.25 carats. All costeans were rehabilitated to the satisfaction of the Department of Mines and Energy.

The Borrooloola Alluvial Diamond Project represents a significant and unique opportunity to explore for a large volume, high value, alluvial diamond deposit. No work was completed at the Borrooloola project during the quarter.

Arnhem Land Exploration

The Company's Arnhem Land projects include a total of 2 granted exploration licences (EL25976 and EL26206). A further 47 exploration licences are currently at the application stage and are held by Merlin Diamonds either outright or under joint venture agreements with other parties.

The licences are located on the North Australian Craton (**NAC**), which is a geologically stable block favourable for kimberlite emplacement. The NAC hosts the Merlin kimberlite field, the Abner Range kimberlite and breccia pipes, and the Roper River and Timber Creek kimberlites.

The majority of the licence applications fall on land controlled by the Arnhem Land Aboriginal Land Trust. Merlin has farmed out the non-diamond rights for the majority of the licence applications to Top End Minerals Limited (Top End). Top End is responsible for negotiations with the Northern Land Council and progress of the licences to grant and to obtain early ground access, Top End has submitted Preliminary Exploration Permit applications to the Northern Land Council, which allow activities such as geological mapping, surface sampling and ground geophysics. These activities will enable Top End to make an early assessment of the prospectivity of some applications and whether to prioritise these for negotiations with the Northern Land Council.

Merlin will endeavour to collect diamond exploration samples on any licences available for exploration under a Preliminary Exploration Permit.

During the quarter EL25976 was surrendered (refer to Figure 3 for location).

WESTERN AUSTRALIAN PROJECTS

Kimberley Diamond Projects

The Company holds three mining licences (M80/492, M80/26 and M80/532) in the Kimberley region of Western Australia (Figure 4). The licences host a number of diamondiferous kimberlite pipes, which the Company has previously evaluated to identify a JORC Compliant Inferred Resource of 869,000 carats. The Company continues to hold the mining licences as they retain commercial potential. The information in the table below was prepared and first disclosed under the JORC Code



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2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

	Inferred Infill Resource	Inferred Kimberlite Resource	Total Inferred Resource	Grade (cpht)	Carats (Mcts)
<i>Kimberley Projects</i>	tonnes	tonnes	tonnes		
Ashmore 1	305,000	868,000	1,173,000	3.67	43,000
Ashmore 2	262,000	771,000	1,033,000	6.00	62,000
Ashmore 3	108,000	243,000	351,000	3.42	12,000
Ashmore 4	58,000	100,000	158,000	13.29	21,000
Seppelt 1	214,000	1,101,000	1,315,000	25.9	341,000
Seppelt 2	27,000	146,000	173,000	225	390,000
TOTAL	975,000	3,232,000	4,207,000	21	869,000

¹Resource grade based recovery using a +0.75 mm square mesh bottom screen and a +0.95mm cut-off.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves 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. Dr DS Tyrwhitt has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr DS Tyrwhitt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.. Attached is a copy of the Company's Mining Exploration Entity Quarterly Report in accordance with Listing Rule 5.3.

J. I. Gutnick

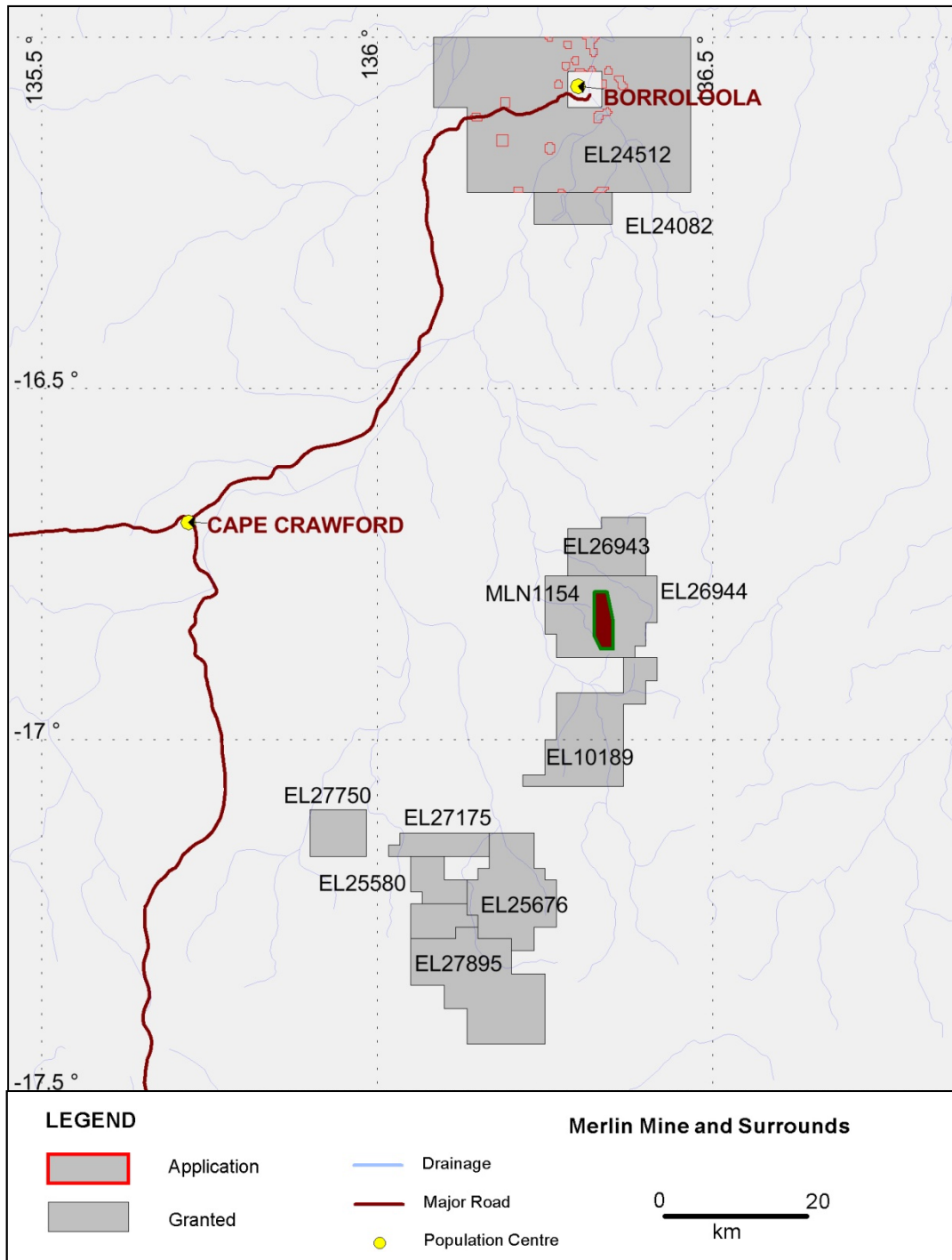
J I GUTNICK
Chief Executive Officer
31 July 2014



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Figure 2 Merlin Diamond Mine and Surrounding Areas

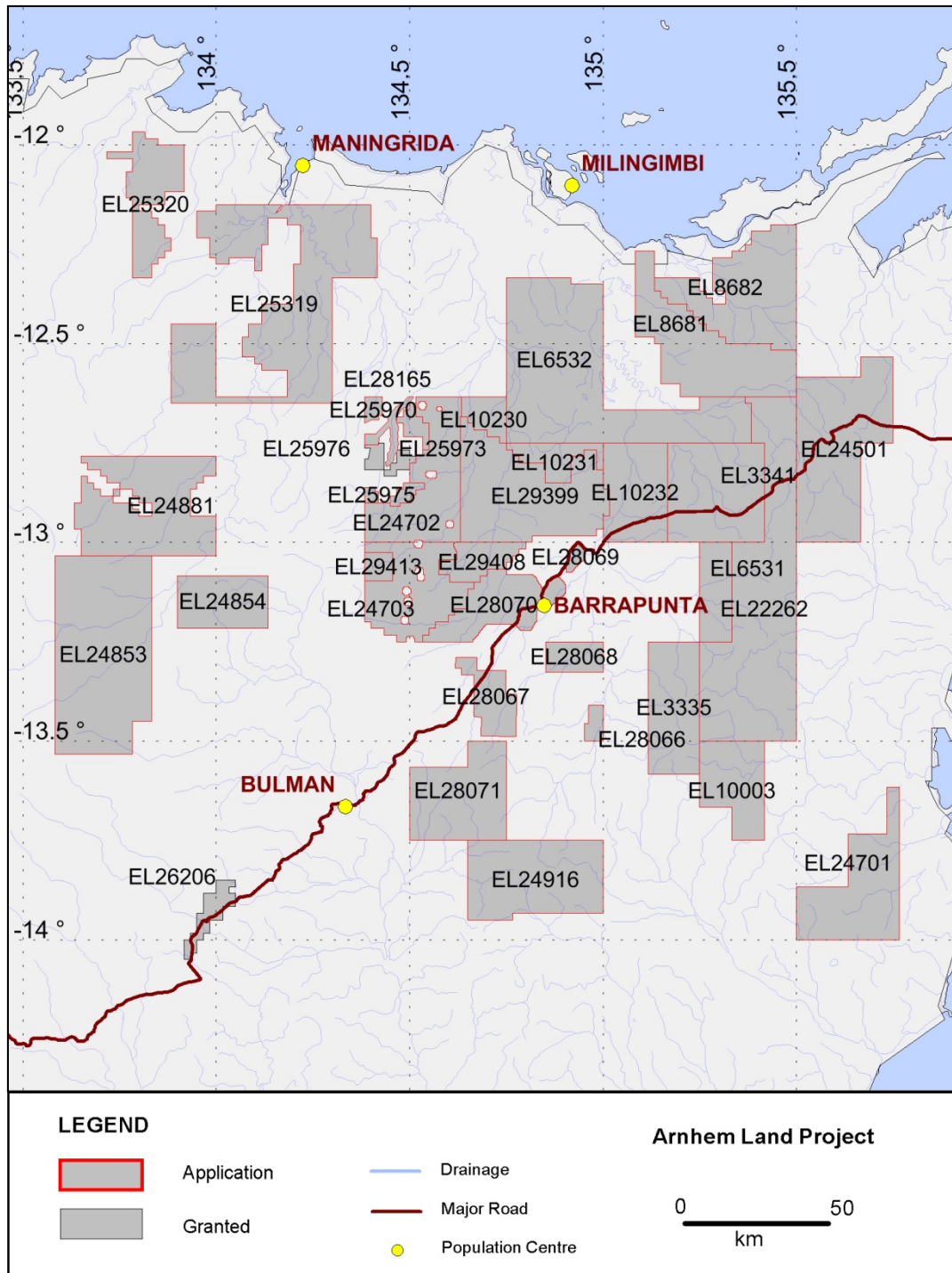




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Figure 3 Arnhem Land Project Locations





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Figure 4 Western Australia Project Locations





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Table 1 Merlin Diamonds Limited Tenement Interests

Tenement	Project	State	Holder	Status	% Interest (Start of Quarter)	% Interest (End of Quarter)
EL24082	Merlin Orbit	NT	Merlin Diamonds Limited	Granted	100%	100%
EL24512	Merlin Orbit	NT	Merlin Diamonds Limited	Granted	100%	100%
EL26943	Merlin Orbit	NT	Merlin Operations Pty Ltd	Granted	100%	100%
EL26944	Merlin Orbit	NT	Merlin Operations Pty Ltd	Granted	100%	100%
EL27175	Merlin Orbit	NT	Merlin Diamonds Limited	Granted	100%	100%
EL27750	Merlin Orbit	NT	Merlin Diamonds Limited	Granted	100%	100%
EL27895	Merlin Orbit	NT	Merlin Diamonds Limited	Granted	100%	100%
EL28165	Arnhem Land	NT	Merlin Diamonds Limited	Application	100%	100%
EL28914	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28915	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28916	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28917	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28918	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28919	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28920	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28921	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28922	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28923	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28924	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28925	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28926	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28927	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28928	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28929	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28930	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28931	Merlin	NT	Merlin Diamonds Limited	Application	100%	100%
EL28932	Merlin	NT	Merlin Diamonds Limited	Application	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%
ML29899	Merlin	NT	Merlin Operations Pty Ltd	Application	100%	100%
ML29900	Merlin	NT	Merlin Operations Pty Ltd	Application	100%	100%
MLN1154	Merlin	NT	Merlin Operations Pty Ltd	Granted	100%	100%
EL10003	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
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
EL10231	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL10232	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL22262	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)
EL24501	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL24701	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL24702	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL24703	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL24853	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL24854	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL24881	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL24916	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL25319	Arnhem Land	NT	Zohar/Swancove	Application	100% Diamond rights only	100% Diamond rights only
EL25320	Arnhem Land	NT	Zohar David Alan/Swancove	Application	100% Diamond rights only	100% Diamond rights only
EL25580	Merlin Orbit	NT	Merlin Diamonds Limited	Granted	100% Diamond rights only	100% Diamond rights only
EL25676	Merlin Orbit	NT	Merlin Diamonds Limited	Granted	100% Diamond rights only	100% Diamond rights only
EL25970	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL25973	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL25974	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL25975	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL25976	Arnhem Land	NT	Merlin Diamonds Limited	Granted	100% Diamond rights only	0% Diamond rights only
EL26206	Arnhem Land	NT	Merlin Diamonds Limited	Granted	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)
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
EL29407	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29408	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29409	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29410	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29411	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29412	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)
EL29413	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29414	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL29567	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL3335	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL3341	Arnhem Land	NT	Merlin Diamonds Limited	Application	100% Diamond rights only	100% Diamond rights only
EL6531	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 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

Name of entity

MERLIN DIAMONDS LIMITED

ABN

86 009 153 119

Quarter ended ("current quarter")

30 JUNE 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date (12 months) \$A'ooo
1.1	Receipts from product sales and related debtors	1	240
1.2	Payments for (a) exploration & evaluation	-	(522)
	(b) development	(559)	(5,539)
	(c) production	-	-
	(d) administration	(900)	(4,080)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	13
1.5	Interest and other costs of finance paid	(5)	(22)
1.6	Income taxes paid	-	-
1.7	Other (GST & Fuel tax credits, R&D refund)	4	47
Net Operating Cash Flows		(1,458)	(9,863)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(205)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	(1,666)	(1,666)
1.11	Loans repaid by other entities	190	3,154
1.12	Other (Security Deposits)	26	159
Net investing cash flows		(1,450)	1,442
1.13	Total operating and investing cash flows (carried forward)	(2,908)	(8,421)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,908)	(8,421)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,700	3,700
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	2,915	5,528
1.17	Repayment of borrowings	(2,500)	(2,500)
1.18	Dividends paid	-	-
1.19	Other (Finance leases, fees for share consolidation)	-	-
	Net financing cash flows	3,115	6,728
	Net increase (decrease) in cash held	207	(1693)
1.20	Cash at beginning of quarter/year to date	26	1,926
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	233	233

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	49
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

-

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

The Company is in the process of establishing a \$3.0 million credit facility and placement of shares.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	85
4.2 Development	1,192
4.3 Production	-
4.4 Administration	690
Total	1,967

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	233	26
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	233	26

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL25976	Surrendered	22 Bl	0 Bl
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>	NIL			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	261,480,396	261,480,396		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	36,000,000	36,000,000	7.5	7.5
7.5	+Convertible debt securities <i>(description)</i>	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options <i>(description and conversion factor)</i>	6,975,000	6,975,000	Exercise price 15.0 cents	Expiry date 17/09/2018
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	NIL	-		
7.12	Unsecured notes <i>(totals only)</i>	NIL	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 31 JULY 2014
Company Secretary

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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