

MERLIN DIAMONDS LIMITED
ABN 86 009 153 119

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Merlin Diamonds Limited (the "Company") will be held at Pullman Albert Park, 65 Queens Road Melbourne Vic 3004 Australia, on 29 April 2015, commencing at 10.15 am for the following purposes:

AGENDA

SPECIAL BUSINESS

ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions.

1. Approve Placement of up to 80 Million Ordinary Shares.

"To approve the issue of up to 80,000,000 ordinary shares on the terms and conditions as set out in the Explanatory Statement to the Notice of Meeting dated 25 March 2015."

2. Approve issue of ordinary shares to Blumont Group Ltd.

"To approve for the purpose of Listing Rules 7.1 and for all other purposes, the issue of up to 11,538,461 ordinary shares at a price of 6.5 cents per share Blumont Group Ltd for a consideration of up to \$750,000 as repayment of a loan of up to \$750,000 to the Company on the terms and conditions as set out in the Explanatory Statement to the Notice of Meeting dated 25 March 2015."

3. Ratify Issue Of Shares

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify and approve the issue and allotment of 39,222,015 ordinary shares to the each of the persons, on the terms and conditions and in the manner set out in the Explanatory Memorandum to the Notice of Meeting dated 25 March 2015."

By Order of the Board and dated this 25th day of March 2015.



PETER LEE
Company Secretary

VOTING EXCLUSION STATEMENT

Resolution 1

The Company will disregard any votes cast on the resolution by (a) any person who may participate in the issue; any person who may obtain a benefit; and (b) and associate of that person.

However, the Company need not disregard a vote on the resolution if (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2

The Company will disregard any votes cast on Resolution 2 by (a) Blumont Group Limited; and (b) and associate of those parties.

However, the Company need not disregard a vote on Resolution 2 if (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3

The Company will disregard any votes cast on Resolution 3 by (a) any person who participated in the issue; any person who may obtain a benefit; and (b) and associate of that person.

However, the Company need not disregard a vote on the resolution if (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

NOTES TO THE NOTICE OF GENERAL MEETING

1. A Member entitled to attend and vote at the aforementioned meeting is entitled to appoint not more than two other persons as his/her proxy or proxies to attend and vote, in certain circumstances, instead of the Member at the meeting.
2. If a Member appoints one proxy, that proxy may vote on a show of hands.
3. If a Member appoints two proxies neither may vote on a show of hands. However, if you appoint two proxies to represent you at the Meeting, you must show in the space provided either the percentage of your Shareholding or the number of votes (you are entitled to one vote for each Share you own upon a poll being declared) those proxies are to represent. If you do not complete this section then each proxy may, on a poll, vote half of your Shareholding. A separate proxy form must be submitted for each proxy you appoint.
4. A proxy need not be a Member of the Company.
5. If you appoint a proxy to represent you and vote on your behalf at the Meeting and that person is also a Member or has already been appointed as a proxy for another Member, your vote may not be counted on a show of hands. This is because, on a show of hands, your proxy's vote is only counted once irrespective of the number of Members that that person represents. However, if a poll is taken and your proxy votes, your vote will be counted in full in reaching a decision.
6. The Proxy Form together with the Power of Attorney (if any) or a certified copy of the Power of Attorney (if any) under which it is signed must be lodged at either Level 12, 680 George Street, Sydney, NSW 2000, mailed to Locked Bag A14, Sydney South, NSW 1235 or the Registered Office of the Company or by being sent by fax to (+61) 02 9287 0309, not less than forty-eight (48) hours

before the time of the commencement of the meeting.

7. Signing Proxies

- (i) Joint Holding - All holders must sign.
- (ii) Shares in Company Names - Companies must execute this form in the way provided by Law.
- (iii) Individual - Must be signed by the Member or their attorney.

8. For the purpose of the Meeting, Shares will be taken to be held by the persons who are registered holders at 7pm, on 27 April 2015. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

COMPANY REPRESENTATIVE

If Shares are held in a company name and it is intended that a representative of the company attend the Meeting rather than lodge a proxy prior to the Meeting, the person attending the Meeting must present authority from the company director/s signed in the way provided by law.

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

This Explanatory Statement provides shareholders of the Company with information in respect of the resolutions to be considered at the General Meeting of the Company to be held at Pullman Albert Park, 65 Queens Road Melbourne Vic 3004 Australia on 29 April 2015 at 10.15 am. Shareholders should carefully review this Explanatory Statement and the associated Notice of General Meeting (**Notice**) to which this Explanatory Statement is attached.

If you have difficulty in properly understanding this documentation, you should consult your financial or legal adviser.

RESOLUTION 1 - APPROVE PLACEMENT OF ORDINARY SHARES.

Preamble

ASX Listing Rule 7.1 provides that a company must not, without shareholder approval (but subject to certain exceptions), issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The Company has a requirement for capital to pursue its activities. The Company plans to raise further funds via a placement of up to 80,000,000 ordinary shares. Currently this placement cannot occur as the Company has insufficient capacity under Listing Rule 7.1 to place shares, without shareholder approval. Accordingly the Directors request shareholders to approve the issue of ordinary shares set out below.

For the purposes of Australian Stock Exchange ("ASX") Listing Rules 7.3, the Company also advises:

1. The number of securities to be allotted is 80,000,000 ordinary shares.
2. The issue price of the ordinary shares will be 6.5 cents.
3. The shares will be issued to investors to whom a prospectus does not need to be provided under the Corporations Act.
4. The shares will not be issued to a related party.
5. The date by which the Company will issue the ordinary shares is no later than 3 months after the date of approval by shareholders.
6. The ordinary shares are fully paid and rank pari passu with existing ordinary shares on issue.
7. The Company anticipates that it will allot the ordinary shares in one tranche however it may allot in several tranches.
8. The funds will be utilised for operational, development, exploration and working capital for the Company.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1, as it allows the Company to raise necessary finance for the development of its operations.

RESOLUTION 2 – APPROVAL OF ISSUE OF ORDINARY SHARES TO BLUMONT GROUP LTD

Preamble

ASX Listing Rule 7.1 provides that a company must not, without shareholder approval (but subject to certain exceptions), issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Blumont Group Ltd has advised the Company that it would like to have an advance made to the Company to be repaid by an issue of ordinary shares.

The Company believes the issue of ordinary shares to Blumont Group Ltd in repayment of an advance is in the best interests of the Company as it conserves the cash resources of the Company and allows those funds to be used to develop the Company's assets.

For the purposes of Australian Stock Exchange ("ASX") Listing Rules 7.3, the Company also advises:

1. The number of securities to be allotted will be 11,538,461 ordinary shares
2. The issue price of the ordinary shares will be 6.5 cents
3. The shares will be issued to Blumont Group Ltd.
4. The shares will not be issued to a related party.
5. The date by which the Company will issue the ordinary shares is no later than 3 months after the date of approval by shareholders.
6. The ordinary shares are fully paid and rank pari passu with existing ordinary shares on issue.
7. The Company anticipates that it will allot the ordinary shares in one tranche.
8. The funds have been utilised for operational, development, exploration and working capital for the Company.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 2, as it allows the Company to its cash resources.

RESOLUTION 3 - RATIFY THE ISSUE OF SHARES

Preamble

The Company completed a private placement of shares on 31 December 2012 by the issue of 39,222,015 shares at \$0.065 each to raise \$2,549,431. The ratification of the issue and allotment of the shares issued pursuant to those placements is sought under Resolution 4 in accordance with the requirements of ASX Listing Rule 7.4.

ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of fully paid ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

ASX Listing Rule Disclosure Requirements

The following information is provided in accordance with ASX Listing Rule 7.5:

(a) *Number of securities allotted*

39,222,015 fully paid ordinary shares.

(b) *Price at which the securities were issued*

\$0.065 per share.

(c) *Terms of the securities*

The Shares issued are fully paid ordinary shares ranking equally in all respects with all other Shares on issue and are or will be listed on ASX.

(a) *The names of the allottees or the basis upon which the allottees were determined*

The allottees were Bluhawk Capital Ltd, Tangier Holdings Ltd and S H Rayburn Nominees Pty Ltd.

(b) *Use (or intended use) of the funds raised*

The net funds raised were used for:

- exploration and development of the Merlin diamond mine; and
- working capital requirements of the Company.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3, as it allows the Company to retain the flexibility to issue further securities representing up to 15% of the total number of Shares on issue in any 12 month period during the next 12 months without Shareholder approval.

By Order of the Board and dated this 25th day of March 2015.

A handwritten signature in black ink, appearing to read 'P. Lee', with a stylized, cursive script.

PETER LEE
Company Secretary