



31 January 2019

Attention: Manager Companies  
ASX  
Sydney

Fax No :1300 135 638

Merlin Diamonds Limited December 2018 Quarterly

Nine( 9) Pages Including header page



# Merlin Diamonds Limited

ABN 86 009 153 119

31 January 2019

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

*By E-Lodgement*

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## REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018

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Merlin Diamonds Limited  
ABN 86 009 153 119

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42 Moray Street  
Southbank, VIC, 3006

Telephone:  
+61 3 8532 2858

[www.merlindiamonds.com.au](http://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

- Diamond production in the quarter was 694.96 carats from Ector and stockpiles.
- A 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 is still to 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.
- Merlin is engaging 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



# Merlin Diamonds Limited

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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 plant has been put on care and maintenance until the scrubber and DMS plant will be commissioned.
- New anomalies have been identified on the mining lease MLN1154 and will be drilled after the wet season.

*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.*

**Table 1: Merlin Diamonds Limited Tenement Interests**

| <b>Tenement</b> | <b>Project</b> | <b>State</b> | <b>Holder</b>             | <b>Status</b> | <b>% Interest<br/>(Start of<br/>Quarter)</b> | <b>% Interest<br/>(End of<br/>Quarter)</b> |
|-----------------|----------------|--------------|---------------------------|---------------|--|--|
| 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%<br>Diamond<br>rights only               | 100%<br>Diamond<br>rights only             |
| EL6532          | Arnhem Land    | NT           | Rio Tinto Pty Ltd         | Application   | 100%<br>Diamond<br>rights only               | 100%<br>Diamond<br>rights only             |
| EL8681          | Arnhem Land    | NT           | Rio Tinto Pty Ltd         | Application   | 100%<br>Diamond<br>rights only               | 100%<br>Diamond<br>rights only             |
| EL8682          | Arnhem Land    | NT           | Rio Tinto Pty Ltd         | Application   | 100%<br>Diamond<br>rights only               | 100%<br>Diamond<br>rights only             |

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

+Rule 5.5

## 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, 01/08/10, 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 December 2018

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date (6<br/>months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 1.1 Receipts from customers                               | 106                                | 468  |
| 1.2 Payments for  |                                    |  |
| (a) exploration & evaluation                              | (4)                                | (48)   |
| (b) development   | -                                  | -  |
| (c) production  | -                                  | -  |
| (d) staff costs   | (11)                               | (52)   |
| (e) administration and corporate costs                    | (164)                              | (969)  |
| 1.3 Dividends received (see note 3)                       | -                                  | -  |
| 1.4 Interest received                                     | -                                  | -  |
| 1.5 Interest and other costs of finance paid              | (26)                               | (37)   |
| 1.6 Income taxes paid                                     | -                                  | -  |
| 1.7 Research and development refunds                      | -                                  | -  |
| 1.8 Other (GST Refund, Fuel Rebate Refund)                | 117                                | 353  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>18</b>                          | <b>(285)</b>                                   |

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

## Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date (6<br>months)<br>\$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               | 198                        | 180                                   |
| 2.4                                  | Dividends received (see note 3)                       | -                          | -                                     |
| 2.5                                  | Payments for development expenditure                  | (510)                      | (2,871)                               |
| 2.6                                  | Other (Environmental Bond)                            | -                          | -                                     |
| 2.7                                  | <b>Net cash from / (used in) investing activities</b> | <b>(312)</b>               | <b>(3,129)</b>                        |

|      |   |            |             |
|------|---|------------|-------------|
| 3.   | <b>Cash flows from financing activities</b>                                 |            |             |
| 3.1  | Proceeds from issues of shares  | -          | -           |
| 3.2  | Proceeds from issue of convertible notes                                    | -          | 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  | 186        | 2,142       |
| 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)                                | -          | (11)        |
| 3.10 | <b>Net cash from / (used in) financing activities</b>                       | <b>186</b> | <b>2931</b> |

|     |  |           |           |
|-----|--|-----------|-----------|
| 4.  | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |           |           |
| 4.1 | Cash and cash equivalents at beginning of period                             | 132       | 507       |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above)              | 18        | (285)     |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above)              | (312)     | (3,129)   |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above)             | 186       | 2,931     |
| 4.5 | Effect of movement in exchange rates on cash held                            | -         | -         |
| 4.6 | <b>Cash and cash equivalents at end of period</b>                            | <b>24</b> | <b>24</b> |

## Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

| 5.  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|-----|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances   | 24                                 | 132                                 |
| 5.2 | Call deposits   | -                                  | -                                   |
| 5.3 | Bank overdrafts   | -                                  | -                                   |
| 5.4 | Other (provide details)   | -                                  | -                                   |
| 5.5 | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>24</b>                          | <b>132</b>                          |

6. **Payments to directors of the entity and their associates**

| Current quarter<br>\$A'000 |
|----------------------------|
|----------------------------|

6.1 Aggregate amount of payments to these parties included in item 1.2

-

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<br>\$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

|  |
|--|
|  |
|--|

8. **Financing facilities available***Add notes as necessary for an understanding of the position*

| Total facility amount<br>at quarter end<br>\$A'000 |
|--|
|--|

| Amount drawn at<br>quarter end<br>\$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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|  |
|--|

## Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

| 9.  | Estimated cash outflows for next quarter | \$A'000 |
|-----|--|---------|
| 9.1 | Exploration and evaluation               | 50      |
| 9.2 | Development                              | 300     |
| 9.3 | Production                               | -       |
| 9.4 | Staff costs                              | 25      |
| 9.5 | Administration and corporate costs       | 200     |
| 9.6 | Other (provide details if material)      | -       |
| 9.7 | Total estimated cash outflows            | 575     |

| 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: J. I. Gutnick  
(Executive Chairman)

Date: 31 January 2019

Print name: Joseph Gutnick



**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

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**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.