

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 6 January 2014, commencing at 11.00 am for the following purposes:

AGENDA

SPECIAL BUSINESS

ORDINARY RESOLUTIONS

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

1. Approve Placement of up to 100 Million Ordinary Shares.

"To approve the issue of up to 100,000,000 ordinary shares on the terms and conditions as set out in the Explanatory Statement to the Notice of Meeting dated 2 December 2013."

By Order of the Board and dated this 2nd day of December 2013.



PETER LEE
Company Secretary

VOTING EXCLUSION STATEMENT

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.

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 4 January 2014. 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 6 January 2014 at 11.00 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.

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.

In the Target Statement dated 5 April 2013 in relation to the takeover offer by Innopac Holdings Limited, the Company stated that "it considers that it has or is likely to have sufficient funding to meet its short to medium term objectives. This includes conduct of the trial borehole mining operation and if successful proceeding to commercial operation. However, there are a number of factors and risks that can alter the capital required by the Company to pursue its objectives. Should the Company require further capital, then the ability of Innopac to provide additional funding by realising its equity investments provides greater assurance for the Company that it will be able to pursue its objectives. Further capital could enable the Company to undertake additional mineral exploration activities, expansion and/or acceleration of operations or to develop additional projects".

As the takeover offer from Innopac has lapsed, the Company has a further requirement for capital to pursue its activities. The Company plans to raise further funds via a placement of up to 100,000,000 ordinary shares. Currently this placement cannot occur as the Company has no 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 100,000,000 ordinary shares.
2. The issue price of the ordinary shares will be at least 80% of the average market price for the ordinary shares. The average market price is calculated over the last 5 days on which sales in the ordinary shares were recorded before the day on which the issue was made or, if there is a prospectus, product disclosure statement or offer information statement relating to the issue, over the last 5 days on which sales in the ordinary shares were recorded before the date the prospectus, product disclosure statement or offer information statement was signed.
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.

By Order of the Board and dated this 2nd day of December 2013

A handwritten signature in black ink, appearing to read 'Peter Lee', written in a cursive style.

PETER LEE
Company Secretary