Review of the Mining at Merlin Diamond Mine

SEPTEMBER 2016
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This presentation contains “forward looking statements”. Such “forward looking statements” may include without limitation (1) estimates of future earnings, the sensitivity of such earnings to diamond values and foreign exchange rate movements (2) estimates of future diamond production (3) estimates of future cash costs (4) estimates of future cash flow, the sensitivity of such flows to diamond values and foreign exchange rate movements (5) statements regarding, future debt payments (6) estimates of future capital expenditure (7) estimates of reserves, resources and statements regarding future exploration results.

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Corporate Overview

Corporate Snapshot

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX Code</td>
<td>MED</td>
</tr>
<tr>
<td>Shares on issue</td>
<td>543,811,742</td>
</tr>
<tr>
<td>Share price (A$/share)</td>
<td>2.1 cents</td>
</tr>
<tr>
<td>Market Cap (at 2.1 cents/share)</td>
<td>A$11.42 million</td>
</tr>
</tbody>
</table>

Experienced Board & Management Team

Mordechai Gutnick  
Director

Henry Herzog  
Non-Executive Director

David Tyrwhitt  
Non-Executive Director

Peter Lee  
Chief Financial Officer and Company Secretary
Foundation Resources – Our Consultants

Neil Kaner
Executive Consultant

A tertiary qualified executive with a wealth of international experience and expertise, predominantly in diamonds and base metals, with a strong combination of operational, technical and corporate management ability to board level.

Richard Price
Principal Consultant

A geologist with over 26 years of experience in the diamond mining industry with extensive experience in diamond exploration, diamond evaluation projects and diamond mine production in Australia and South Africa.

Alex Kidman
Principal Consultant

A geologist with over 10 years of experience in the diamond mining industry. Alex has extensive experience in resource evaluation production geology, geometallurgy and project management in Angola, DRC, Indonesia and Australia.

Foundation Resources has access to a team of experienced mining consultants.
The largest diamond ever found in Australia came from the Merlin Diamond Mine measuring 104.73 cts.

- Ashton Mining Ltd and Rio Tinto Ltd completed 5 years of trial mining at the Merlin Diamond Mine between 1999-2003 processing over 2.2 million tonnes to produce 507,000 cts.

- Merlin diamonds is renowned for large, super white gem quality stones with over 31% of the stones previously produced being in the +13 DTC size fraction (approximately +0.7 cts).

- Of the +1 cts diamonds, in excess of 75% were assessed as ‘gem’ or ‘near gem’ quality.

- Merlin has identified 80 exploration ready near mine targets for continued and sustained mining operations.
Merlin Diamonds has secured substantial tenement holdings in the North Kimberley and Arnhem Land totaling approximately 22,000 km².
Merlin Diamond Field Overview
Merlin rough diamond production – super white colour
Merlin cut and polished diamond production – whites and fancy yellow
Village facilities
Process – Flowsheet changes
Mobile crushing and screening
Process - Recovery
Stockpiles

Trommel Oversize +40 mm – note weathering of kimberlite chert and sandstone content
## Stockpiles

<table>
<thead>
<tr>
<th>Material</th>
<th>Tonnes</th>
<th>Grade</th>
<th>Carats</th>
<th>Material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacramore sample</td>
<td>200</td>
<td>20,0</td>
<td>40</td>
<td>Kimberlite</td>
</tr>
<tr>
<td>D + F</td>
<td>19 240</td>
<td>17,7</td>
<td>3 406</td>
<td>Grizzley</td>
</tr>
<tr>
<td>A1</td>
<td>34 515</td>
<td>13,5</td>
<td>4 659</td>
<td>Trommel</td>
</tr>
<tr>
<td>A2</td>
<td>49 620</td>
<td>13,5</td>
<td>6 698</td>
<td>Trommel</td>
</tr>
<tr>
<td>G</td>
<td>400</td>
<td>10,0</td>
<td>40</td>
<td>Trommel</td>
</tr>
<tr>
<td>Tailings Dam</td>
<td>14 832</td>
<td>8,6</td>
<td>1 271</td>
<td>Trommel</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>118 807</td>
<td>13,56</td>
<td>16 115</td>
<td></td>
</tr>
<tr>
<td>B1</td>
<td>110 603</td>
<td>5,0</td>
<td>5 530</td>
<td>Trommel</td>
</tr>
<tr>
<td>C</td>
<td>12 743</td>
<td>5,0</td>
<td>637</td>
<td>Trommel</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>123 345</td>
<td>5,00</td>
<td>6 167</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>242 152</td>
<td>9,20</td>
<td>22 282</td>
<td></td>
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</tbody>
</table>
Pit Designs

Full pit designs were only done on Kaye and Ector, using the revenue factor 1 shells as a guideline. The following design parameters were used:

- Haul road width: 12m
- Haul road gradient: 10%
- Bench height: 10m
- Berm width: 5m
- Batter angle: 75 degrees

The designs are shown below with the final pits in brown and the starter pits in purple and green. The starter pits are based on completing the existing Kaye and Ector pits.
Pit Designs
Rio Tinto’s 1997 feasibility study on the Merlin Diamond Project made the following comments:

“Small pipes, such as Ywain, may be fairly common in the field…”

“There is some potential for significantly larger pipes….”

“…evidence indicates that the Merlin field is part of a broader kimberlite province.”

“These factors (cretaceous cover, poor preservation of indicator minerals) while inhibiting the exploration effort, generally increase the possibility of other kimberlite fields and larger pipes to be present in the province.”
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