



12 July 2017

COMMENCEMENT OF 3,500 METRE DRILLING PROGRAM AT MERLIN DIAMOND MINE TO IDENTIFY ADDITIONAL KIMBERLITES

- **DRILLING PROGRAM HAS COMMENCED TO IDENTIFY UNDISCOVERED KIMBERLITES ACROSS THE MERLIN MINE LEASE**
- **74 POTENTIAL TARGETS IDENTIFIED WITH 40 PRIORITY TARGETS TO BE TESTED – MERLIN VASTLY UNDEREXPLORED WITH ONLY 11 KIMBERLITES DISCOVERED**

Merlin Diamonds Limited (ASX: MED) is pleased to confirm that the drill rig has arrived at Merlin and the drilling program has commenced. As previously announced, a 3,500 metre RC drilling program is being undertaken aiming to identify undiscovered kimberlites on the Merlin Mine Lease in the Northern Territory.

A recent extensive study of all exploration data has identified 74 potential additional targets for more kimberlite pipes. The Merlin Mine Lease is largely underexplored, with only 11 kimberlite pipes discovered so far within the Lease. The Company and its geological team believe the lease has the potential to host many more undiscovered kimberlite pipes.

The Company holds a significant historical database comprising airborne and ground geophysical, soil geochemical, diamond and indicator mineral datasets compiled by the previous owners of the lease. Since 2004, this work has been supplemented by diamond and additional indicator mineral sampling in areas with insufficient sample density, and detailed ground EM surveys over anomalous areas. The careful analysis of this data, and some fieldwork, has helped the Company determine these new exploration targets.

This drilling program will test 40 priority targets selected from the Company's exploration data sets (**see attached photos of drilling rig conducting drilling at Merlin yesterday and map of proposed drill targets**). Prioritisation is based on each target's similarity to the geophysical and geochemical signatures of known Merlin kimberlite pipes. Many targets are proximal to unresolved positive indicator mineral results.

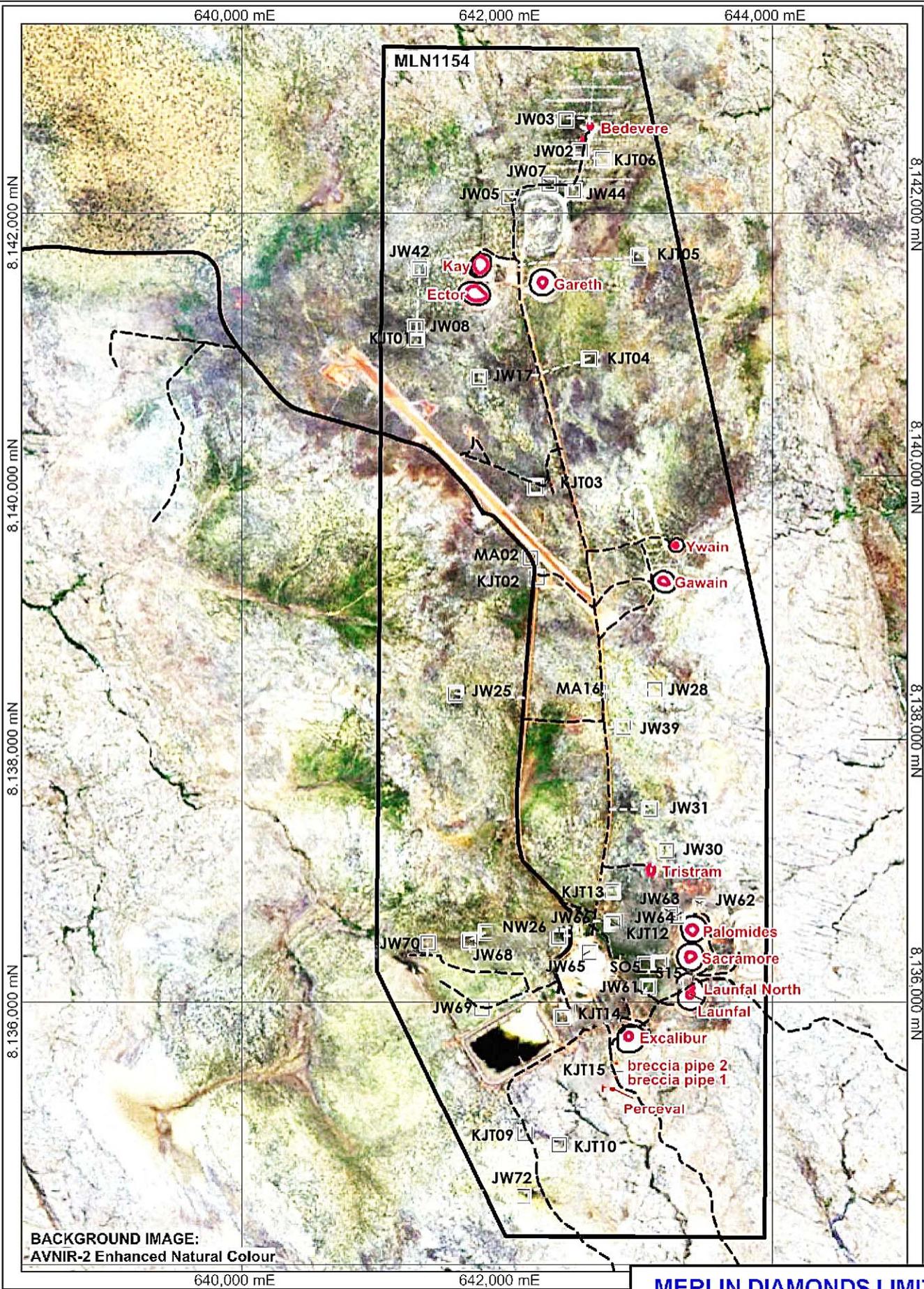
Any discovery that materialises from the initial drill program will be followed with further RC drilling to delineate the size of the discovery, and thereafter, diamond drilling to determine the depth of the discovery.







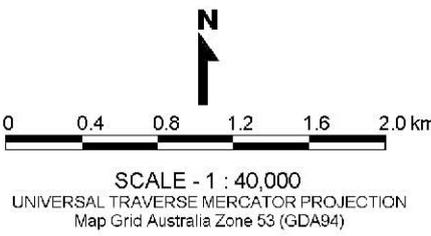




BACKGROUND IMAGE:
-AVNIR-2 Enhanced Natural Colour

LEGEND

- known kimberlite pipes mining voids
- Merlin Mine-site access road
- existing mine-site roads & tracks
- 2017 drill targets - 40 targets
- proposed drill-site access tracks - 6.56km



MERLIN DIAMONDS LIMITED

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COMPILED
GMI Rockett

DRAWN
GMI Rockett

DATE
Mar 2017

SCALE
1 : 40,000

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TITLE

MERLIN DIAMOND PROJECT - MLN1154

Proposed Drill Sites