

**CIRCULAR DATED 23 MAY 2013**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Innopac Holdings Limited ("**Company**"), please forward this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or the stockbroker, the bank or the agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed in this Circular. Approval in-principle was granted by the SGX-ST to the Company for the admission of the Consideration Shares (as defined herein) to the Official List of the SGX-ST on 8 May 2013 and the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST subject to certain conditions (the "Approval"). The Approval is not to be taken as an indication of the merits of the Proposed Takeover (as defined herein), the Consideration Shares, the Company and/or its subsidiaries.



**INNOPAC HOLDINGS LIMITED**

(Company Registration Number: 197301788K)  
(Incorporated in the Republic of Singapore)

**CIRCULAR TO SHAREHOLDERS**

in relation to

- A. THE PROPOSED ACQUISITION (BY WAY OF A TAKEOVER OFFER) OF UP TO 212,147,063 ORDINARY FULLY PAID SHARES REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF MERLIN DIAMONDS LIMITED ("MED") AT THE MED BID PRICE OF A\$0.28 (APPROXIMATELY S\$0.358) FOR EACH MED SHARE TO BE SATISFIED BY THE ALLOTMENT AND ISSUE OF 1.67 CONSIDERATION SHARES IN THE SHARE CAPITAL OF THE COMPANY FOR EVERY ONE (1) MED SHARE (THE "PROPOSED TAKEOVER"); AND**
- B. THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 354,468,566 NEW ORDINARY SHARES IN THE SHARE CAPITAL OF THE COMPANY (THE "CONSIDERATION SHARES"), AT AN ISSUE PRICE OF S\$0.2145 FOR EACH CONSIDERATION SHARE, TO SUCH OF THE SHAREHOLDERS OF MERLIN DIAMONDS LIMITED WHO ACCEPT THE TAKEOVER OFFER MADE BY THE COMPANY PURSUANT TO THE PROPOSED TAKEOVER (THE "PROPOSED ALLOTMENT AND ISSUE")**

**IMPORTANT DATES AND TIMES:**

Last date and time for lodgement of Proxy Form	:	8 June 2013 at 2:00 p.m.
Date and time of Extraordinary General Meeting	:	10 June 2013 at 2:00 p.m.
Place of Extraordinary General Meeting	:	100 Victoria Street National Library Building Level 5 Imagination Room Singapore 188064

## TABLE OF CONTENTS

	<b>Page No</b>
1. Introduction . . . . .	9
2. The Proposed Takeover . . . . .	9
2.1 Background . . . . .	9
2.1.1 No commission or remuneration . . . . .	10
2.2 The Takeover Offer . . . . .	10
2.3 The Consideration . . . . .	10
2.4 Salient terms of the Proposed Takeover . . . . .	12
2.5 Information on MED . . . . .	16
2.5.1 Corporate Profile . . . . .	16
2.5.2 Corporate History . . . . .	19
2.5.3 Corporate Structure . . . . .	22
2.5.4 Subsidiaries . . . . .	22
2.5.5 Business and operations . . . . .	23
2.6 The Projects of MED . . . . .	23
2.6.1 Merlin Diamond Mine Project . . . . .	23
2.6.2 Borrooloola Alluvial Prospect . . . . .	28
2.6.3 Lancelot Prospect . . . . .	29
2.6.4 Kimberly Project . . . . .	30
2.6.5 Arnhem Land . . . . .	30
2.6.6 Top End Minerals Ltd . . . . .	31
2.7 Historical Financial Information on MED . . . . .	33
2.8 Risk Factors in the Proposed Takeover . . . . .	36
2.9 Prospects and future plans of MED . . . . .	39
2.10 Material Litigation . . . . .	40
2.11 Contingent Liabilities . . . . .	40
2.12 Rationale for the Proposed Takeover . . . . .	40
3. Requirement under Rule 1006 of the Listing Manual . . . . .	42
4. Financial Effects of the Proposed Takeover . . . . .	43
5. Investment Objective of the Group . . . . .	45
6. Corporate Structure of the Group . . . . .	45
7. Interests in the Proposed Takeover . . . . .	45
8. Abstention from voting . . . . .	45
9. Interests of Directors and Substantial Shareholders . . . . .	46
10. Extraordinary General Meeting . . . . .	47
11. Action to be taken by Shareholders . . . . .	47
12. Directors' Recommendation . . . . .	47
13. Directors' Responsibility Statement . . . . .	47
14. Documents available for Inspection . . . . .	47
Appendix A – Prescribed Occurrences . . . . .	48
Appendix B – List of mining tenements of MED . . . . .	49
Appendix C – Corporate Structure of the Group before and after the Proposed Takeover . . . . .	51
NOTICE OF EXTRAORDINARY GENERAL MEETING . . . . .	53
PROXY FORM	

## DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:–

<b>“Announcement”</b>	the announcement on the Proposed Takeover released by Innopac Holdings Limited on 31 January 2013
<b>“Announcement Date”</b>	the date that the Proposed Takeover was announced on the SGX-ST and ASX, being 31 January 2013
<b>“ASIC”</b>	Australian Securities and Investments Commission
<b>“ASX”</b>	Australian Securities Exchange Limited
<b>“Auditors”</b>	the auditors for the time being of the Company
<b>“Bidder’s Statement”</b>	the Bidder’s Statement that was issued by the Company pursuant to the Proposed Takeover, and which was lodged with ASIC on 26 March 2013 and was despatched to the MED Shareholders on 28 March 2013
<b>“Bid Implementation Deed”</b>	the Bid Implementation Deed entered into between the Company and MED on 30 January 2013 whereby the Company agreed to acquire up to 212,147,063 ordinary fully paid shares representing the entire issued and paid-up share capital of MED by way of a takeover offer
<b>“Board”</b>	the board of Directors of the Company as at the date of this Circular
<b>“CDP”</b>	The Central Depository (Pte) Limited
<b>“Circular”</b>	this Circular to Shareholders dated 23 May 2013
<b>“Company”</b>	Innopac Holdings Limited (Company Registration No. 197301788K), a company incorporated in Singapore and having its registered address at 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 (formerly known as Inno-Pacific Holdings Limited)
<b>“Companies Act”</b>	the Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<b>“Competing Proposal”</b>	means any proposal, expression of interest, offer, transaction or arrangement pursuant to which a person (other than the Company or any of its subsidiaries) would, if such were implemented substantially in accordance with its terms:  (a) directly or indirectly, acquire an interest in all or a substantial part of the assets of MED;  (b) directly or indirectly, acquire a relevant interest in or become the holder of 20% or more of the MED Shares;  (c) acquire control of MED, within the meaning of section 50AA of the Corporations Act; or  (d) otherwise acquire or merge with MED (including by way of a scheme of arrangement, reverse takeover bid or dual listed companies structure)
<b>“Consideration”</b>	the sum of up to A\$59,401,178 (approximately S\$76,033,508), being the aggregate Consideration for all the MED Shares
<b>“Consideration Shares”</b>	up to 354,468,566 new ordinary shares in the issued and paid-up capital of the Company at an issue price of S\$0.2145 for each MED Share to be allotted and issued to such of the MED Shareholders who accept the offer to be made by the Company

<b>“Corporations Act”</b>	means the Corporations Act 2001 of Australia
<b>“Directors”</b>	the directors of the Company, as at the date of this Circular
<b>“EGM”</b>	Extraordinary General Meeting of the Company to be held on 10 June 2013, notice of which is set out at page 53 of this Circular
<b>“EPS”</b>	earnings per share
<b>“Government Agency”</b>	means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world in which a party is domiciled or holds any of its assets, including ASIC and SGX-ST (and any other stock exchange)
<b>“Group”</b>	the Company and its subsidiaries, collectively and <b>“Group Company”</b> means a company within the Group
<b>“Latest Practicable Date”</b>	13 May 2013, being the latest practicable date prior to the printing of this Circular
<b>“MED”</b>	Merlin Diamonds Ltd (ABN 86 009 153 119), a company incorporated and registered in Australia and having its registered address at Level 8, 580 St. Kilda Road, Melbourne Victoria 3004 (formerly known as North Australian Diamonds Ltd)
<b>“MED Board”</b>	the board of directors of Merlin Diamonds Limited as at the date of this Circular
<b>“MED Bid Price”</b>	the sum of A\$0.28
<b>“MED Directors”</b>	the directors of MED, as at the date of this Circular
<b>“MED Shares”</b>	ordinary shares in the capital of MED
<b>“MED Shareholders”</b>	a person who holds directly and/or indirectly any MED Share
<b>“Merlin Diamond Mine Project”</b>	MED’s flagship mine project, the Merlin Diamond Mine Project in Northern Territory, Australia
<b>“Merlin Orbit”</b>	the surrounding exploration tenements around the Merlin Diamond Mine operations, totalling approximately 2,480km <sup>2</sup>
<b>“NAV”</b>	net asset value
<b>“NTA”</b>	net tangible assets
<b>“Offer”</b>	means the offer to acquire the MED Shares made by the Company in connection with the Takeover
<b>“Offer Period”</b>	the period under the Bidder’s Statement during which the Takeover Offer is open for acceptance by MED Shareholders
<b>“Parties”</b>	the Company, MED, or any of them
<b>“Proposed Takeover”</b>	the off-market takeover offer pursuant to Chapter 6 of the Corporations Act of Australia to be made by the Company, pursuant to the Bid Implementation Deed, to acquire the MED Shares at the MED Bid Price for each MED Share, which is proposed to be satisfied by way of the allotment and issue of 1.67 Consideration Shares for every one (1) MED Share
<b>“Relevant Interest”</b>	relevant interest is holding, or controlling voting or disposal of, securities under the Corporations Act of Australia

<b>“Rio Tinto”</b>	the Rio Tinto group, that consists of primarily two dual-listed companies, namely, Rio Tinto plc and Rio Tinto Limited, and its subsidiaries and affiliates. Rio Tinto plc is listed on the London Stock Exchange and Rio Tinto Limited is listed on the ASX. Any reference to “Rio Tinto” herein shall include any of the subsidiaries and affiliates of the Rio Tinto group
<b>“Securities”</b>	means debentures, stocks or bonds issued or proposed to be issued by a government; or shares in, or debentures of, a body; or interests in a managed investment scheme; or units of such shares
<b>“Securities Account”</b>	securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
<b>“SGX-ST”</b>	Singapore Exchange Securities Trading Limited
<b>“SGX-ST Listing Manual” or “Listing Manual”</b>	Mainboard Rules of the listing manual of the SGX-ST, as amended, modified or supplemented from time to time
<b>“Shareholders”</b>	registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
<b>“Shares”</b>	ordinary shares in the capital of the Company
<b>“Singapore”</b>	the Republic of Singapore
<b>“Substantial Shareholder”</b>	a person who holds directly and/or indirectly 5% or more of the total issued share capital of the Company
<b>“Target Statement”</b>	the statement issued by MED in response to the Bidder’s Statement that was lodged with ASIC and despatched to MED Shareholders
<b>“Takeover”</b>	means an off-market takeover bid for all MED Shares by the Company that satisfies the requirements of the Offer Conditions in the Bid Implementation Deed and is implemented in accordance with Chapter 6 of the Corporations Act
<b>“Takeover Offer”</b>	the offer that the Company proposes to make pursuant to Chapter 6 of the Corporations Act of Australia, subject to and on the terms and conditions of the Bid Implementation Deed, to the MED Shareholders for all the MED Shares held by the MED Shareholders at the MED Bid Price for each MED Share, which is to be satisfied by the allotment and issue of 1.67 Consideration Shares for one (1) MED Share
<b>“Top End Minerals Ltd” or “TEM”</b>	a company incorporated in Western Australia and having its registered office at Level 8, 580 St Kilda Road, Melbourne Vic 2004 (ACN 124 943 728). Formerly known as Top End Uranium Ltd. TEM is an associate company of MED where MED holds a 32.3% of its issued and paid-up share capital
<b>“A\$” and “cents”</b>	Australian dollar and cents, respectively, the lawful currency of the Commonwealth of Australia
<b>“S\$” and “cents”</b>	Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore
<b>“%”</b>	per centum or percentage

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act, or the SGX-ST Listing Manual or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Securities and Futures Act or the SGX-ST Listing Manual or such modification thereof, as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Unless otherwise stated, the exchange rate of A\$1.00 = S\$1.28 is used for the purposes of this Circular, whenever Australian Dollars are required to be converted into their Singapore dollar equivalent. This was the exchange rate that was used by the Company at the time of the announcement of the Proposed Takeover. This exchange rate should not be construed as a representation that the Australian Dollars could have been, or could be, converted into Singapore dollars at the rate stated, or at all.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

## GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of the Group, the following glossary provides a description of some of the technical terms and abbreviations commonly used in this Circular. The terms and their assigned meanings may not correspond to standard industry or common meanings or usage of these terms:

<b>“alluvial”</b>	deposits of diamonds which have been removed from the primary source by natural erosive action over millions of years, and eventually deposited in a new environment such as a river bed, an ocean floor or a shoreline
<b>“alluvial gravel”</b>	gravel beds deposited by the action of rivers
<b>“borehole mining”</b>	borehole mining is a method of extracting mineral resources through boreholes drilled from the land surface to a target depth by means of high pressure water jets
<b>“breccia”</b>	a rock composed of broken fragments of minerals cemented together by a fine-grained matrix typically greater than 2mm
<b>“bulk sampling”</b>	a large sample of ore for analysis for the purpose of estimating the grade of a diamond deposit and to produce a large enough quantity of diamonds to enable an evaluation of diamond quality
<b>“carat” or “ct”</b>	a measure of weight used for diamonds and gemstones, equivalent to 0.2 grams
<b>“cpht”</b>	carats per hundred tonnes
<b>“Competent Person”</b>	defined in the JORC Code as a person who is a member or fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a ‘Recognised Overseas Professional Organisation’ included in a list promulgated from time to time. A ‘Competent Person’ must have a minimum of five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which that person is undertaking
<b>“costeaning”</b>	is the process by which miners seek to discover metallic lodes. It consist in sinking small pits through the superficial deposits to the solid rock, and then driving from one pit to another across the direction of the vein in such manner as to cross all the veins between the two pits
<b>“costeans”</b>	to dig trenches or small pits through the surface soil or debris to the underlying rock in place for the purpose of exposing the outcrop of a mineral deposit and determining its course
<b>“diamondiferous”</b>	containing diamonds
<b>“eluvial”</b>	an adjective of a mass of sand, silt, etc: a product of the erosion of rocks that has remained in its place of origin; derived by in-situ weathering only, or in-situ weathering with gravitational movement
<b>“exploration”</b>	prospecting, sampling, mapping, diamond drilling and other work involved in the search for mineralisation
<b>“extraction”</b>	refers to the practice of locating, acquiring and selling natural resources
<b>“feasibility study”</b>	a definitive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed; the study is used to define economic viability of a project and to support the search for project financing

<b>“g/t”</b>	grammes per metric tonne
<b>“grade”</b>	the content of diamonds, measured in carats, within a volume or mass of rock
<b>“gramme”</b>	a metric system unit of mass
<b>“igneous”</b>	broken, fragmental rocks associated with volcanic eruptions
<b>“gravel”</b>	loosely compacted coarse sediment
<b>“indicator minerals”</b>	minerals that can be help locate the presence and establish the diamond-bearing potential of kimberlite; these minerals do not weather easily and are preserved in soils and gravels
<b>“JORC”</b>	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
<b>“JORC Code”</b>	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves promulgated by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia, 2004 Edition
<b>“kimberlite”</b>	a brecciated igneous rock containing phlogopite mica, bronzite pyroxene and ilmenite
<b>“km”</b>	kilometre
<b>“km<sup>2</sup>” or “sq km”</b>	square kilometres
<b>“Mcts”</b>	million carats
<b>“mineable”</b>	that portion of a resource for which extraction is technically and economically feasible
<b>“mineral”</b>	a naturally occurring solid chemical substance formed through biogeochemical processes, having characteristic chemical composition, highly ordered atomic structure, and specific physical properties
<b>“Mineral Resource”</b>	a concentration or occurrence of material of intrinsic economic interest in and on the earth’s crust in such form, quality and quantity that there are reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a resource are known, estimated or interpreted from specific geological evidence and knowledge
<b>“mineralisation”</b>	any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. It covers all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition
<b>“Ore”</b>	a type of rock that contains mineral that can be mined
<b>“Ore Reserve”</b>	that portion of a Measured and Indicated Mineral Resource that has been subjected to engineering and economic evaluation so that it can be concluded and shown that the mineral can be profitably extracted
<b>“parcel”</b>	a collection of diamonds of various sizes made available for sale as a single package



**“Probable Ore Reserves”**

the economically mineable material derived from a measured and/or indicated diamond resource. It is estimated with a lower level of confidence than a proved reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified

**“Resource”**

a concentration or occurrence of material of intrinsic economic interest in or on the earth’s crust in such form, quality and quantity that there are reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a resource are known, estimated or interpreted from specific geological evidence and knowledge. Resources are sub-divided into:

- (i) **“Measured Mineral Resource”** is that part of a resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity;
- (ii) **“Indicated Mineral Resource”** is that part of a resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed; and
- (iii) **“Inferred Mineral Resource”** is that part of a resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability

**“sampling”**

taking small pieces of rock at intervals along exposed mineralisation for assay (to determine the mineral content)

**“tonne”**

a metric system unit of mass equal to 1,000 kilogrammes

**“trial mining”**

a small scale mining exercise as a test, but on suitable scale to approximate all conditions that will be encountered at full scale commercial production. Trial mining in itself may not have the intention of being profitable, but to prove that it is technically possible to execute profitable mining on full and continuous scale

**INNOPAC HOLDINGS LIMITED**  
(Company Registration Number 197301788K)  
(Incorporated in the Republic of Singapore)

**Board of Directors**

Dato' Moehamad Izat Emir (*Independent, Non-Executive Chairman*)  
Wong Chin Yong (*Managing Director*)  
Ong Kah Hock (*Independent Director*)  
Yoon Wai Nam (*Independent Director*)

**Registered Office**

190 Middle Road  
#19-07 Fortune Centre  
Singapore 188979

23 May 2013

To: The Shareholders of Innopac Holdings Limited

Dear Sir/Madam,

- A. THE PROPOSED ACQUISITION (BY WAY OF A TAKEOVER OFFER) OF UP TO 212,147,063 ORDINARY FULLY PAID SHARES REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF MERLIN DIAMONDS LIMITED (“MED”) AT THE MED BID PRICE OF A\$0.28 (APPROXIMATELY S\$0.358) FOR EACH MED SHARE TO BE SATISFIED BY THE ALLOTMENT AND ISSUE OF 1.67 CONSIDERATION SHARES IN THE SHARE CAPITAL OF THE COMPANY FOR EVERY ONE (1) MED SHARE (THE “PROPOSED TAKEOVER”); AND**
- B. THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 354,468,566 NEW ORDINARY SHARES IN THE SHARE CAPITAL OF THE COMPANY (THE “CONSIDERATION SHARES”), AT AN ISSUE PRICE OF S\$0.2145 FOR EACH CONSIDERATION SHARE, TO SUCH OF THE SHAREHOLDERS OF MERLIN DIAMONDS LIMITED WHO ACCEPT THE TAKEOVER OFFER MADE BY THE COMPANY PURSUANT TO THE PROPOSED TAKEOVER (THE “PROPOSED ALLOTMENT AND ISSUE”)**

**1. INTRODUCTION**

The Directors are convening an EGM to be held at 100 Victoria Street, National Library Building, Level 5 Imagination Room, Singapore 188064 on 10 June 2013 at 2.00 p.m. to seek Shareholders' approval for the following:

- (a) the Proposed Takeover, and
- (b) the Proposed Allotment and Issue of the Consideration Shares.

The Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares are inter-conditional and must both be approved by Shareholders at the EGM in order to proceed.

The purpose of this Circular is to provide Shareholders with information relating to the above proposals to be tabled at the EGM and to seek Shareholders' approval in relation thereto at the EGM. The Notice of the EGM is set out on page 53 of this Circular.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

**2. THE PROPOSED TAKEOVER**

**2.1 Background**

On 31 January 2013, the Company announced that it had on 30 January 2013 entered into the Bid Implementation Deed with MED whereby the Company agreed, on and subject to the terms and conditions of the Bid Implementation Deed, to make an off-market takeover offer to the MED Shareholders to acquire up to 212,147,063 ordinary fully paid MED Shares, representing the entire

issued and paid-up share capital of MED. Under the terms of the Bid Implementation Deed, the Company will, subject to approval being obtained from its Shareholders, allot and issue 1.67 Consideration Share for every one (1) MED Share.

The Proposed Takeover was introduced to the Company by Mr. Wong Chin Yong, the Managing Director and Chief Executive Officer of the Company, who approached Mr. Joseph Isaac Gutnick, Executive Chairman, Managing Director and Chief Executive Officer of MED. Mr. Joseph Isaac Gutnick was known to Mr. Wong Chin Yong by reputation as a leading Australian mining entrepreneur.

The Company has been actively seeking to diversify its portfolio into an asset class that is not strongly correlated with the stock markets as the Company's investment portfolio is largely in quoted equities. The return on commodities as an asset class has historically showed a negative correlation to the stock markets<sup>1</sup>. The Company believes that, adding commodities or natural resource assets can improve the risk/return performance of its investment portfolio.

### **2.1.1 No commission or remuneration**

There is no agreement for the Company to remunerate Mr. Wong Chin Yong or any other person, for introducing Mr. Joseph Isaac Gutnick and/or MED to the Company.

## **2.2 The Takeover Offer**

Under the terms of the Bid Implementation Deed, the Company has agreed to make the Takeover Offer to the MED Shareholders for all the MED Shares that they own at the MED Bid Price of A\$0.28 (approximately S\$0.358) for each MED Share to be satisfied by the allotment and issue of 1.67 Consideration Shares for every one (1) MED Share. Pursuant to the Bid Implementation Deed, on 26 March 2013 the Company lodged the Bidder's Statement with ASIC and despatched the Bidder's Statement to the MED Shareholders on 28 March 2013. Details of the salient terms of the Proposed Takeover as set out in the Bidder's Statement can be found in Section 2.4. The Takeover Offer was opened for acceptances on 28 March 2013 and will close on 28 June 2013, unless extended by the Company.

On 11 April 2013, MED lodged its Target's Statement with ASIC and despatched the Target's Statement to its shareholders on 12 April 2013.

Assuming that the Takeover Offer is accepted by the MED Shareholders on the terms of the Bidder's Statement, and completion of the Proposed Takeover takes place, MED will become a subsidiary of the Company.

Under the Bid Implementation Deed, it is a condition that at or before the end of the Offer Period, the Company obtains a Relevant Interest in such number of MED Shares, which represent at least 90% of the aggregate of all the MED Shares on issue. This condition may be waived by the Company, in writing, at its discretion subject to the terms of the Corporations Act.

No shareholder of MED has given an undertaking, written or otherwise, to accept the Takeover Offer.

## **2.3 The Consideration**

The Consideration payable by the Company for the Proposed Takeover is up to approximately A\$59,401,178 (approximately S\$76,033,508) to be satisfied by an allotment and issue of up to approximately 354,468,566 Consideration Shares credited as fully paid in the issued and paid-up share capital of the Company at an issue price of S\$0.2145 for each Consideration Share. The issue price of S\$0.2145 represents the weighted average price for trades of the Company's Shares done on the SGX-ST Mainboard for the seven (7) consecutive trading days prior to and including 30 January 2013, being the day on which the Bid Implementation Deed was executed.

---

<sup>1</sup> Ref: Gorton, G & Rouwenhorst, K, (2006), Facts and fantasies about commodity futures, Financial Analysts Journal, Volume 62, Issue 4, P. 86-93.

The closing price of each MED Share as traded on the ASX on 30 January 2013 was A\$0.205. The MED Bid Price represents a premium of approximately 36.59% over the closing price of each MED Share on 30 January 2013 and a premium of approximately 24.83% over its NAV per share of A\$0.2243 as at 31 December 2012.<sup>2</sup>

The Consideration Shares, if fully issued, represent (i) approximately 12.18% of the issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 10.86% of the enlarged issued share capital of the Company upon completion of the Proposed Takeover. The Consideration Shares are not being issued at any discount.

No valuation report was procured for the MED Shares. In agreeing to the MED Bid Price, the Company relied on the closing price of MED Shares of A\$0.205 and the NAV of each MED Share of A\$0.243 as at 30 June 2012.

The Board had considered the past trading prices of the shares of MED from 1 December 2012 to 30 January 2013 and noted that MED Shares had traded between a range of A\$0.16 to A\$0.25. The Board also took into consideration the issue price of S\$0.2145 for each Consideration Share that would be exchanged for the MED Shares. The MED Bid Price was determined as a price that would induce MED Shareholders to accept the Takeover Offer.

Notwithstanding that no valuation report was procured for the MED Shares, during the negotiations that took place between the parties, the Board had access to publicly available information relating to operations and financial affairs of MED. The Board was assisted in the review of the information by its solicitors. In arriving at its decision to proceed with the Proposed Takeover, the Board also considered, inter alia, the following factors:

- (a) that the Proposed Takeover would be an all share exchange transaction;
- (b) that MED's flagship mine, the Merlin Diamond Mine, is a near-term production mine, viz within the year 2013 according to MED 2012 Annual Report and its Quarterly Report ended 31 December 2012;
- (c) that MED has reported JORC compliant Resources and Reserves aggregating approximately 7.2 million carats of diamonds (please refer to section 2.6 of the Circular under 'Resource Estimate', 'Probable Ore Reserves' and 'Indicated and Inferred Resources');
- (d) that the Consideration payable by the Company is less than the expenditure of more than A\$100 million spent by MED in the exploration and development of the Merlin Diamond Mine and its tenements; and
- (e) the optimistic outlook for the demand for rough diamonds (please refer to section 2.12 of the Circular).

Subsequently, the Company and MED instructed their respective solicitors in Australia to prepare the Bid Implementation Deed which was executed on 30 January 2013.

The Proposed Allotment and Issue of the Consideration Shares to the MED Shareholders (or to whom they may nominate) who accept the Takeover Offer will be pro-rated according to the number of MED Shares they own and all fractional entitlements to the Consideration Shares will be rounded upwards to the nearest whole. As such, the exact number of Consideration Shares to be allotted and issued will depend on the level of acceptances received and the rounding upwards of fractional entitlements. The Company will make announcements of the exact number of Consideration Shares to be allotted and issued subsequent to the close of the Takeover Offer.

---

<sup>2</sup> The calculation of NAV per share of MED is based on its unaudited financial statements as at 31 December 2012, adjusted for completion of the placement of 43,000,000 shares at A\$0.21 each and assuming the A\$8 million convertible notes has been converted at A\$0.22 per share. Both the share placements and issue of convertible notes were announced by MED on 14 December 2012.

On 8 May 2013, the SGX-ST granted its approval in-principle for the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST, subject to the following conditions:

- (a) Compliance with SGX-ST listing requirements; and
- (b) Shareholders' approval being obtained for the Proposed Takeover and the issuance of the Consideration Shares.

The approval in-principle by the SGX-ST to the Company for the admission of the Consideration Shares to the Official List of the SGX-ST and the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Proposed Takeover, the Consideration Shares, the Company and/or its subsidiaries.

## 2.4 Salient Terms Of The Proposed Takeover

Under the terms of the Bid Implementation Deed, the Proposed Takeover is subject to the following conditions:

<b>Minimum Acceptances</b>	At or before the end of the Offer Period, the Company has a Relevant Interest in such number of MED Shares which represents at least 90% of the aggregate of all the MED Shares on issue
<b>No Prescribed Occurrences</b>	Between the Announcement Date on 31 January 2013 and the date of the end of the Offer Period (each inclusive), none of the circumstances set out in section 652C of the Corporations Act of Australia <sup>3</sup> occurs. Please refer to Appendix A for the Prescribed Occurrences.

<sup>3</sup> Section 652C of the Corporations Act states the Company is entitled to withdraw the Takeover Offer during the offer period upon the occurrence of certain events, A summary of the text of Section 625C is set out below:

*"the Company is entitled to withdraw if certain events happen during the offer period"*

- (1) *the Company may withdraw unaccepted offers made under a market bid if 1 of the following happens during the bid period, but only if the Company's voting power in the target is at or below 50% when the event happens:*
- (a) *MED converts all or any of its shares into a larger or smaller number of shares;*
  - (b) *MED or a subsidiary resolves to reduce its share capital in any way;*
  - (c) *MED or a subsidiary:*
    - (i) *enters into a buy-back agreement; or*
    - (ii) *resolves to approve the terms of a buy-back agreement [to buy back its own shares]*
  - (d) *MED or a subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;*
  - (e) *MED or a subsidiary issues, or agrees to issue, convertible notes;*
  - (f) *MED or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;*
  - (g) *MED or a subsidiary grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;*
  - (h) *MED or a subsidiary resolves to be wound up. the Company may also withdraw unaccepted offers made under a market bid if 1 of the following happens during the bid period;*
    - (i) *a liquidator or provisional liquidator of the target or of a subsidiary is appointed;*
    - (j) *a court makes an order for the winding up of the target or of a subsidiary;*
    - (k) *an administrator of the target, or of a subsidiary, is appointed;*
    - (l) *the target or a subsidiary executes a deed of company arrangement;*
    - (m) *a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of the target or of a subsidiary.*

<p><b>No action by government agency adversely affecting the Takeover Offer</b></p>	<p>During the period from the Announcement Date to the end of the Offer Period:</p> <ul style="list-style-type: none"> <li>(a) there is not in effect any preliminary or final decision, order or decree issued by a government agency;</li> <li>(b) no action or investigation is instituted, or threatened by any government agency with respect to MED or any subsidiary of MED; or</li> <li>(c) no application is made to any government agency (other than an application by the Company or any Group Company, an application under section 657G of the Corporations Act of Australia, or an application commenced by a person specified in section 659B(1) of the Corporations Act of Australia in relation to the Takeover Offer),</li> </ul> <p>in consequence of, or in conjunction with, the Takeover Offer, other than a determination by ASIC or the Takeovers Panel in exercise of the power and discretions conferred by the Corporations Act, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Takeover Offer or the completion of any transaction contemplated by the Takeover Offer (including implementing the intentions expressed therein) or seeks to require the divestiture by the Company of any MED Shares, or the divestiture of any assets by MED or by any subsidiary of MED or by any company within the Innopac group.</p>
<p><b>Approvals by government agencies</b></p>	<p>During the period from the Announcement Date to the end of the Offer Period, the Company receives all approvals which are required by law or by any government agency:</p> <ul style="list-style-type: none"> <li>(a) to permit the Takeover Offer to be made to and accepted by MED Shareholders; or</li> <li>(b) as a result of the Takeover Offer or the successful acquisition of the MED Shares and which are necessary for the continued operation of the business of MED and its subsidiaries or of the Company and its subsidiaries; or</li> <li>(c) and those government agency approvals are on an unconditional basis and remain in force in all respects and there is no notice or indication of intention to revoke, suspend, restrict, modify or not renew those government agency approvals.</li> </ul>
<p><b>Approval by Shareholders</b></p>	<p>Shareholders approving at the EGM, the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares.</p>
<p><b>No material failings in filings</b></p>	<p>The Company does not become aware, during the period from the Announcement Date to the end of the Offer Period, that:</p> <ul style="list-style-type: none"> <li>(a) any document filed by or on behalf of MED with ASX or ASIC contains a statement which is incorrect or misleading in any material respect or from which there is a material omission; or</li> <li>(b) MED has not made an announcement in breach of its continuous disclosure obligations.</li> </ul>

<b>Non-existence of certain rights</b>	No person has any right (whether subject to conditions or not) as a result of the Company acquiring MED Shares to:  (a) acquire, or require MED or a subsidiary of MED to dispose of, or offer to dispose of, any material asset of MED or a subsidiary of MED;  (b) terminate or vary any material agreement with MED or a subsidiary of MED; or  (c) accelerate or adversely modify the performance of any obligations of MED or any of its subsidiaries in a material respect under any material agreements, contracts or other legal arrangements.
<b>No material adverse change<sup>4</sup> to MED</b>	During the period from the Announcement Date to the end of the Offer Period, no MED Material Adverse Change (being an adverse effect on MED's profitability or prospects) occurs.
<b>MED Convertible Notes</b>	Before the end of the Offer Period, all Convertible Notes (being the convertible notes which were announced by MED on 14 December 2012) are issued and converted into MED Shares and all relevant MED Shares are issued by MED. The holder of these Convertible Notes is ISR Investments Ltd, a company incorporated in the British Virgin Islands.
<b>Placement Shares</b>	Before the end of the offer Period, any remaining MED Shares pursuant to the MED Approved Placement (being the placement for 43 million MED Shares that was announced on 14 December 2012) are issued by MED.

<sup>4</sup> "Material Adverse Change" means any event, change or condition that has, or could reasonably be expected to have, a material adverse effect on:

- (a) the business, assets, liabilities, financial or trading position, profitability or prospects of the MED Group, taken as a whole (after taking into account any matters which offset the impact of the event or events giving rise to the adverse effect); or
- (b) the status or terms of any of the prospecting, exploration or mining Tenements owned by MED or its subsidiaries (and, for the avoidance of doubt, relinquishment of parts of tenements in the ordinary course of business will not be considered, for the purpose of this definition, as an event having a material adverse effect on a Tenement), except for:
- (c) events, changes and conditions publicly announced by MED or otherwise disclosed to ASIC or the ASX by MED or any of its subsidiaries prior to the Execution Date provided that the relevant announcement or disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading.

"MED Material Adverse Change" means any event, change or condition that has, or could reasonably be expected to have, a material adverse effect on:

- (a) the business, assets, liabilities, financial or trading position, profitability or prospects of the MED Group, taken as a whole, by an amount of A\$250,000 or more;
- (b) the status or terms of any of the exploration or mining tenements owned by MED or its subsidiaries, except for any events, and conditions publicly announced by MED or otherwise disclosed in public filings in Australia by MED or any of its subsidiaries prior to the date of the Bid Implementation Deed provided that the relevant announcement or disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading.

"A material breach of the Company" is not defined in the Bid Implementation Deed. This is an often used expression in Australian law and what constitutes a material breach will be interpreted by reference to the Company's key obligations under the Implementation Deed, essentially being to make the take-over offer on the same terms and conditions as set out in the Bid Implementation Deed.



Other salient terms of the Bid Implementation Deed are the Break Fee and the compensation for MED as stated below:

<p><b>Break Fee</b></p>	<p>A Break Fee of A\$250,000 shall be payable by MED to the Company if at any time after the Announcement Date, any of the following circumstances occur:</p> <ul style="list-style-type: none"> <li>(a) a Competing Proposal is announced and is publicly recommended, promoted or otherwise endorsed by the MED board or by any of the MED directors, unless prior to these circumstances occurring, the Bid Implementation Deed has been terminated;</li> <li>(b) a Competing Proposal is announced before the end of the Offer Period and is completed at any time between the date the Takeover Bid is made and 6 months following that date and, as a result, a party to the Competing Proposal acquires a relevant interest in 50% or more of all MED Shares which was not held prior to the announcement of the Competing Proposal;</li> <li>(c) any MED Director does not recommend the Takeover Bid to MED Shareholders or, having recommended it, withdraws his or her recommendation of the Takeover Bid, unless prior to these circumstances occurring, this Deed has been terminated under clause 10 of the Bid Implementation Deed;</li> <li>(d) any MED Director who holds MED Shares or who has control over MED Shares (<b>Director Shares</b>) does not accept the Offer (or procures that any Director Share is not accepted into the Takeover Bid), unless prior to these circumstances occurring, this Deed has been terminated;</li> <li>(e) the Company terminates this Deed and that termination relates to: <ul style="list-style-type: none"> <li>(i) a material unremedied breach of a warranty made by MED in this Deed (or a material breach of a warranty made by MED in this Deed that cannot be remedied) and the effect of that breach would result in a MED Adverse Material Change or cause a person in the position of Bidder to not proceed with the Takeover Bid on the terms and subject to the conditions of this Deed; or</li> <li>(ii) the happening of a Prescribed Occurrence which was not consented to by Bidder or has not been waived by the Bidder.</li> </ul> </li> </ul>
<p><b>Compensation for MED</b></p>	<p>In consideration for MED entering into the Bid Implementation Deed, the Company has agreed to pay MED a compensation sum of A\$250,000 if:</p> <ul style="list-style-type: none"> <li>(a) the Company fails to comply with its obligations pursuant to the Bid Implementation Deed and in accordance with the applicable provisions of the Corporations Act; and/or</li> <li>(b) MED terminates the Bid Implementation Deed as a result of a material breach<sup>3</sup> on the part of the Company.</li> </ul>

Under the Corporations Act of Australia, the Company is required to make the Takeover Offer on the same terms and conditions as that contained in the Bid Implementation Deed. The Company may not waive the key terms and conditions of the Bid Implementation Deed. However, the Corporations Act of Australia allows the Company to waive any of the conditions provided it serves notice on the MED Shareholders in the prescribed form. The Company will make immediate announcements on any waiver granted and the basis of granting the waiver. The complete terms of the Proposed Takeover has been set out in the Bid Implementation Deed that which is available for inspection at the Company's office from the date hereof up to and including the date of the EGM.



## 2.5 Information on MED

*(Information relating to MED, its assets and operations have either been provided by the MED Directors or obtained by the Company from publicly available sources)*

### 2.5.1 Corporate Profile

#### Incorporation

MED is a company incorporated in Western Australia (Company No. 86 009 153 119) on 18 October 1985 with its registered address at Level 8, 580 St. Kilda Road, Melbourne Victoria 3004. As at the Latest Practicable Date, MED had an issued and paid-up share capital of A\$120,380,824 represented by 175,783,427 MED Shares.

MED was listed on the ASX on 29 April 1992. As at the Latest Practicable Date, based on information provided by MED's Share Registrar, there were approximately 6,300 MED Shareholders.

#### The Directors

Name	Position
Joseph Isaac Gutnick	Executive Chairman, Managing Director and Chief Executive Officer
Craig Michael	Executive Director
Henry Herzog	Independent Non-Executive Director
David Tyrwhitt	Independent Non-Executive Director

Save for Mr Joseph Isaac Gutnick, the Executive Chairman and Chief Executive Officer of MED, none of the other directors of MED has any interest in MED Shares. Mr Gutnick has a relevant interest in 485,357 MED Shares. The registered owner of these shares is Legend International Holdings Inc. and its wholly-owned subsidiary Legend International Holdings Ltd. Legend International Holdings Inc holds 485,357 shares in MED, of which 165,000 shares are registered in the name of Legend International Holdings Ltd, that hold these shares on trust for Legend International Holdings Inc. Mr Gutnick, through his private companies, holds an interest of more than 20% in Legend International Holdings Inc, and as such, he has a relevant interest in the MED Shares held by Legend International Holdings Inc.

Mr Gutnick is deemed to have a relevant interest in these shares pursuant to sections 608 and 609 of the Corporations Act but Mr Gutnick does not control those shares.

#### Substantial Shareholders

As at the Latest Practicable Date, the market capitalisation of MED is A\$29,883,182 represented by 175,783,427 MED Shares and the substantial shareholders are as follows:

	Name	Number of MED Shares	As a percentage of the total number of MED Shares	Number of Consideration Shares to be issued	Resultant shareholdings in the enlarged issued capital of the Company
1.	Newton Centre Development Limited	24,000,000	13.65	40,080,000	1.25
2.	Tan Boon Kiat	22,000,000	12.52	36,740,000	1.15
3.	Lim Kuan Yew	21,600,000	12.29	36,072,000	1.13
4.	HSBC Custody Nominees (Australia) Limited – A/C 3	15,425,573	8.78	25,760,707	0.80

	Name	Number of MED Shares	As a percentage of the total number of MED Shares	Number of Consideration Shares to be issued	Resultant shareholdings in the enlarged issued capital of the Company
5.	Goh Hin Calm	13,000,000	7.40	21,710,000	0.68
6.	Vernon Khoo Tiam Hock	9,000,000	5.12	15,030,000	0.47
7.	Edwin Sugiarto	9,000,000	5.12	15,030,000	0.47

Note:

The substantial shareholders of MED were disclosed in the Target Statement announced by MED on the ASX on 11 April 2013.

### Management Team

The management team comprises of Mr. Joseph Isaac Gutnick, Dr. David Tyrwhitt, Mr. Craig Michael, Mr. Peter Lee, Mr. Eric Magee and Mr. Menachem Vorchheimer. The management team of MED is provided through a company known as AXIS Consultancy Pty Ltd (“**AXIS**”) through a service agreement.

Under the terms of this service agreement, MED obtains all its operational (including equipment and vehicles) and administrative (including payroll, accounting and insurance) requirements, exclusively through AXIS. AXIS charges MED on a “user pays” basis. The agreement can be terminated on 60 days’ notice by either party, but MED shall be responsible for all costs and liability resulting from (i) termination and other entitlements of staff who are employed by AXIS solely for the purposes of servicing MED, and who MED does not wish to employ following termination, and (ii) return of equipment by MED, where AXIS does not require such equipment following termination.

As noted above, the agreement can be cancelled upon either party giving the other 60 days’ notice. The termination fee would be the equivalent of 2 months’ fees for the services provided, with an additional 15% of the aggregate fees charged. The additional 15% represents AXIS’ service fees. Furthermore, if MED terminates the service agreement, it is required to notify AXIS of which staff that had been performing services wholly or substantially for MED that MED wishes to offer employment to and any equipment provided by AXIS that it wishes to retain. MED will then be responsible for the staff and equipment nominated.

In the event that the service agreement is terminated, the Company intends to appoint suitable contractors to fulfil the role that is currently filled by AXIS.

Mr. Joseph Isaac Gutnick and Dr David Tyrwhitt are directors of AXIS. Neither Mr Gutnick nor Dr Tyrwhitt are shareholders of AXIS or are they related to any of its shareholders. AXIS is a company that provides geological, development, management and administration services to companies in the mining and exploration industry.

### **Mr. Joseph Isaac Gutnick** **Executive Chairman, Managing Director and Chief Executive Officer**

Mr. Joseph Isaac Gutnick has been a Director of the Company since 2008. He is a leading mining industry entrepreneur and is the Executive Chairman, President and Chief Executive Officer of numerous listed public companies in both Australia and North America. Mr. Joseph Isaac Gutnick has been responsible for overseeing the discovery of the multi-million Plutonic gold deposit, and the discovery, development and operation of the world class Bronzewing and Jundee gold mines in Australia. He was awarded the Diggers award at the 1997 Diggers and Dealers Industry Awards and is a former Director of the World Gold Council. He is also a Fellow of the AusIMM.

**Mr. Craig Michael**  
**Executive Director**

Mr Michael has over 10 years of experience as a geology professional in the mining and resources industry. He is currently Managing Director and Chief Executive Officer of Paradise Phosphate Limited and a Non-Executive Director of Aurum, Inc. He previously worked with Oxiana Ltd, an international mining company with operations in South East Asia and Australia. Mr Michael was based in Laos in senior management positions as both a Mine Geologist and Resource Geologist at the Sepon Copper Gold Project. Prior to his time with Oxiana, he was a Mine Geologist at Sons of Gwalia's Carosue Dam Gold Project in Western Australia where he also conducted his first class honours thesis on their flagship Karari gold deposit. Mr Michael holds a Bachelor of Science with Honours in Geology and is a Member of the AustIMM.

**Dr. David Tyrwhitt**  
**Independent, Non-Executive Director**

Dr Tyrwhitt has a long history in the diamond exploration industry dating back to 1959. He was first employed by De Beers in Tanzania as a diamond exploration geologist, and he was the Chief Executive Officer and Managing Director of Ashton Mining Ltd from 1988 to 1991 where he was involved in the exploration and feasibility of diamond deposits in the Northern Territory and Australia (including MED), the development of the Argyle alluvial through the Argyle joint venture, diamond exploration in Scandinavia, feasibility of the Cempaka alluvial diamond project in south east Kalimantan, Indonesia and key negotiations and contractual matters for Argyle diamonds. Since leaving Ashton Mining, he has been involved in diamond exploration in Canada, China and Australia. Dr Tyrwhitt was a chairman of JORC and during his chairmanship, introduced the diamond reporting code. He is currently also a Director of numerous listed public companies in both Australia and North America.

**Mr. Peter Lee**  
**Chief Financial Officer and Company Secretary**

Mr. Lee is a Member of the Institute of Chartered Accountants in Australia, a Fellow of Chartered Secretaries Australia Ltd., and a Member of the Australian Institute of Company Directors and holds a Bachelor of Business (Accounting) from Royal Melbourne Institute of Technology. He has over 30 years of commercial experience and is currently a Director, Chief Financial Officer and Company Secretary of numerous publicly listed companies in both Australia and North America.

**Mr. Eric Magee**  
**Operations Manager, Merlin Diamond Mine**

Mr. Magee is a qualified engineer with post-graduate studies in Mining Engineering. He has over 25 years of experience in the mining industry in South Africa and Australia. Between 2008 and 2012, he worked for the Kimberly Diamond Company, with his final role being General Manager of Operations. Mr. Magee was previously the mining manager of Ellendale Mine, one of the major diamond producing mines in Australia.

**Mr. Menachem Vorchheimer**  
**General Manager of Strategy and Special Products**

Mr. Vorchheimer has more than 15 years of experience in corporate and senior management. In the capacity of CEO and COO, Mr Vorchheimer has been responsible for various corporate structuring, repositioning, M&A transactions and Greenfield projects in both Australia and United States. Mr Vorchheimer has a background in accounting and finance, including an auditor role with PKF Chartered Accountants. He is known for his tenacity, strength of character, attention to detail and commitment to project timelines. Mr Vorchheimer is a current director of Top End Minerals, an associate company of MED. He also holds a Bachelor of Business Management from Monash University.

### **2.5.2 Corporate History**

The company now known as MED was incorporated on 18 October 1985 in Western Australia. Its registered office is at Level 8, 580 St Kilda Road, Melbourne, Vic 2004, Australia. Over the course of its existence, there were several name changes. The most recent name change took place on or about 4 December 2012 whereby the name of the company was changed from "North Australian Diamonds Limited" to "Merlin Diamonds Limited". MED's former names (from the most recent to its incorporation) were Striker Resources N.L., Striker Resources Limited and Gem Exploration & Minerals Limited.

A summary of the significant developments of MED is set out in chronological order as follows:

#### **2004**

In April 2004, the company then known as Striker Resources NL ("**Striker**") acquired the Merlin Diamond Mine Project from Ashton Mining Limited, a subsidiary of Rio Tinto.

#### **2005**

On 5 March 2005, Striker announced that the latest drilling results showed total resource in the Merlin field of 19 million tonnes at a grade of 17.4 cpt for 3.3 million cts. This was an increase of 1,762,000 tonnes on the previously reported Inferred Resource figure of 17,280,000 tonnes.

On 15 March 2005, Striker announced that 207 diamonds weighing 11.3 cts had been recovered from a 1.6 tonne sample of sorthouse reject material. The diamonds were of commercial weight. The company also announced that it was going to commence diamond recovery to assess the re-processing of these sorthouse tailings, which was believed to be in the order of 10,000 tonnes. The recovery was the Stage 1 of Merlin Mine project development.

On 10 August 2005, Striker announced recovery of first diamonds from the reprocessing of sorthouse tailings. The diamonds included a 1.39 cts gem quality yellow stone. Striker also announced its name change to "North Australian Diamonds Limited".

On 20 September 2005, the company raised A\$3.72 million by the placement of 133.1 million ordinary fully paid shares at A\$0.028 per share. The fund was to be used for the Stage 2 development of the Merlin Diamond Mine project viz open-pit mining of remnant kimberlites.

On 17 November 2005, the company announced that the Stage 1 development of the Merlin Diamond Mine project recovered more than 9,000 cts of diamonds from the Merlin Diamond Mine. The two largest of which were 14.21 cts and 10.27 cts. The Stage 2 development of exploration drilling program was then scheduled to commence on 23 November 2005.

#### **2006**

On 1 March 2006, the company announced that Stage 2 development of the Merlin Diamond Mine was underway with processing to commence late March. Stage 1 processing of x-ray sorthouse tailings and kimberlite samples has also recommenced.

On 4 April 2006, initial Stage 2 production of Merlin diamonds commenced and targeted to produce a minimum 502,000 tonnes of ore from the higher-grade pipes for a forecast recovery of 197,800 carats.

On 16 May 2006, the company announced that a 17.91 ct diamond was recovered from reprocessing of the sorthouse tailings. The diamond is of near gem quality and represents a fragment from a much larger diamond.

On 26 October 2006, the company announced that it had undertaken an equity placement to fund the pre-feasibility study and trial mining of the Gawain and Ywain underground project and provide working capital for the on-going Stage 2 trial mining operations.

On 4 December 2006, the company announced that trial production had delivered its second 2,000 carat parcel of diamonds which was being prepared for sale. For the 8 months of trial mining, a total of 24,957 tonnes of kimberlite was processed and yielded 11,756 carats.

*The information disclosed above has been extracted from publicly available information and does not disclose whether the production trends were in line with the actual drilling results.*

## **2007**

On 1 February 2007, the company announced that a farm-in agreement was reached with Ashton Exploration, Ashton Mining Ltd and A.O. (Australia) Pty Ltd (all entities under the Rio Tinto group) with respect to the Yambarra tenements that cover an area of 8,300 km<sup>2</sup>. The company will be entitled to earn 100% ownership of diamonds upon expenditure of A\$3.5 million over 5 years subject to the Rio Tinto group retaining a once only buyback right of 51% interest in the project at three times the company's incurred costs if the in-situ value of a diamond resource identified is greater than A\$500 million or alternatively receive payment of a royalty of 1% of the gross value of sale.

On 12 February 2007, the company announced that it has undertaken an equity placement to fund ongoing working capital requirements to advance land access negotiations in relation to its assessment of the uranium potential of its Arnhem Land tenements and other Northern Territory interests. 887,907 ordinary shares have been placed at an issue price of A\$0.043 per share, raising A\$1,500,000.

On 18 June 2007, the company announced its intention to spin-off its Northern Territory uranium and base metals prospects into a wholly owned subsidiary company then known as Top End Uranium Limited.

On 30 August 2007, the company announced that following a comprehensive review of all information during the past 2 years of test work, mining trials and diamond sales, they intended to implement a strategic plan to accelerate the development of the company's Merlin Diamond Mine project. And to drive its strategic development initiative, its board was in discussions with parties to identify a senior executive with significant relevant diamond mining experience to step into the role of CEO.

On 27 September 2007, the company announced that the prospectus for Top End Uranium Limited for A\$9 million offering has been lodged with ASIC as part of its initial public offering ("IPO"). Under the terms of the IPO, Top End Uranium Limited will seek to raise A\$9 million through the issue of 45 million shares at a price of A\$0.20 a share.

On 22 November 2007, the company announced that the IPO of Top End Uranium Limited has been oversubscribed raising the maximum of A\$9 million under its prospectus dated 27th September 2007 and that the company will retain 25% of the issued capital in Top End Uranium Limited.

## **2008**

On 11 March 2008, the company announced the completion of the first drill hole in the 2nd phase of the Merlin Diamond Mine Project resource definition drilling programme with a 231m intersection of kimberlite within the Palsac pipe.

On 16 July 2008, the company announced that analysis of drill core from the Palsac pipe confirms diamonds at depth and the fine diamond content at depth indicated likelihood of diamond grade matching previously mined grades.

On 27 October 2008, the company announced that Mr. Joseph Isaac Gutnick has been appointed to the Board as an Executive Chairman effective immediately.

On 22 December 2008, the company issued a prospectus for the offer of 750,000,000 shares at an issue price of A\$0.008 per share to raise A\$6 million. The proposed usage of the funds is mainly for a feasibility study report and ongoing working capital requirements.

## **2009**

On 5 February 2009, the company announced that under the prospectus to raise A\$6 million, 373,423,074 acceptances were received or about 50% of the offer. The shortfall was issued and allotted to the underwriters of the offer.

On 12 May 2009, Legend International Holding Ltd made an on market takeover bid for all the ordinary shares in the company at an offer price of A\$0.012 per share.

On 6 August 2009, the company announced that the takeover offer by Legend International Holding Ltd had closed with its associates holding a relevant interest of 55% of the ordinary shares in the company.

On 19 October 2009, the company announced that it has commenced drilling at its Lancelot Prospect in the Northern Territory, Australia. The Lancelot Prospect is located some 40km south of the Merlin Diamond Mine and work comprised a combination of ground geophysics and soil sampling.

On 24 November 2009, the company announced that it was investigating the establishment of a vertically integrated diamond business model with cutting and polishing to be undertaken in Asia and the diamonds marketed under its own "Merlin" brand.

On 2 December 2009, the company announced the placement of 43,500,000 fully paid ordinary shares at a price of A\$0.046 raising a total of A\$2,001,000. Mr Henry Herzog was also appointed a director of the company on the same date.

On 4 December 2009, the company announced that a placement of 253,573,000 fully paid ordinary shares was made to Attara Fund, Ltd (formerly Atticus European Fund Ltd) raising A\$11,664,358.

## **2010**

On 22 February 2010, the company announced that resource definition drilling has increased the total MED JORC compliant combined "Indicated and Inferred" diamond resource from 4 million carats to 6 million carats and that the JORC compliant "Indicated Resources" for Palsac increased by 56% to 8 million tonnes.

On 6 October 2010, the company announced the successful completion of pre-production trials and resulted in the recovery of 10,600 carats of diamonds, of which 2,590 carats were greater than 1 carat. The largest being a 24.12ct gem quality diamond. More than 75% were assessed as "gem" or "near gem" quality. The resource definition drilling completed in the first half of 2010, increased the Indicated and Inferred resources to 30 million tonnes for a contained 7.2 million carats.

## **2011**

On or about 10 February 2011, the company obtained approval from its shareholders at general meeting to consolidate its ordinary shares on a twenty (20) for one (1) basis such that for every twenty (20) ordinary shares held by a shareholder prior to consolidation, a shareholder will hold one (1) ordinary share after the said share consolidation. The consolidation was not anticipated to create any additional value for its shareholders although it was anticipated that the price of its shares on the ASX would rise as a result of the consolidation.

On 1 June 2011, the company announced a heads of agreement with Meteoric Resources to explore a 500 square km package of 4 Meteoric tenements in the West Arunta region of Western Australia for diamonds. Under the terms of the agreement, the company may earn 70% of Meteoric Resources rights in the tenements by expenditure of A\$2.5 million within 5 years of signing an access agreement.

On 5 August 2011, the company announced that it has been awarded the contract for a Definitive Feasibility Study (DFS) for a 1.5Mtpa+ (approx. 300,000 carats per annum) diamond mining operation at its 100% owned Merlin Diamond Mine Project in the Northern Territory to Consulmet Pty Ltd (Consulmet). The DFS will also consider a potential larger scale operation.

On 2 September 2011, the company announced that the Exploration License 24512 for the Borrooloola Alluvial Diamond project was granted for a period of 6 years.

On 14 September 2011, the company announced that the Mine Management Plan for the Exploration License 24512 for the Borrooloola Alluvial Diamond project had been approved and it was ready to commence the initial work program, which is aimed at testing the diamond bearing potential of the known gravel deposits.

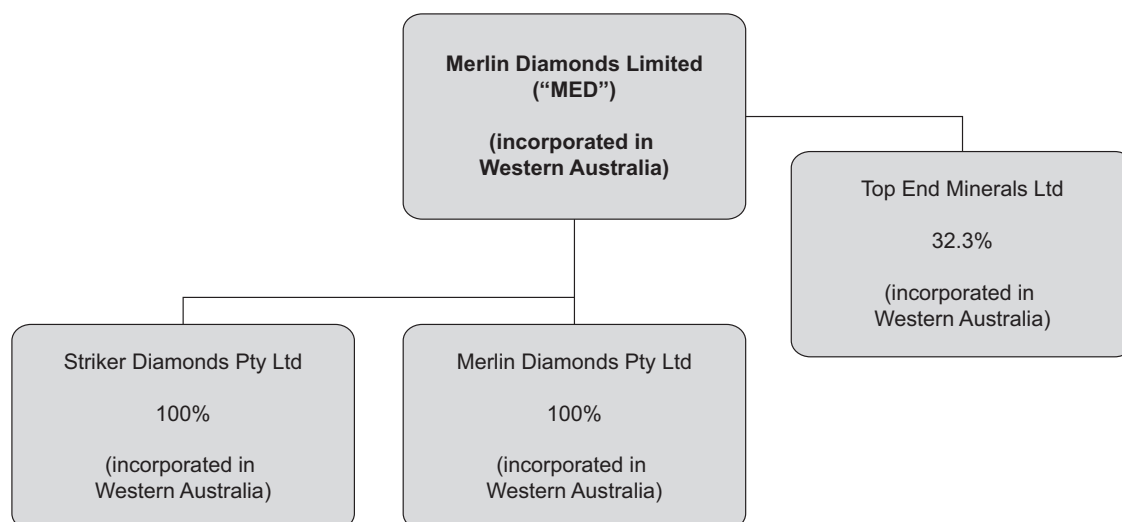
## **2012**

On 26 April 2012, the company announced that it has commenced to sell a parcel of diamonds in Antwerp and in the international markets and the sale has generated US\$1.512 million and the larger diamonds will be sold in the coming months.

On 14 Dec 2012, the company announced that it has entered into separate share placement agreements with four subscribers for an aggregate of 43 million shares at an issue price of A\$0.21 each raising A\$9.03 million. At the same time, the company announced that it has entered into an \$8 million convertible note agreement with an international investor. The convertible note is for 1 year and bears interest at 6.5%. Interest is payable quarterly. The convertible notes can be converted into fully paid ordinary shares at any time during the 1 year period at a conversion price of 22 cents. The convertible notes are unsecured. A meeting of shareholders has been convened for 24 May 2013 for the purpose of obtaining MED Shareholders' approval to the issue of the convertible notes.

The funds raised by the placements and convertible note will be used to finance the recommencement of the Merlin Diamond Mine operation, and for working capital.

### 2.5.3 Corporate Structure



As at the Latest Practicable Date, the top 4 shareholders of Top End Minerals Ltd are:

Name	Number of fully paid ordinary shares held	Percentage interest
MED	20,538,022	32.3%
Pershing Australia Nominees Pty Ltd (Argonaut Account)	11,114,508	16.85%
Great Central Resources Corp	3,937,711	5.97%
Norvest Projects Pty Ltd	2,000,000	3.03%

The other individual shareholders of Top End Minerals Ltd hold less than 3% stake in the company.

### 2.5.4 Subsidiaries

MED has the following subsidiaries:

- (i) Merlin Operations Pty Ltd – a proprietary company registered in Western Australia which has a paid up capital of \$1.00 represented by 5 ordinary shares, all of which are registered in the name of MED and is a wholly-owned subsidiary of MED. Merlin Operations Pty Ltd is the tenement holder for the MED tenements in the Northern Territory; and
- (ii) Striker Diamonds Pty Ltd – a proprietary company registered in Australia which has a paid up capital of A\$260,001.20, represented by 9,800,006 ordinary shares, all of which are registered in the name of MED and is a wholly-owned subsidiary of MED. Striker Diamonds Pty Ltd is the tenement holder for the MED tenements in Western Australia.



In addition, MED is the legal and beneficial owner of 20,538,022 shares or approximately 32.3% in the capital of Top End Minerals Limited, a public company listed on ASX which has a paid up share capital of A\$13,005,488 represented by 65,958,684 ordinary shares. TEM is in the business of exploring for minerals and resources other than diamonds. As at the Latest Practicable Date, TEM has a market capitalisation of approximately A\$2.2 million.

### **2.5.5 Business and Operations**

MED is an investment holding company and through its subsidiaries, is in mining and exploration for diamonds and other minerals in Australia. MED is currently focusing on developing its flagship Merlin Diamond Mine Project (the “**Merlin Diamond Mine Project**”) in the Northern Territory of Australia.

## **2.6 The Projects of MED**

### **2.6.1 Merlin Diamond Mine Project**

The Merlin Diamond Mine Project comprises the Merlin Diamond Mine operations and the surrounding tenements (the “**Merlin Orbit**”) that total approximately 2,480 km<sup>2</sup> which encompasses the known extent of the Merlin Kimberlite Field. The Merlin Kimberlite Field was discovered by Ashton Mining Ltd (“**Ashton**”) after systematic exploration between 1991 and 1994. From 1994 onwards, Ashton carried out trial mining and feasibility studies in the Merlin Kimberlite Field. Ashton was taken over by Rio Tinto Pty Ltd in November 2000. Between 1998 to 2003 when operations ceased, a total of 507,000 carats of diamonds were recovered from nine (9) kimberlites pipes within the field. MED acquired the Merlin Diamond Mine Project from the Rio Tinto group in 2004. During its short operational life, Merlin Diamond Mine was renowned for the production of top quality white diamond and large specials, the largest being 104.73 carats.<sup>1</sup>

The Merlin Diamond Mine Project is located approximately 100km south of the township of Borroloola and comprises of 14 kimberlite pipes, grouped into four clusters. These clusters form part of the Merlin Diamond Mine Project. The Merlin Diamond Mine Project has significant near-term production potential and high priority exploration targets within the tenements holding surrounding the mining lease.

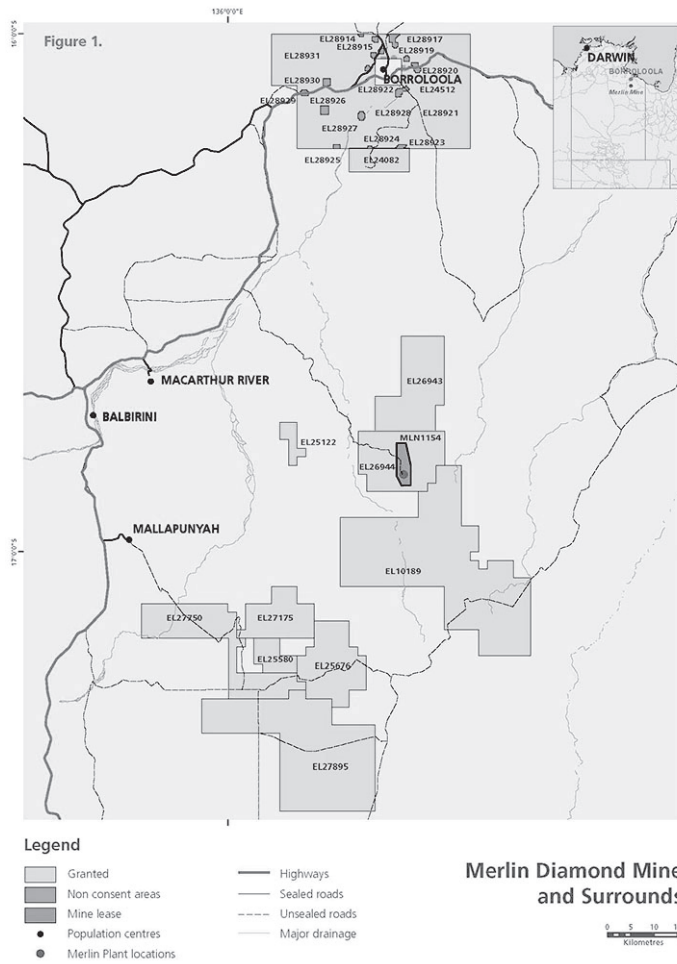
Highlights of the Merlin Diamond Mine Project

- The total JORC compliant combined Indicated and Inferred Mineral Resource is 19 million tonnes for a contained 4.3 million carats (of diamonds).
- The total JORC compliant Probable Ore Reserve is estimated at 11.1 million tonnes for a contained 2.9 million carats (of diamonds).
- The combined Mineral Resource and Ore Reserve for all of the diamond pipes at the Merlin Diamond Mine is 30.1 million tonnes representing a total contained 7.2 million carats (of diamonds). A Reserve for alternative mining methods has not yet been estimated. The total MED diamond Mineral Resource and Ore Reserve is the second largest in Australia.<sup>2</sup>
- MED had sold parcels of the smaller rough diamonds from its trial production which have generated proceeds of US\$1.865 million. MED has retained a quantity of high value special stones, including one, which has been cut and polished for marketing and valuation purposes.
- Drilling engineers, Kinley Exploration has defined the parameters for borehole mining at the Merlin Diamond Mine that will enable borehole extraction and lifting of deep ore at the Mine. Processing of bulk samples extracted from the Borroloola Alluvial Prospect recovered 22 diamonds with a total weight of 1.09 carats.

Notes:

1. Extracted from the 2012 Annual Report of MED and in MED’s quarterly report for the period ended 30 June 2011.
2. Extracted from 2012 Annual Report of MED and the information was obtained by MED from IntierraLive, a resource database service that evaluates strategic opportunities in the mining sector.





## Resource Estimate

Mining studies have enabled some of the Indicated Resources to be upgraded to Probable Ore Reserves. This resource estimate makes the Merlin Diamond Mine Project the second largest combined diamond resource and reserve in Australia.<sup>1</sup> The combined Mineral Resource and Ore Reserve for all of the diamond pipes at the Merlin Diamond Mine Project is 30.1 million tonnes for a total contained 7.2 million carats.<sup>2</sup>

Notes:

1. Based on information obtained from IntierraLive Database, a resource database service that evaluates strategic opportunities in the mining sector.
2. The total contained 7.2 million carats resource is within Mining Lease 1154 (MLN1154). A map of this lease is set out in page 25 of this Circular.

### Probable Ore Reserves

The combined Probable Ore Reserves for all diamond pipes at the Merlin Diamond Mine Project is 11.1 million tonnes for an average grade of 26 cpht representing a total contained 2.89 million carats

	Probable Ore Reserve (Mt)	Grade (cpht)	Carats (Mcts)
<b>Southern Cluster</b>			
PalSac <sup>2</sup>	81	30	2.41
<b>Central Cluster</b>			
Gawain <sup>2</sup>	0.5	39	0.21
Ywain <sup>3</sup>	0.1	81	0.05
<b>Northern Cluster</b>			
Kaye <sup>2</sup>	0.9	12	0.10
Ector <sup>1</sup>	1.5	7	0.11
<b>TOTAL</b>	<b>11.1</b>	<b>26</b>	<b>2.89</b>

*Note: Reserve estimates are based on open cut and underground mining. A Reserve for alternative mining methods is pending the completion borehole mining feasibility study.*

### Indicated and Inferred Resources

The combined indicated and inferred Mineral Resource for all diamond pipes at the Merlin Diamond Mine Project is 19.02 tonnes for an average grade of 24 cpht representing a total contained 4.31 million carats.



### Pictured: The Merlin Diamond Mine

*The information that relates to exploration results 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 has confirmed that he acts as competent person for MED for the purposes of periodic reporting to the Australian Stock Exchange under the Joint Ore Reserves Code-JORC, and he has sufficient experience in the relevant style of mineralisation being reported on in accordance with the 2004 Edition of The Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves.*

*Note: The tables, maps and graphs on pages 24 to 31 have been produced by MED from its own data and are dated as of the date of its 2012 Annual Report that was made available on the ASX on 30 October 2012.*

## **Merlin Diamond Mine Trial Production**

In its 2012 Annual Report, MED reported that studies to recommence operations at Merlin Diamond Mine had continued over the past year. MED also reported that those operations had resulted in an operational configuration using borehole mining to extract deep ore to depths of 500 metres and dredging to extract ore from the near surface of existing pits. The studies, which involved trial production, was conducted for the purposes of confirming the geological and exploration data from previous years and the results of this trial production was consistent with the historical data. Studies undertaken were related to determining the most appropriate mining method such as open pit, dredging or borehole mining. Borehole mining was assessed to be the most viable option.

Studies were also undertaken to determine the optimal plant configuration and potential future designs of diamond treatment and recovery plant, including all associated infrastructure.

## **Circumstances on the cessation (in 2004) and recommencement of operations of the Merlin Diamond Mine**

Ashton Mining Limited (“**Ashton**”) owned and operated the Merlin Diamond Mine from 1998 until 2000 when it was taken over by Rio Tinto. Sometime in 2001, Rio Tinto considered different mining scenarios and determined that it did not wish to expend additional expenditure and confined their mining to the then available resources, which included resources that could be accessed from the then existing mining pits. Rio Tinto did not assess the suitability of alternative mining methodology such as hydraulic borehole mining as MED is proposing even though potentially economic resources remained. MED proposes to recommence production at the Merlin Diamond Mine for the following reasons:

- there are resources that still can be recovered economically from the unmined kimberlites;
- the combined Mineral Resource and Ore Resource for all of the diamond pipes at the Merlin Diamond Mine have been significantly increased through further exploratory drilling (from 2.5 million cts to the current 7.2 million cts);
- studies on the use of Hydraulic Borehole Mining technology have given confidence that portions of the remaining resources can be technically and economically extracted;
- The current (higher) price of diamonds allows a greater portion of the remaining resources to be mined economically as compared to when Rio Tinto decided to close the Merlin Diamond Mine.

MED reported the following information in its Quarterly Activities and Cash flow Report lodged with the ASX on 30 January 2013: “The mining is expected to commence in the second quarter 2013 for trial operations aimed at optimising production. Full commercial mining operations would commence in the third quarter 2013”.

Jet Mining Pty Ltd (“**Jet Mining**”), and MED have executed a contract to begin mining operations at the Merlin Diamond Mine. Jet Mining is a Western Australia based company that specialises in the application of borehole mining in the resources industry. MED expects the borehole mining equipment and drilling rig to be commissioned during the second quarter of 2013. The commissioning phase would be conducted on a single shift basis and mining kimberlite ore from the Ywain kimberlite pipe.

Once a steady rate of diamond production is achieved, MED expects mining and processing to continue uninterrupted. At that time, MED would examine its options for increasing production which may include additional borehole mining rigs and/or plant upgrades.

MED is targeting to produce at minimum of 250,000 carats per year by the second half of 2014 with anticipated production costs of less than US\$150 per carat or less than US\$60 per tonne of ore mined.

MED is currently focused on developing and production from its Merlin Diamond Mine, and the capital expenditure (“**capex**”) for the first phase of this development is budgeted at A\$17 million that will be funded from the proceeds of share placements and the convertible note that were announced in December 2012. The share placements and the convertible notes will raise approximately A\$17.03 million.

In the event that the Merlin Diamond Mine successfully goes into production and such production is sustainable, all future capex would be funded from revenue generated from the sale of rough diamonds.

The Company understands that MED will continue to conduct its obligatory works on the tenements, for which expenditure is budgeted at A\$1.7 million per annum. MED has no plans to commence any other mining projects.

### **Work Package 1: Mining**

Jet Mining has been awarded the tender for the provision of specialised borehole mining equipment, engineering and project management services to commence kimberlite ore extraction in the second quarter 2013 at the Merlin Diamond Mine. The work package specifies management of in-pit operations and the engagement of a third party drilling contractor. All mining activity and ore haulage will be managed by Jet Mining.

### **Work Package 2: Ore Processing**

The processing tender calls for suitable engineers to operate, maintain and possible upgrade of the MED processing plant. DRA Group has conducted a site visit and is preparing a proposal. DRA Group has an established history with the Merlin Diamond Mine Project. DRA designed the MED plant for Ashton Mining in the early days of the project.

### **Work Package 3: Camp Facilities**

The camp facilities tender calls for suitable remote catering suppliers to supply catering and camp management services for the Merlin Diamond Mine camp. Cater Care Group has conducted a site visit and is preparing a proposal. Cater Care Group is an industrial catering and accommodation company with experience in mining, offshore and remote sites.

### **Merlin Exploration Program**

Since the early 1990's a total of 11 kimberlite pipes have been discovered on the Merlin Diamond Mine. The Merlin Diamond Mine's previous owners conducted extensive geochemical sampling and followed up with a drilling program resulting in the discovery of a lens shaped kimberlite body 100m south of Bedevere.

MED holds a significant historical database and data derived from sampling and drilling programs and believes that the area covered by and near the Merlin Diamond Mine has the potential to host undiscovered kimberlites.

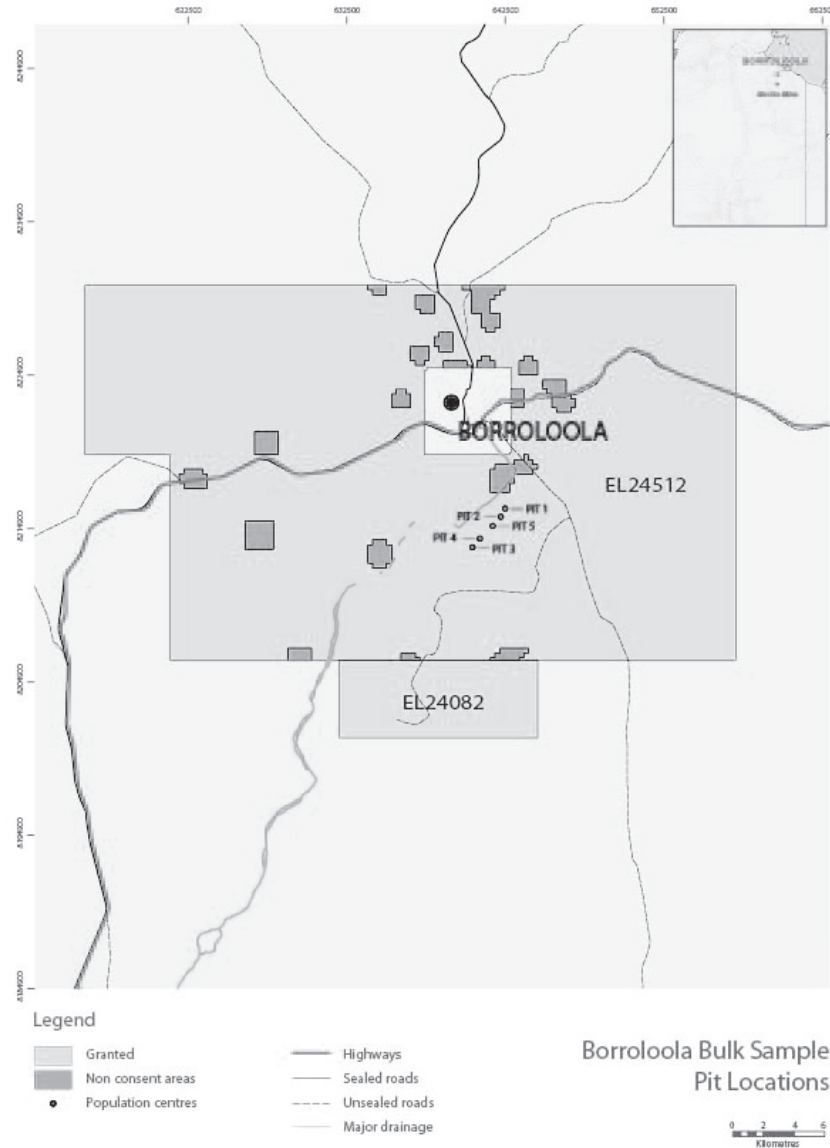
During 2012, a review of the exploration data was commissioned and an exploration program was designed to target unresolved geophysical, geochemical and structural anomalies.

An exploration program drilling 42 targets was conducted at the Merlin Diamond Mine Project. The drilling program drilled 128 holes for a total of 3,568 metres. No kimberlites were intersected, however two drill holes intercepted anomalous geology in the sandstone cover. Samples from a fissure and a possible brecciated pipe discovered during the drilling program have been taken for indicator mineral analysis. No geochemical or heavy mineral results will be available until the second quarter of 2013.

## Merlin Orbit Project – Northern Territory

The Merlin Orbit Project consists of 31 tenements and covers an area of approximately 2,000 km<sup>2</sup> surrounding the Merlin Diamond Mine Project.

### 2.6.2 Borroloola Alluvial Prospect



MED also holds tenements over significant alluvial gravels that are known to host diamond deposits about ten kilometres south of the township of Borroloola. Two granted tenements cover an area of approximately 1,150 km<sup>2</sup> approximately 100km north of the Merlin Diamond Mine. It represents the only major alluvial concentration at a low point, in this catchment, known to host significant diamond deposits. Alluvial gravels drain through the MacArthur River, deriving material from the catchment that contains the Merlin kimberlite field and the Abner Range.

Following the grant of the exploration licence for the Borroloola Alluvial Project (EL24512) in August 2011, MED immediately commenced the excavation of 5,000 tonnes of alluvial material from known diamond bearing gravel deposits. The purpose of the tests was to commence the assessment of the economic potential of the gravels by determining diamond quality, quantity and distribution in the alluvial material.

The bulk sampling program was focused on an area of outcropping gravel. Material from three costeans, 3,000 tonnes in total was processed, yielding 22 stones with a total weight of 1.09 carats. Thirteen of the recovered diamonds are white in colour including the largest two at 0.19 and 0.25 carats. High water levels in the rivers leading to the Merlin Diamond Mine prevented 2,000 tonnes of gravel from two costeans from being transported during the wet season. This material would be processed and further exploration work aimed at understanding the fluvial architecture of the gravels was planned.

The Borroloola Alluvial Prospect represents a significant and unique opportunity to explore for large volume, high value alluvial diamonds deposit. The prospect represents the only major alluvial concentration at a low point in a catchment that is known to host significant diamond deposits. The alluvials have not been tested, although they are confirmed as diamond bearing. The surface exposed gravels are within an area of 5km<sup>2</sup>. The total area, which could potentially be host to gravel deposits and is yet to be explored, is in the order of 300km<sup>2</sup>. This significantly increases the opportunity to identify a large volume, high value alluvial diamond deposit. Being in close proximity to testing equipment at the Merlin Diamond Mine Project will ensure a rapid evaluation of the gravels. These gravels represent a prime alluvial diamond target and warrant full investigation.

The Borroloola Alluvial Prospect exploration permit EL24512 is granted until August 2017. In the near term MED is focusing all of its efforts to recommence production at the Merlin Diamond Mine Project and would re-evaluate the prospects of the Borroloola tenements in due course.

### **2.6.3 Lancelot Prospect**

At the Lancelot Prospect (EL25676), in the Merlin Orbit tenements, an analysis of airborne gravity and magnetic data acquired in 2004, in conjunction with geochemical sampling has highlighted overlapping geophysical anomalies in proximity to geochemical anomalies. A Mine Management Plan has been submitted and accepted by the Department of Mines and Energy in the Northern Territory for an exploration costeaning program.

The costeaning program was completed in November 2012 and targeted 30 sites. Fifty eight costeans were excavated and 91 samples comprising 20 to 80 kg each were collected for indicator mineral analysis. The results of this analysis are pending.

In addition to testing the coincidental geophysical anomalies for the potential to be primary kimberlite, the program was designed to map and sample buried alluvial channels, known as palaeochannels, which may carry kimberlite indicator minerals. These palaeochannels were identified in drilling and costeaning during 2009 and 2010.

The 2012 sampling will establish the distribution of chromites and micro diamonds in this alluvial material. This information will be used as vectors in future exploration programs to identify locations of primary kimberlite sources.

The Lancelot Prospect is situated some 40km south of the Merlin Diamond Mine Project and comprises an area where there are significant number of indicator minerals and diamonds reporting to surface samples. Trench mapping and heaving mineral sampling has led to the identification of indicator mineral bearing eluvial material. This target is slated for further evaluation.

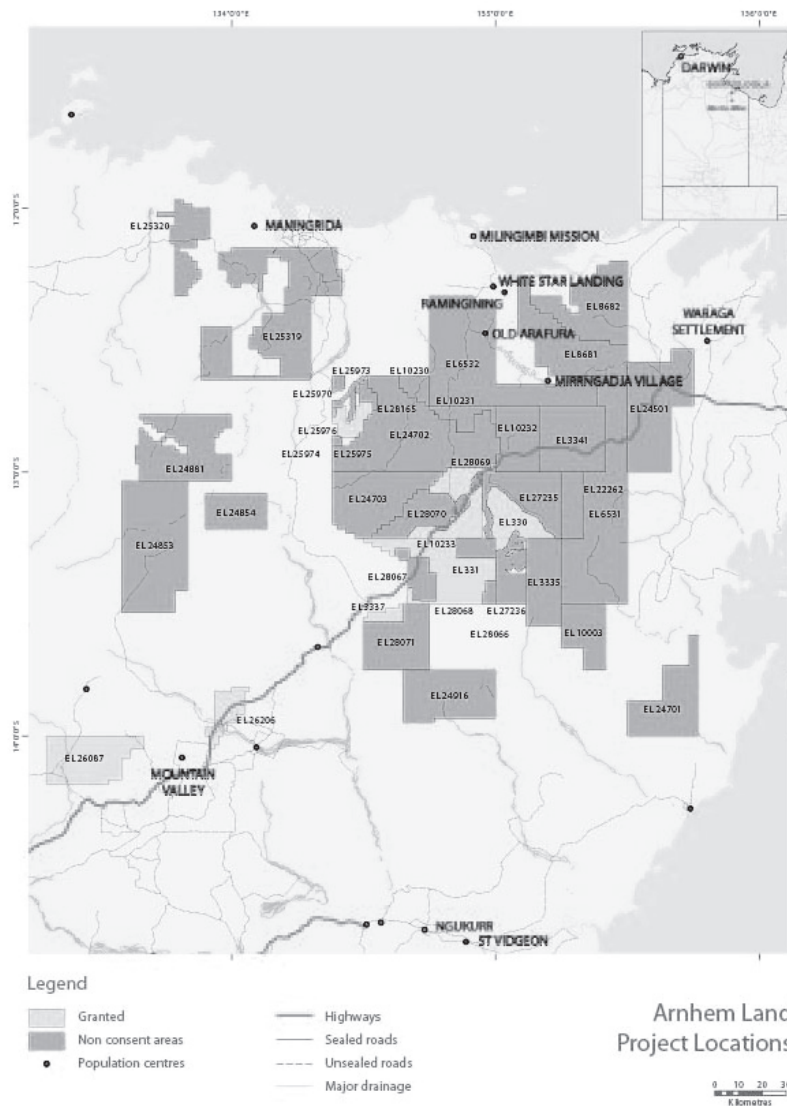
### 2.6.4 Kimberly Project

Within MED’s North Kimberley project area, a total Inferred Resource of 1.57 million carats, contained within the Ashmore and Seppelt 1 and 2 pipes was previously identified. MED holds these resources under mining leases, as they continue to retain commercial potential.

Pipe	Inferred tonnes	Carats	Grade (cpht)*
Ashmore	2,457,500	166,813	6.79
Seppelt 1	2,058,000	786,780	38.23
Seppelt 2	335,000	624,500	186.42
<b>TOTAL</b>	<b>4,850,500</b>	<b>1,578,093</b>	<b>32.53</b>

\* Based on a lower screen cut-off of 1mm.

### 2.6.5 Arnhem Land Tenements





In 2009, MED purchased all rights and titles to tenements held by De Beers Exploration Australia Limited within Arnhem Land. MED also controls Arnhem Land and the mineral rights to diamonds over the Arnhem Land region of the Northern Territory extends to an area of approximately 23,630 km<sup>2</sup>.

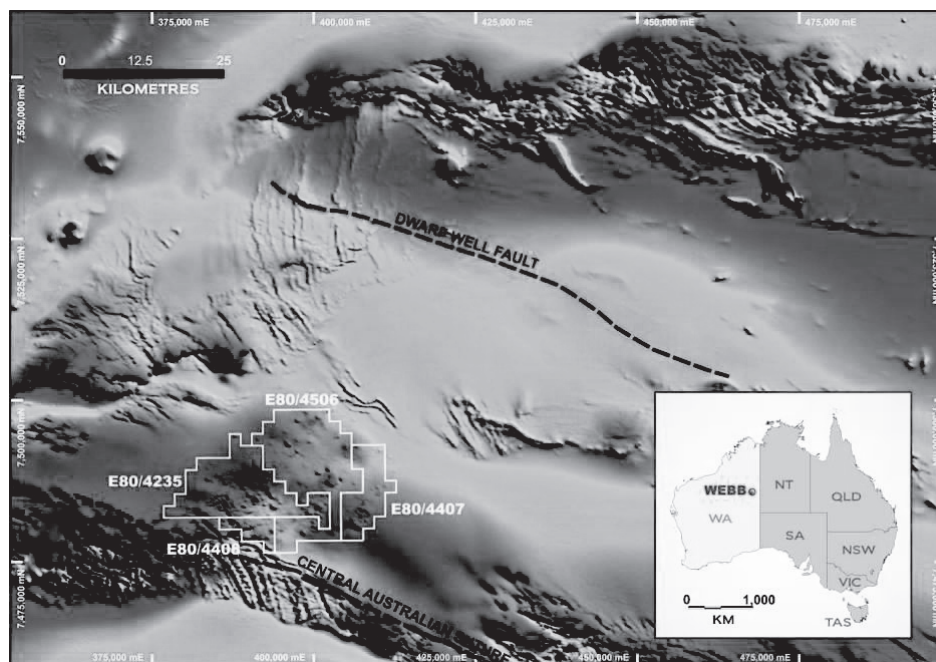
In October 2012 MED collected 47 diamond exploration samples totalling 1,920kg over tenements EL331, EL3337, EL10233 and EL330. To date results from 28 samples have been received from the laboratory. Chromites were recovered in seven samples but are considered to be worn, weathered and of non-kimberlitic origin. A cube shaped microdiamond recovered in one sample is also considered to be of non kimberlitic origin.

On 30 April 2013 MED announced the relinquishment of tenement EL330 with the tenements, EL331, EL3337 and EL10233 to be relinquished at the 3rd quarter of 2013. It was determined from the above results that these tenements have low prospect of hosting diamond deposits.

MED also has a contractual right to obtain an 80% interest in two tenements covering approximately 2,100 km<sup>2</sup> of land in the prospective western region of Arnhem Land by way of two joint venture agreements with Swancove and Red River Resources. MED's right to acquire an 80% interest in the two tenements is conditional on the grant of these tenements, which are currently at the application stage.

### 2.6.6 Top End Minerals Ltd (formerly known as Top End Uranium Ltd)

MED has a 32.3% stake in Top End Minerals Ltd (“TEM”). TEM is an exploration company with mineral rights over an extensive land package in the Northern Territory. TEM has one of the largest portfolios of highly prospective exploration tenements in the Northern Territory of Australia. It owns exploration and development rights over 55 tenements (7 of which are granted) in Arnhem Land covering some 2,276km<sup>2</sup> in the Northern Territory, Australia.



TEM's tenements are in three separate areas of the Northern Territory that are considered to have potential to host uranium mineralisation:

- (a) The McArthur South Project area lies midway between Darwin and Mt Isa. The Exploration Licences (“ELs”) over which TEM hold uranium rights potentially cover lithologies, which host uranium mineralisation at Westmoreland, which is located 120km east of the project area.



- (b) In Arnhem Land, TEM holds uranium exploration rights over a number of ELs that occur on the Arnhem Shelf along the western margin of the McArthur Basin within 100 km of the East Alligator River uranium field. Uranium rights are also held over additional potentially prospective ELs, which are located along the eastern margin of the McArthur Basin. Collectively, these areas comprise TEU's Arnhem Land Project.
- (c) In the Daly River Region of the Northern Territory, TEM's Yambarra Project comprises uranium rights over a group of exploration licenses, which lies along a major tectonic zone that links the Pine Creek Orogen, one of Australia's richest mineral fields to the Halls Creek Mobile Belt.

#### Licences, Permits, Approvals and Government Regulations

Members of the MED group are recorded as the sole holders of the tenements based on searches of the Western Australian Department of Mines and Petroleum and the Northern Territory Department of Mines and Energy's (**Departments**) tenement registers as at 30 April 2013.

The Departments lists MED as the sole holder of the following tenements:

- (A) Mining leases granted: M80/526 (WA) and M80/532 (WA)
- (B) Exploration licences granted: EL27175, EL25122, EL25580, EL25676, EL27750, EL27895, EL24082, EL24512, EL331, EL3337, EL25976, EL26087, and EL26206; (all NT); and
- (C) Exploration licences applied for: EL28914, EL28915, EL28916, EL28917, EL28918, EL28919, EL28920, EL28921, EL28922, EL28923, EL28924, EL28925, EL28926, EL28927, EL28928, EL28929, EL28930, EL28931, EL28932, EL3335, EL3341, EL6531, EL29398, EL29399, EL29400, EL29401, EL29402, EL29403, EL29407, EL29408, EL29409, EL29410, EL29411, EL29412, EL29413, EL29414, EL10003, EL10230, EL10231, EL10232, EL 10233, EL22262, EL24501, EL24701, EL24702, EL24703, EL24853, EL24854, EL24881, EL24916, EL25970, EL25973, EL25974, EL25975, EL28066, EL28067, EL28068, EL28070, EL28071 and EL28165 (all NT).

The Northern Territory Department of Mines and Energy lists Merlin Operations Pty Limited as the sole holder of the following tenements:

- (i) Mining lease granted: MLN1154 (Northern Territory); and
- (ii) Exploration licences granted: EL26943, EL26944 and EL10189 (all NT).

Mining lease MLN 1154 (MLN1154) contains the 7.2 million carat resource that is held by MED. This lease expires on 31/12/2022 and can be renewed for a further period of 25 years.

The Western Australian Department of Mines and Petroleum lists Striker Diamonds Pty Ltd, a subsidiary of MED as the sole holder of granted mining lease M80/492 (WA).

A list of tenements that are granted or under application is set out in Appendix B of this Circular.

Based on information provided by MED, the Company believes that MED has all relevant mining licences/approvals for its operations. Public searches, conducted by the Company's lawyers and agent reveal that MED is the registered holder of the majority of the tenements. MED has confirmed that it has contractual arrangements with the registered holders of the balance of the tenements, in relation to diamonds. Some of the tenements held by MED are located in Western Australia whilst the majority are located in the Northern Territory. The Western Australia tenements will expire in 2020 and 2024.

## 2.7 Historical Financial Information of Med

The auditor for MED is BDO East Coast Partnership, with its business address at Level 14, 140 William Street, Melbourne Victoria 3000, Australia. A summary of the audited financial information of MED is set out below:

### (a) Summary of Audited Profit and Loss Statements

<b>Summary of the Audited Profit and Loss Statements for the year ended 30 June</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Revenue	223,374	752,955	321,974
(Loss)/Profit before income tax	(172,577)	(944,538)	(3,529,816)
Income tax expense	–	(725,309)	–
(Loss)/Profit after taxation	(172,577)	(1,669,847)	(3,529,816)

#### Losses before tax

##### 2011

Losses before tax increased from S\$0.2 million in 2010 to S\$0.9 million in 2011, mainly due to the impairment of associate of S\$0.6 million because of the decrease in its market value.

##### 2012

Losses before tax increased from S\$0.9 million in 2011 to S\$3.5 million in 2012, mainly due to:

- (1) the share of the equity accounted loss of associate of S\$1.4 million (2011: S\$0.2 million) due to the write down in exploration expenditure previously capitalized by the associate;
- (2) higher employee benefits expense of S\$2.1 million (2011: S\$1.0 million) as a result of support services to the MED operations and the termination payments to its former Executive Director and CEO; and
- (3) increase in the write off of exploration expenses to S\$1.1 million (2011: S\$0.4 million) as a result of review of tenements held by MED; partly offset by
- (4) reversal of a prior period impairment of associate of S\$0.7 million.

### (b) Summary of the Audited Balance Sheets

<b>Summary of the Audited Balance Sheets as at 30 June</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Non-current assets	32,404,719	36,802,209	39,034,181
Current assets	13,039,334	6,445,615	4,759,962
Current liabilities	1,737,669	690,930	635,924
Non-current liabilities	1,393,164	1,924,138	1,856,189
Net current assets/(liabilities)	11,301,665	5,754,685	4,124,038
Net assets/(liabilities)	42,313,220	40,632,756	41,302,030

## Working capital

### 2011

MED's working capital decreased to S\$5.8 million (2010: S\$11.3 million) mainly due to decrease in cash balance to S\$6.2 million (2010: S\$12.2 million).

Cash balance decreased from S\$12.2 million to S\$6.2 million, mainly due to (i) payment for exploration expenditure of S\$3.8 million, and (ii) purchase of property, plant and equipment of S\$2.0 million during the year.

### 2012

MED's working capital decreased to S\$4.1 million (2010: S\$5.7 million) mainly due to decrease in cash balance to S\$3.7 million (2011: S\$6.2 million), and increase in trade and other receivables to S\$1.0 million (2011: S\$0.2 million).

Cash balance decreased from S\$6.2 million to S\$3.7 million, mainly due to (i) payment to suppliers and employees of S\$2.2 million, (ii) payment for exploration expenditure of S\$3.8 million, (iii) advances to AXIS Consultants Pty Ltd ("**AXIS**") of S\$1.3 million, and partly set off by (iv) proceeds from issue of equity securities of S\$4.2 million. The advances to AXIS were to pay for costs incurred on behalf of MED. AXIS provides geological, development, management and administration services to MED pursuant to a service agreement. The advances were made pursuant to this service agreement.

MED has been in the exploration/development phase for the last 9 years and as such, the only cash inflow sources have been equity raisings, sale of assets or government grants. There is no operating revenue, but the Company continues to incur corporate, administration, exploration and development costs. These costs have increased as MED incurs more expenditure as it moves closer to production. Hence the reason for the decreasing working capital and negative operating cash flows.

## (c) Statement of Cash Flows

<b>Statement of Cash Flows for the Year ended 30 June</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
<b>Cash flows from operating activities</b>			
Receipts from laboratory customers	223,374	255,388	52,106
Receipt of research and development tax concession	429,381	116,531	700,019
Receipt of litigation settlement	–	421,353	–
Payments to suppliers & employees	(1,428,022)	(822,968)	(2,245,904)
Interest received	473,133	493,050	146,863
Borrowing costs	–	–	–
<b>Net cash from/(used in) operating activities</b>	<b>(302,134)</b>	<b>463,354</b>	<b>(1,346,915)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration expenditure	(11,134,427)	(3,832,198)	(3,847,103)
Payments for acquisition of investments	(349,574)	(329,656)	(4,613)
Purchase of property, plant and equipment	(1,565,467)	(1,926,865)	(82,056)
Proceeds from sale of plant and equipment	2,647	–	–
Payments for security deposits	(132,480)	(207,683)	(6,117)
Repayment by associate entity	297,740	–	–

<b>Statement of Cash Flows for the Year ended 30 June</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Repayment by other entity	784,127	–	–
Advances to other entity	–	–	(1,307,320)
<b>Net cash used in investing activities</b>	<b>(12,097,435)</b>	<b>(6,296,402)</b>	<b>(5,247,209)</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities	(14,326)	(97,801)	(85,843)
Share consolidation transaction costs	–	(10,618)	–
Proceeds from issue of equity securities	20,828,982	–	4,218,455
Equity securities issue transaction costs	(340,168)	–	(8,343)
<b>Net cash (used in)/from financing activities</b>	<b>20,474,488</b>	<b>(108,419)</b>	<b>4,124,269</b>
Net (decrease)/increase in cash and cash equivalents	8,074,920	(5,941,467)	(2,469,855)
Cash and cash equivalents at beginning of year	4,079,397	12,154,317	6,212,850
<b>Cash and cash equivalents at end of year</b>	<b>12,154,317</b>	<b>6,212,850</b>	<b>3,742,995</b>

#### Operating cash flow

##### 2011

MED generated operating cash inflow of S\$0.5 million in 2011 as compared to an operating cash outflow of S\$0.3 million in 2010, mainly due to decrease of payment of S\$0.6 million to suppliers and employees.

##### 2012

There was an operating cash outflow of S\$1.3 million in 2012 as compared to an operating cash inflow of S\$0.5 million in 2011, mainly due to:

- (1) increase of payment of S\$1.4 million to suppliers and employees;
- (2) absence of receipt of litigation settlement of S\$0.4 million;
- (3) decrease of interest received of S\$0.3 million; partly offset by
- (4) increase of receipt of research and development tax concession of S\$0.6 million.

## 2.8 Risk Factors in the Proposed Takeover

***Shareholders should carefully consider and evaluate each of the following considerations and all of the other information set forth in this Circular in relation to the Proposed Takeover. Some of the considerations and risks involved in investing in MED are discussed below. Additional risks and uncertainties not presently known to the Company or which may currently be deemed to be immaterial by the Company may also affect its investment. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects, the Company's investment in MED could be impaired or even have to be written off. The following considerations are not exhaustive and are not intended to be exhaustive.***

### **RISKS ASSOCIATED WITH MED**

#### ***Exploration, development and production risks***

The business of the mining and production of diamonds involves a number of risks and hazards, many of which are outside of MED's control.

The operations of MED may be disrupted by a variety of risks, hazards and events which are beyond the control of MED, including geological, geotechnical and seismic factors, environmental hazards, industrial and mechanical accidents, occupational and health hazards, plant shutdowns or other processing problems, technical failures, labour disputes, ground or water/mud conditions, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and other acts of God. The occurrence of any of these hazards or events can delay or interrupt production, increase production costs and result in liability to the owner or operator of the mine. MED may become subject to liability for pollution or other hazards or events against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

#### ***There can be no assurance that the MED's published Reserves and Resources will be recovered or that they can be brought into profitable production***

The Reserves and Resources (as defined by the JORC Code) figures presented in this Circular have been obtained from the calculations and estimates prepared by MED and/or their consultants. Reserves figures are estimates and there can be no assurances that they will be recovered or that they can be brought into profitable production. Reserves and Resources estimates may require revisions based on actual production experience.

These Reserves require further capital expenditure in order to bring them into production. There is no guarantee as to the success of work programmes required to bring them into production. In addition, drilling, sampling, development and production may be delayed or adversely affected by factors outside the control of MED and the companies operating those work programmes. The volume and grade of diamondiferous ore that is recovered may not conform to expectations.

The Reserves and Resources described in this Circular constitute estimates that comply with standard evaluation methods generally used in the international mining industry, and have been reported in accordance with the JORC Code. In respect of these estimates, there is no assurance that the anticipated revenue, tonnages and grades will be achieved, that the indicated level of recovery will be realised or that the kimberlite pipes can be mined or processed profitably. Actual resources may not conform to expectations and the volume and grade of ore recovered may be below the estimated levels. There can be no assurance that recoveries in sampling tests will be duplicated during production.

The estimation of the resource content in kimberlite pipes entails a number of aspects that are unusual, compared with the resource estimation for other minerals. Diamonds occur as discrete particles, each with its own size and quality. Combination of highly variable values per unit-weight and relatively low occurrence makes sampling and resource estimation very complex.

If MED's actual Reserves and Resources are found to be less than current estimates, the results of operations or financial condition may be materially and adversely affected.

***Exploration projects may not be successful and are highly speculative in nature***

Mineral exploration is speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that any discovered mineralisation will result in an increase in the Reserves or Resources. If Reserves are developed, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change.

The method of extraction would have an impact on the profitability of the operations and production of MED. There is no assurance that any method of production, such as hydraulic borehole drilling that MED proposes to use at the Merlin Diamond Mine Project, would be successful or result in the production that is expected.

***MED may require additional funding for its Mining and Exploration***

MED is adequately funded for its 2013 mining program of the Merlin Diamond Mine and expects to generate sufficient revenue from this mining program to fund future exploration and exploitation of its tenements. However, there is no certainty that the 2013 mining program of the Merlin Diamond Mine will be successful and profitable.

In such an event, MED may need the Company to provide funding for its development and operations. The Company may have to fund such MED's funding requirement from its internal resources or to raise additional funds through issuance of the Company's Shares which will lead to dilution of the Company's Shareholders' interest.

***MED and the Company is, and will be, dependent upon its executive and operational management team and key employees.***

MED and the Company will be dependent on the expertise, experience and skills of its executive and operational management team. Whilst MED has entered into a service agreement with the existing executive and operational management team, the retention of their services cannot be assured or guaranteed.

The loss of any key management of MED may have an adverse effect on the future of the business of MED. MED has sought to, and will continue to, ensure that Directors, Senior Managers and any key employees are appropriately incentivised. However, their services cannot be assured or guaranteed. In the event that MED loses its executive and operational management team and/or any key management or should the service agreement between MED and MED be terminated, the operations of MED may be disrupted and adversely affected as it may be difficult to secure the services of a similarly qualified management team and/or key employees for MED in the short term.

***MED utilises third party providers and contractors, and the lack of availability, or failure to properly perform services, of one or more of these third party providers and contractors may adversely affect its operations.***

MED depends on third party providers and contractors to carry out its operations and exploration work. The lack of availability of, or failure to properly perform services by, one or more of these third party providers and contractors could result in a decrease in production or delays in the development of projects which in turn could impact the results of operations and financial condition. If these services were to be withdrawn or not properly supplied, it would have a material impact on production, operations and financial results. Though MED believes that it has good relationships with its relevant third party providers and contractors, there is no assurance and guarantee that this situation will remain.

***Legal & Regulatory***

MED's current operations are in Northern Territory and Western Australia, Australia. Changes in legal and regulatory environment in Australia relating to the mining and resource industry, such as the imposition of new taxes may have a material impact on the MED's financial position; and operations. The Minerals Resource Rent Tax, which is a tax on profits generated from the exploitation of

non-renewable resources in Australia, is not currently applicable for the exploitation of diamonds. There is no assurance that this would remain unchanged. If a similar tax is levied on MED, its business and revenue would be adversely affected.

### ***Risk in non-renewal or grant of mining rights***

MED has or may acquire an interest in mining rights which are governed by laws and regulations covering the grant and administration of permits, leases and licences. Each permit, lease or licence is for a specific term and carries with it annual expenditure, reporting, compliance or compulsory reduction conditions. Consequently, MED may lose title to an interest if the relevant permit, lease or licence conditions are not met or if insufficient funds are available to meet expenditure requirements.

The renewal of the term of each permit or right of MED is at the discretion of various authorities and governments and mineral right owners in the Northern Territory and Western Australia. If a permit is not renewed, MED may suffer significant damage through loss of the opportunity to develop and discover diamond deposits on that tenement.

However, as at the date of this document, neither MED and/or the Company are aware of any specific matters that would result in any of these licences being withdrawn or made subject to limitations.

MED believes that the licences, concessions, leases, permits and consents it holds will be renewed, if required, when they expire, according to the current laws applicable. However, there can be no assurance that they will be renewed or as to the terms of any such renewal. Before any mining rights can be cancelled or suspended, however, the mining right holder needs to be provided with written notice and an opportunity to remedy any non-compliance. As at the date of this document, neither MED and/or the Company are aware of any reason why the mining rights should not be renewed.

### ***Environmental and Social Risks***

The business of mining and production of diamonds is subject to extensive environmental regulation in the jurisdictions of which it operates. Such regulation will include a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Such environmental legislation are likely to evolve in a manner towards stricter standards and enforcement, which may range from increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects to a heightened degree of responsibility for companies and their directors and employees. Any such developments in environmental legislation may adversely affect MED and/or the Company including materially increasing the Group's cost of doing business or affecting its ability to carry on operating in any area. As at the date of this document, however, the Company is not aware of any environmental concern that would result in the cancellation or suspension of any of its mining rights.

## **OTHER RISKS**

### ***Failure to acquire 90% of the MED Shares***

If the Company does not receive acceptances aggregating 90% of the MED Shares, and does not waive this condition under the Bidder's Statement, it will not be able to acquire any of the MED Shares. In the event that the Company waives this condition, it will need to retain the ASX listing of MED Shares, subject to compliance with the ASX Listing Rule. Accordingly, the Company will not be able to effect its intention to delist MED from the ASX. It should be noted that the waiver of this condition, that is, less than 90% acceptances of the MED Shares, the liquidity of the remaining MED Shares may be significantly reduced.

### ***Stamp Duty***

The Company's Australian tax advisers have advised that the Company may potentially incur stamp duty liability on the Proposed Takeover of approximately A\$2,100,000 on the basis that the market value of MED's tenements does not materially exceed their book value (as provided by MED). The stamp duty liability is estimated by the Company's Australian tax adviser, Moore Stephens at A\$2,100,000. However no stamp duty will be payable if the Company acquires less than 90% of MED Shares.



### ***Risks in changes to consumer demand and preferences***

Changes in consumer demand and preferences for luxury goods, such as diamonds, could have a material adverse effect on the financial position of MED and/or the Company. The diamond industry is subject to changes in consumer preferences, personal sentiments, perceptions and spending habits.

MED's and/or part of the Company's performance depends on factors which may affect the worldwide desirability of luxury goods, in particular diamonds. Such factors include global financial and economic conditions, media coverage, consumer incomes and consumer preferences. In addition, the entry into the market in recent years of manufactured diamonds may also impact negatively on the demand for natural diamonds, especially during a period of global economic uncertainty such as is currently being experienced. Any change in consumer preferences, either by an increase in popularity of manufactured diamonds or a decrease in the popularity of natural diamonds mined by MED and/or the Group, levels of consumer spending, changes to consumer preferences or otherwise, may have a material adverse effect on MED's and/or the Group's results of operations or financial condition.

### ***Risks in currency fluctuations may affect revenue and operating costs***

The international prices for diamonds is denoted in US dollar whereas a large proportion of MED and the Company's income and expenditure is initially recorded in Singapore dollar and in Australian dollar. This exposes the Company to the fluctuations and volatility of the rate of exchange between the Australian Dollar, the US Dollar and Singapore dollar as determined in the foreign exchange market. Any extreme currency fluctuations could adversely affect the Company's future growth, revenue, cash flow, ability to repay debt and declare dividends to Shareholders.

### ***Competition from Synthetic Diamonds***

The availability of gem-quality synthetic diamonds may have a negative effect on the market for natural diamonds and the demand for quality rough diamonds. This would adversely affect the business and revenue of MED and/or the Company. However, for consumers to turn to synthetic diamonds, the price of gem-quality synthetic diamonds would have to drop significantly and is currently a remote event, unless large-scale manufacture of such synthetic diamonds happens and this is accompanied by a reduction in prices.

## **2.9 Prospect and future plans of MED**

The Board notes that MED has been a loss-making company but the Board also recognises that all exploration companies are loss-making prior to commercial production. Over the years, MED has spent millions of dollars in exploration leading to the discovery of the Merlin Diamond Mine, which is now at the near-term production stage. MED has spent more than A\$100 million in the exploration and development of the Merlin Diamond Mine and its tenements which has generated a lot of valuable data and information. Mineral exploration (diamonds in MED's case) is a process that starts with collecting data on the geology of a prospect/tenement, followed by interpretation of such data and conducting other tests that could lead to a discovery of a mineral. Data collected from such exploration activities is valuable as they provide useful geological information on a tenement and its potential.

The Proposed Takeover would allow the Company to enter diamond mining which is a relatively rare opportunity as there has been no world-class new diamond deposits discovery in the past 20 years. MED has reported JORC compliant Resources and Reserves aggregating approximately 7.2 million carats of diamonds. The Consideration of about S\$76 million translates into about S\$10.00 per carat valuation which is substantially lower than prices for rough diamonds of USD \$350 per carat that was realised by MED in 2012, when a parcel of Merlin Mine diamonds was sold in Antwerp. There is no standard price for diamonds as they are individually determined by its size, colour and clarity.

### ***Future Plans***

On 7 March 2013, MED announced that mining is expected to commence at the Merlin Diamond Mine Project in the 2nd quarter of 2013 for trial operations aimed at optimising production. Full commercial mining operations would commence in the third quarter of 2013.



MED is targeting to produce a minimum of 250,000 carats per year by the second half of 2014 and to mine ore material from Ywain, Gawain, Excalibur and the PalSac pipes over the next 24 months.

No public information is available on potential upcoming capital expenditure.

The Company has no plan to modify or change MED's work program or operations. The Company is investigating and evaluating downstream activities such as cutting and polishing of rough diamonds and branding possibilities.

Assuming that the Company successfully completes the Proposed Takeover, it intends to seek a delisting of MED from the ASX.

## **2.10 Material Litigation**

As at the Latest Practicable Date, neither MED or any of its subsidiaries are involved in any litigation with any other party.

## **2.11 Contingent Liabilities**

### **Merlin Diamond Mine Acquisition**

Pursuant to the sale and purchase agreement entered into with Ashton Mining Limited for the lease of Merlin Diamond Mine by MED and the subsequent acquisition of the right to be paid the milestone payments from Ashton Mining Limited by Legend International Holdings, Inc, the following contingent milestone payments are payable to Legend International Holdings, Inc.:

- (a) a fee A\$2,000,000 payable on the commissioning of a mine;
- (b) a fee of A\$200,000 on completing the first bulk sample of kimberlite from a new kimberlite pipe of at least 200 tonnes; and
- (c) a fee of A\$100,000 for each subsequent and discrete bulk sample of kimberlite of at least 200 tonnes from additional kimberlite pipes, where the diamond grade of the kimberlite bulk sample is in excess of 10 carats per 100 tonnes.

The milestone payments are secured by a mortgage over the Merlin Diamond Mine Project.

The commissioning of a mine will be deemed to occur upon the Merlin Diamond Mine producing not less than 10,000 carats of diamonds for three consecutive months and is expected to occur by the 4th quarter of 2013.

## **2.12 Rationale for The Proposed Takeover**

The Board is of the view that the Proposed Takeover is in the best interest of the Company for the following reasons:

### **(a) Diversification into Commodities and Natural Resources**

The Company is an investment holding and management company and its present investments are mostly in quoted equities. The Company is aware that studies have shown that return on commodity is negatively correlated to stock markets and has been searching for opportunities in this asset class.<sup>5</sup> The Board also recognises that response by central banks to the 2007/2008 financial crises and Euro sovereign debt crises have resulted in an environment of unprecedented low interest rates and high liquidity that will inevitably lead to inflationary expectations.

---

<sup>5</sup> (Gorton, G & Rouwenhorst, K, (2006), *Facts and fantasies about commodity futures*, *Financial Analysts Journal*, Volume 62, Issue 4, P.86-93)

The Proposed Takeover would allow the Company to diversify its investments portfolio and hedge against inflation, which would protect and ultimately enhance shareholders' value. The Company began implementing this strategy in 2011 by its investments into hard assets such as real properties. The Proposed Takeover would give the Group exposure in commodities and natural resources and is in line with the Group's investment strategy.

The Company has no plans to integrate the business of MED into the rest of its business and will form only a part of the Company's investments portfolio. The Company will remain as an investment holding and management company.

**(b) Why Invest in Diamond Mining?**

A few major players, such as Alrosa, De Beers, Rio Tinto and BHP, control most of the diamond mines. Opportunities in diamond mining are relatively rare and there has been no world-class new diamond deposits discovery in the past 20 years.

Existing diamond deposits are gradually being exhausted, and many large mines are nearing the end of their productive lives. As a result, many producers are cutting productions in order to prolong their mines' lives. According to De Beers Group's estimate, the level of world diamond mining output will stabilise at around 120 million carats per annum, before declining steeply after 2020.

Investment in diamond explorations by the major players was severely cut back after the 2008 financial crisis as their focus shifted to other operations and activities. This situation has created a space for smaller exploration companies. Small exploration companies carry out exploration in the hope that if they succeed, the larger players will step in and buy them out (with a huge profit).

The Company believes this to be a new direction in the diamond exploration and mining industry. Subject to the Proposed Takeover being approved, the Company intends to leverage on the experience and technical skills of the current management team of MED.

**(c) Prospects of the Diamond Mining Industry**

The outlook and prospects for the diamond mining industry is positive.

According to a report commissioned by the Antwerp World Diamond Centre private foundation ("AWDC") and prepared by Bain & Company, Inc, "world diamond demand to grow at an average annual rate of 5.9% each year, to nearly US\$26 billion (in 2011 dollars) by 2020". The report estimates that "by 2020 India and China would account for 50% of incremental global demand, and together will overtake the US as the largest diamond jewellery market".<sup>6</sup>

Bain & Company expects "the global supply of rough diamonds to grow by an average annual rate of 2.7% starting in 2012 to nearly 157 million carats in 2020. This is 12% below the peak pre-crisis production levels of 177 million carats that the industry achieved in 2005. In value terms, the supply is expected to grow by an average rate of 2.5%".

Bain & Company also reported that "in the next decade, demand for rough diamonds is set to outpace supply under all considered scenario, indicating a strong positive long-term outlook and solid pricing prospects for the (diamond mining) industry".

Although several disruptive factors such as economic downturn, the presence of synthetic gem quality diamonds and unexpected supply increase of diamonds "can pose a threat to negatively impact the diamond supply-demand balance, these factors are unlikely to significantly impact the diamond mining industry in the long term".

**(d) Why Invest in MED?**

"The exploration of a potential diamond site is a complex process that takes many years and considerable financial investment, with no guarantee of ultimate payback. From the moment that prospecting gets under way until the point where commercial production can commence, six to ten years can elapse and the odds of success are extremely low".<sup>7</sup>

<sup>6</sup> Bain & Company, Inc, (2011) The Global Diamond Industry – Lifting the Veil of Mystery

<sup>7</sup> Diamonds: the Diamond Exploration Cycle – Kaiser Research Online (2002)

“The probability that a producer will find a deposit that both contains diamonds and can be commercially developed into a diamond mine is 1 to 3 percent”. However, “the highest profit margins are realised in the production phase” of the diamond industry value chain.<sup>8</sup>

After researching the diamond industry and review of available information on MED and the Merlin Diamond Mine project, the Company believes that MED offers a superior return/risk opportunity, in that:

- (1) MED is an advanced stage exploration and near term production company which greatly reduce the risks compared to other greenfield exploration stage companies.

MED has reported JORC compliant Resources and Reserves aggregating approximately 7.2 million carats of diamonds within the Merlin Diamond Mine field. JORC Code reports of exploration results, mineral resources or ore reserves must be signed off by a Competent Person (as defined). The Probable Ore Reserves and Indicated Resources that have been reported by MED were signed off by Dr. D.S. Tyrwhitt, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr. Tyrwhitt has confirmed that he acts as Competent Person for MED’s reserves and resources report to the ASX. Dr Tyrwhitt was also a chairman of JORC and during his chairmanship he introduced the diamond reporting code.

Based on the disclosures made by MED to the ASX and the representations and offer conditions under the Bid Implementation Deed, the Company is satisfied with the JORC compliant resources of MED. The Company is also of the view that the engagement of any independent mining professionals or commissioning of any Independent Technical Report would not provide additional insights as any such a report will only be relying on public information, which is already available to the Company.

The Consideration of about S\$76 million translates into about S\$10.00 per carat valuation. In 2012, MED sold a parcel of rough diamonds produced from the Merlin Diamond Mine for about US\$350 per carat.

- (2) White diamonds have performed better than coloured diamonds according to recent research. White diamonds provided annualised real returns of 6.4% between 1999 and 2010, compared to -0.1% return of global stock market and 3.3% return of global bond market. Coloured diamonds returned an annualised 2.9% in the same period.<sup>9</sup> The majority of the diamonds from the Merlin Diamond Mine Project are white and should yield higher prices and better demand.
- (3) Besides the Merlin Diamond Mine field, the Borrooloola Alluvial prospect has shown great potential. Alluvial mining is comparatively cheaper than open-cut or borehole mining.

The Board notes that MED has been a loss-making company but the Board also recognises that all exploration companies are loss making prior to commercial production. Over the years, MED has spent millions of dollars in exploration leading to the discovery of the Merlin Diamond Mine, which is now at a near-term production stage. The exploration work that had been carried out by MED has provided valuable geological data for its future development and growth. Further, in 2010, MED successfully recovered in excess of 10,000 carats of diamonds from its trial mining which confirms the presence of diamonds deposits and its recoverability.

### **3. REQUIREMENT UNDER RULE 1006 OF THE LISTING MANUAL**

Chapter 10 of the Listing Manual governs the continuing listing obligations of a listed company in respect of acquisitions and realisations. Rule 1006 of the Listing Manual sets out the computation of relative figures for acquisitions and disposals of assets by a listed issuer. Where any of the relative figures computed exceeds 5% but does not exceed 20%, the transactions is classified as a discloseable transaction.

---

<sup>8</sup> Bain & Company, Inc, (2011) The Global Diamond Industry – Lifting the Veil of Mystery

<sup>9</sup> Luc Renneboog & Christophe Spaenjers, (2012), Hard assets: The returns on rare diamonds and gems, Finance Research Letters, Volume 9, Issue 4, P. 220-230.

The relative figures for the Proposed Takeover, computed on the bases as set out in Rule 1006 of the Listing Manual are as follows:

1006(a)	The NAV of the assets to be disposed of compared with the Group's NAV	Not applicable
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits	(52.17)% <sup>(1)</sup>
1006(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation	10.66% <sup>(2)</sup>
1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	12.18% <sup>(3)</sup>

Notes:

- (1) Net (losses)/profits is defined as (loss)/profit after income tax. MED's loss is based on its unaudited consolidated financial statements for its twelve month period ended 31 December 2012 of A\$3,784,573 (equivalent to approximately S\$4,901,400 at the average exchange rate of A\$1:S\$1.2951 over the twelve months period) and the audited net profit of the Group for the year ended 31 December 2012 of S\$9,395,000.
- (2) The aggregate value of the Consideration is S\$76,033,508. The Company's market capitalisation on the market day preceding the date of the Bid Implementation Deed was S\$712,994,711.
- (3) The maximum number of equity securities to be issued as Consideration is 354,468,566 Shares. As at the date of the Bid Implementation Deed, the Company had 2,910,182,495 Shares in issue.

As none of the relative figures computed on the bases set out in Rule 1006(b), Rule 1006(c) and Rule 1006(d) exceed 20%, the Proposed Takeover is a discloseable transaction for the purpose of Chapter 10 of the SGX-ST Listing Manual.

Pursuant to Chapter 10, Rule 1007(1) of the SGX-ST Listing Manual, the issuer is required to consult the SGX-ST if any of the relative figures computed pursuant to Rule 1006 is a negative figure.

Pursuant to the Listing Rules of the SGX-ST, in determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004, the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.

Having considered that the figure under Rule 1006(b) is negative, notwithstanding that the relative figure does not exceed 20%, the Company has taken the view that Shareholders' approval should be sought for the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares.

Therefore, the Company is seeking Shareholders' approval for the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares.

#### 4. FINANCIAL EFFECTS OF THE PROPOSED TAKEOVER

The pro forma financial effects of the Proposed Takeover are for illustrative purposes only and do not reflect the future actual financial results and financial position of the Group after the completion of the Proposed Takeover.

For illustrative purposes only, based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2012, the unaudited financial statements of MED for its twelve month period ended 31 December 2012 and the Consideration, the financial effects of the Proposed Takeover of the Group will be as follows:

## **Share Capital**

The issued and paid-up share capital of the Company before and after completion of the Proposed Takeover is as follows:

	<b>No. of Shares</b>	<b>Amount S\$</b>
Issued and paid-up share capital of the Company as at 31 December 2012	2,590,079,085	69,670,576
Shares issued as consideration for acquisitions by the Company's wholly-owned subsidiary in January 2013	320,103,410	3,079,548
Issued and paid-up share capital of the Company as at the Latest Practicable Date	2,910,182,495	72,150,124
Number of Consideration Shares to be allotted and issued pursuant to the Proposed Takeover	354,468,566	76,033,508
Issued and paid-up share capital of the Company immediately after completion of the Proposed Takeover	3,264,651,061	148,783,632

## **NTA per Share**

Assuming that the Proposed Takeover had been completed on 31 December 2012, the Proposed Takeover would have the following effect on the NTA per Share of the Group:

	<b>Before the Proposed Takeover</b>	<b>After the Proposed Takeover</b>
Net Tangible Asset value (S\$) <sup>(1)</sup>	75,392,548	96,218,020
Number of Shares	2,910,182,495 <sup>(2)</sup>	3,264,651,061 <sup>(3)</sup>
NTA per ordinary share (cents)	2.59	2.95

Notes:

- (1) The NTA of the Group as at 31 December 2012 includes the acquisitions by the Company's wholly-owned subsidiary of 3 residential units in a condominium known as "Clear Water Residence" in Kuala Lumpur, Malaysia and 3 shophouses in Kota Kinabalu, Malaysia that were completed in January 2013. Estimated expenses of approximately S\$3,887,360 (being professional fees and expenses) in connection with the Proposed Takeover and the EGM are taken into account to determine the net tangible value after the proposed takeover.
- (2) Includes 268,487,800 and 51,615,610 Shares that were issued by the Company as consideration shares for the acquisitions referred to in note (1) above; and
- (3) Assuming 354,468,566 Consideration Shares were fully issued for the Proposed Takeover.

## **EPS**

Assuming that the Proposed Takeover had been completed on 1 January 2012, the Proposed Takeover would have the following effect on the EPS of the Group:

	<b>Before the Proposed Takeover</b>	<b>After the Proposed Takeover</b>
Profit (S\$) <sup>(1)</sup>	9,395,000	606,240 <sup>(2)</sup>
Weighted average number of shares <sup>(3)</sup>	2,502,150,000	2,856,618,566 <sup>(4)</sup>
Earnings per share (cents)	0.38	0.02

Notes:

- (1) The Group's audited profit after tax for the financial year ended 31 December 2012 was S\$9,395,000. MED recorded a loss of approximately S\$4,901,400 for the twelve months period ended 31 December 2012.
- (2) Estimated expenses of approximately S\$3,887,360 (being professional fees and expenses) in connection with the Proposed Takeover and the EGM has been taken into consideration for the calculation of EPS after the Proposed Takeover.
- (3) The weighted average number of Shares includes 268,487,800 and 51,615,610 Shares which were issued by the Company as consideration shares for the acquisitions by the Company's wholly-owned subsidiary of 3 residential units in a condominium known as "Clear Water Residence" located in Kuala Lumpur, Malaysia and 3 shophouses located in Kota Kinabalu, Malaysia that were completed in January 2013. For calculation of the EPS, it was assumed that the Shares were issued on 1 January 2012 and there was no income contribution from the said acquisitions.
- (4) Assuming 354,468,566 Consideration Shares were fully issued for the Proposed Takeover.

### **Net debt to equity ratio**

The effect of the Proposed Takeover on the net debt to equity ratio of the Group is as follows:

	<b>Before the Proposed Takeover (\$\$)</b>	<b>After the Proposed Takeover (\$\$)</b>
Net Debt	2,202,000	(18,290,972)
Total Equity	70,268,000	145,493,695
Net debt to equity ratio	3.04%	(14.38%)

Note: The net debt to equity ratio is calculated as net debt (equivalent to total liabilities, excluding income tax liabilities, less cash and cash equivalent) divided by total equity (including non-controlling interest).

### **5. INVESTMENT OBJECTIVE OF THE GROUP**

There is no change in the Company's investment objective, that is, to invest in businesses that can generate consistent income and offer potential for capital gain for the Company.

Assuming that the Proposed Takeover and the Proposed Allotment of the Considerations Shares are approved; and the Proposed Takeover is completed, none of the directors, management or shareholder of MED will be offered a board seat on the Board of the Company.

### **6. CORPORATE STRUCTURE OF THE GROUP**

The corporate structure of the Group before and after the Proposed Acquisition is set out in Appendix C of this Circular.

### **7. INTERESTS IN THE PROPOSED TAKEOVER**

Save as disclosed below, at the Latest Practicable Date, none of the Directors or Substantial Shareholders and their respective associates have any direct or indirect interest in the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares:

- (i) On or about 5 February 2013 and 6 February 2013, Jollyboat Management Ltd, a company that is 100% legally and beneficially owned by Mr. Joseph Isaac Gutnick, entered into agreements to acquire 300,000,000 Shares in the Company. Through Jollyboat Management Ltd, Mr. Joseph Isaac Gutnick has a deemed interest of 10.31% in the Company.
- (ii) On or about 18 February 2013, 21 February 2013 and 16 April 2013, Mr. Joseph Isaac Gutnick acquired 2,220,000 Shares in the Company from the open market. Pursuant to these purchases and his shareholding in Jollyboat Management Ltd, Mr. Joseph Isaac Gutnick has a direct interest of 0.08% and a deemed interest of 10.31% in the Company.

To the best of the Company's knowledge and belief, none of the parties, its beneficial owners and directors, are related, directly or indirectly, to each other.

### **8. ABSTENTION FROM VOTING**

As Mr. Joseph Isaac Gutnick is deemed interested in the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares through Jollyboat Management Ltd, both Mr. Joseph Isaac Gutnick, Jollyboat Management Ltd and its associates shall abstain from voting in respect of the ordinary resolutions relating to the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares. They shall also decline to accept appointment as proxy for any Shareholder to vote in respect of the said ordinary resolutions unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of such ordinary resolutions.

## 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors in the issued and paid-up share capital of the Company as recorded in the Register of Directors' Shareholdings are as follows:

	DIRECT INTEREST		DEEMED INTEREST	
	No. of Shares	% <sup>#</sup>	No. of Shares	%
<b>Director</b>				
Wong Chin Yong	14,000,000	0.48	–	–
Ong Kah Hock	2,503,000	0.09	–	–
Dato' Moehamad Izat Emir	–	–	–	–
Yoon Wai Nam	–	–	–	–

Dato' Moehamad Izat Emir, a non-executive director and Chairman of the Company, holds options to subscribe for 5,000,000 Shares at an exercise price of S\$0.025 per Share. The options would be exercised on a 1-to-1 basis and, if exercised, would represent 0.17% of current Shares on issue.

As at the Latest Practicable Date, the interests of the Substantial Shareholders of the Company in the issued and paid-up share capital as recorded in the Register of Substantial Shareholders are as follows:

	DIRECT INTEREST		DEEMED INTEREST	
	No. of Shares	% <sup>#</sup>	No. of Shares	% <sup>#</sup>
<b>Substantial Shareholder</b>				
Jollyboat Management Ltd	300,000,000	10.31	–	–
Joseph Isaac Gutnick <sup>1</sup>	2,220,000	0.08	300,000,000	10.31
Clearwater Developments Sdn Bhd	–	–	268,487,800	9.23
Blumont Group Ltd <sup>2</sup>	–	–	252,282,800	8.67
G1 Investments Pte Ltd	252,282,800	8.67	–	–
Ipco International Limited	–	–	238,550,000	8.20
Dragon Seed Resources Limited	200,000,000	6.87	–	–

Notes: # Based on the issued share capital of 2,910,182,495 Shares as at the Latest Practicable Date.

- (1) Mr. Joseph Isaac Gutnick is deemed interested in the Shares as he owns 100% of Jollyboat Management Ltd.
- (2) Blumont is deemed interested in the Shares held by its wholly-owned subsidiary, G1 Investments Pte Ltd by virtue of Section 7 of the Companies Act.

Save for Mr Joseph Isaac Gutnick, who has a direct and deemed interest through Jollyboat Management Ltd, none of the substantial shareholders and their respective associates, have any interest, deemed or indirect, in the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares.



## **10. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on page 53 of this Circular, will be held at 100 Victoria Street, National Library Building, Level 5 Imagination Room, Singapore 188064 on 10 June 2013 at 2.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions as set out in the Notice of EGM.

## **11. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the EGM. The completion and lodgement of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the time fixed for the EGM.

## **12. DIRECTORS' RECOMMENDATIONS**

The Directors, having considered the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares (collectively "**Transactions**"), are of the opinion that the Transactions are in the best interests of the Company, and unanimously recommend that Shareholders vote in favour of the ordinary resolutions relating thereto to be proposed at the EGM as set out in the Notice of EGM.

## **13. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Takeover, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Circular in its proper form and context.

## **14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered address of the Company in Singapore at 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 for a period of three (3) months from the date of the Announcement or up to the date of completion of the Proposed Takeover and the Proposed Allotment and Issue of the Consideration Shares whichever is the later:

- (a) The Bid Implementation Deed;
- (b) The Bidder's Statement; and
- (c) The Target Statement.

Yours faithfully  
For and on behalf of the Board of Directors  
INNOPAC HOLDINGS LIMITED

Dato' Moehamad Izat Emir  
Chairman

## APPENDIX A

### PRESCRIBED OCCURRENCES

A summary of the Prescribed Occurrences under the Bid Implementation Deed and the Bidder's Statement is as follows:

- (i) MED converts all or any of its shares into a larger or smaller number of;
- (ii) MED or a subsidiary of MED resolves to reduce its share capital in any way;
- (iii) MED or a subsidiary of MED enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement;
- (iv) MED or a subsidiary of MED issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option other than any issue of shares pursuant to the MED Convertible Notes;
- (v) MED or a subsidiary of MED issues, or agrees to issue, convertible notes other than the MED Convertible Notes;
- (vi) MED or a subsidiary of MED disposes, or agrees to dispose of, the whole, or a substantial part, of the MED Group's business or property;
- (vii) MED or a subsidiary of MED grants, or agrees to grant, a security interest in the whole, or a substantial part, of the MED Group's business or property;
- (viii) MED or a subsidiary of MED resolves to be wound up;
- (ix) a liquidator or provisional liquidator of MED or of a subsidiary of MED is appointed;
- (x) a court makes an order for the winding up of MED or of a subsidiary of MED;
- (xi) an administrator of MED or of a subsidiary of MED is appointed;
- (xii) MED or a subsidiary of MED executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of the MED group.

Copies of the Bid Implementation Deed and the Bidder's Statement have been made available for inspection at the registered office of the Company.

## APPENDIX B

### LIST OF MINING TENEMENTS

Project	Tenement list		
	Tenement	Status	Area km <sup>2</sup>
<b>WESTERN AUSTRALIA</b>			
ASHMORE	M80/492	Granted	7.49
FORREST RIVER	M80/526	Granted	4.49
SEPPELT	M80/532	Granted	5.45
<b>NORTHERN TERRITORY</b>			
MERLIN DIAMOND MINE	MLN1154	Granted	23.50
MERLIN ORBIT	EL27175	Granted	54.74
	EL26943	Granted	206.08
	EL26944	Granted	206.08
	EL10189	Granted	206.08
	EL25122	Granted	48.3
	EL25580	Granted	48.3
	EL25676	Granted	180.32
	EL27750	Granted	112.70
	EL27895	Granted	257.6
	EL24082	Granted	67.62
	EL24512	Granted	930.58
	EL28914	Application	3.22
	EL28915	Application	6.44
	EL28916	Application	6.44
	EL28917	Application	9.66
	EL28918	Application	6.44
	EL28919	Application	6.44
	EL28920	Application	12.88
	EL28921	Application	6.44
	EL28922	Application	9.66
	EL28923	Application	12.88
	EL28924	Application	3.22
	EL28925	Application	6.44
	EL28926	Application	12.88
	EL28927	Application	3.22
	EL28928	Application	12.88
	EL28929	Application	12.88
	EL28930	Application	3.22
	EL28931	Application	6.44
	EL28932	Application	6.44
	EL331	Granted	805.00
	EL25976	Granted	148.12
	EL26087	Granted	325.22
	EL26206	Granted	106.26
	EL3335	Application	515.2
	EL3337	Granted	70.84
	EL3341	Application	724.5
	EL6531	Application	1610
	EL6532	Application	1610
	EL29398	Application	19.32
	EL29399	Application	1081.92
	EL29400	Application	12.88
	EL29401	Application	6.44
	EL29402	Application	19.32
	EL29403	Application	70.84
	EL29407	Application	6.44

**ARNHEM LAND**

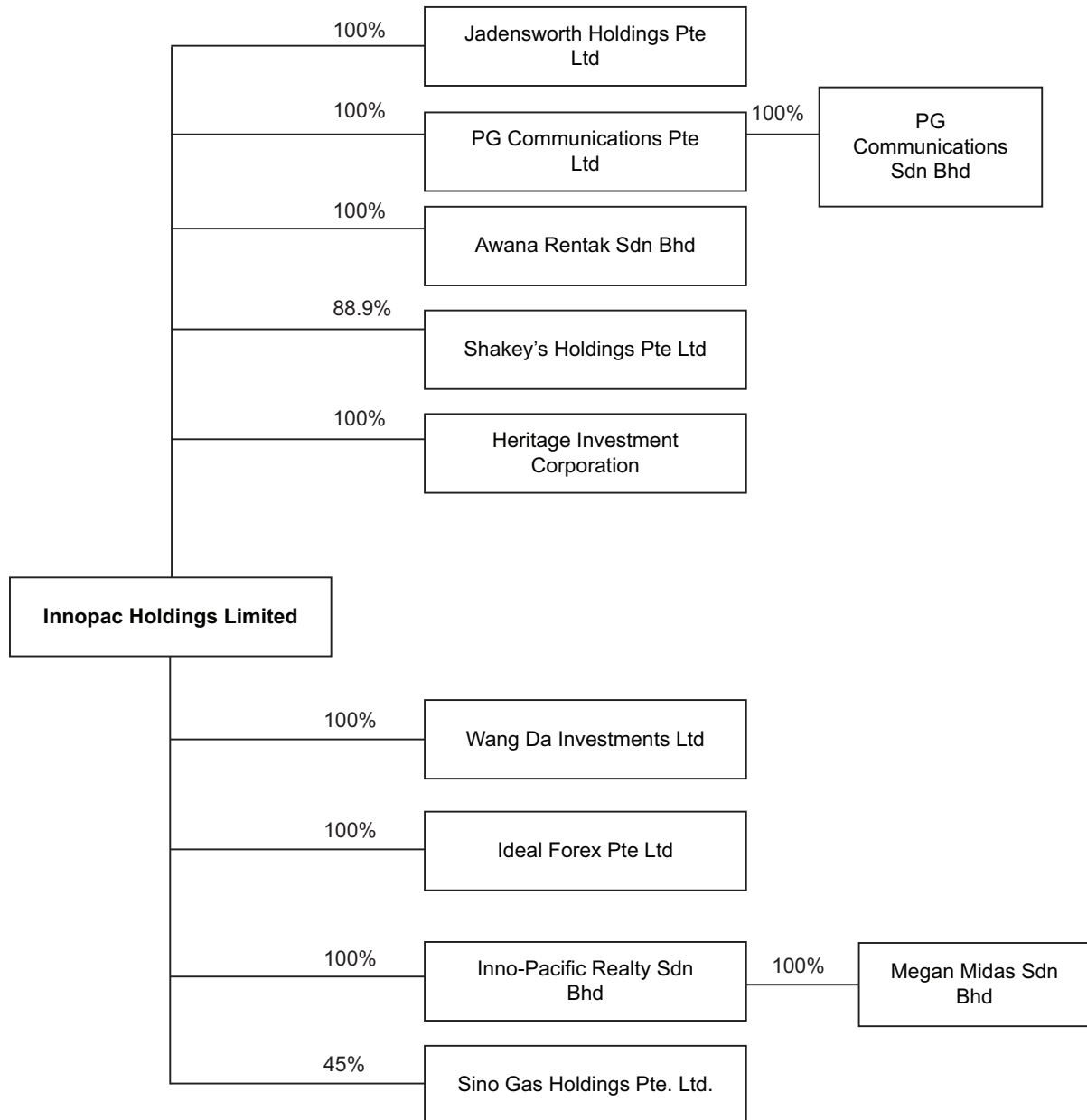
MED has 100% interest for diamonds only

EL29408	Application	186.76
EL29409	Application	12.88
EL29410	Application	6.44
EL29411	Application	12.88
EL29412	Application	19.32
EL29413	Application	80.5
EL29414	Application	22.54
EL6531	Application	1610
EL6532	Application	1610
EL8681	Application	795.34
EL8682	Application	772.8
EL10003	Application	402.5
EL10230	Application	115.92
EL10231	Application	157.78
EL10232	Application	470.12
EL10233	Granted	515.20
EL22262	Application	241.5
EL24501	Application	1014.3
EL24701	Application	663.32
EL24702	Application	1577.8
EL24703	Application	785.68
EL24853	Application	1400.7
EL24854	Application	360.64
EL24881	Application	882.28
EL24916	Application	766.36
EL25970	Application	38.64
EL25973	Application	135.24
EL25974	Application	9.66
EL25975	Application	25.76
EL28066	Application	67.62
EL28067	Application	251.16
EL28068	Application	144.9
EL28069	Application	51.52
EL28070	Application	470.12
EL28071	Application	608.58
EL28165	Application	54.74
EL25319	Application	1610
EL25320	Application	402.50

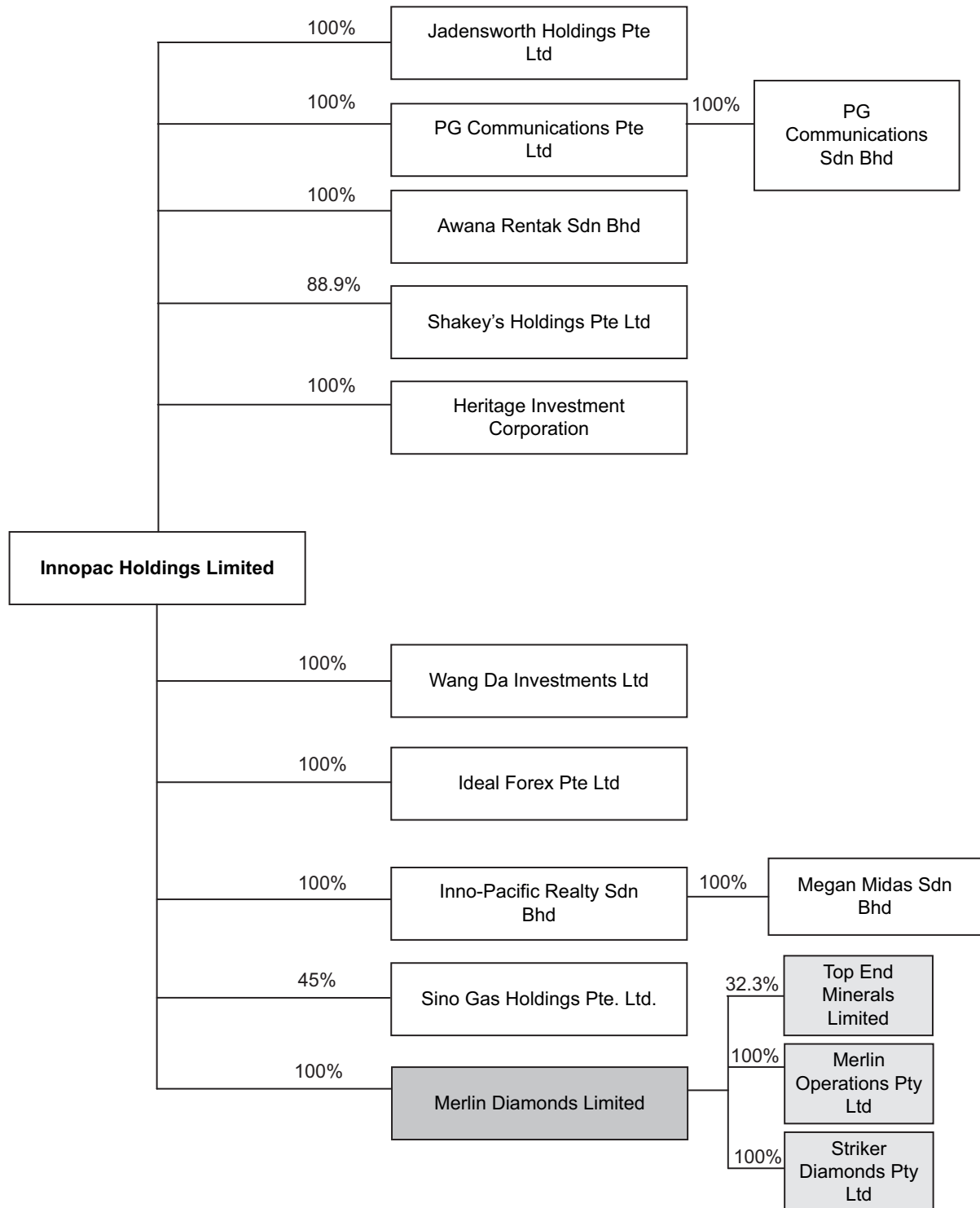
## APPENDIX C

### CORPORATE STRUCTURE OF GROUP BEFORE AND AFTER PROPOSED TAKEOVER

#### CORPORATE STRUCTURE OF THE GROUP BEFORE ACQUISITION OF MED



**CORPORATE STRUCTURE OF THE GROUP AFTER ACQUISITION OF MED**



**INNOPAC HOLDINGS LIMITED**  
(Company Registration Number 197301788K)  
(Incorporated in the Republic of Singapore)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Innopac Holdings Ltd (the “**Company**”) will be held at 100 Victoria Street, National Library Building, Level 5 Imagination Room, Singapore 188064 on 10 June 2013 at 2.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions:

**ORDINARY RESOLUTIONS**

**Resolution 1:**

**The proposed acquisition (by way of a takeover offer) of up to 212,147,063 ordinary fully paid shares representing the entire issued and paid-up share capital of Merlin Diamonds Limited**

That approval be and is hereby given for the acquisition by way of a takeover offer by the Company of up to 212,147,063 ordinary fully paid shares constituting 100% of the issued and paid-up share capital of Merlin Diamonds Limited, at the bid price of A\$0.28 for each ordinary fully paid share, to be satisfied by the allotment and issue of 1.67 new shares in the share capital of the Company for every one (1) Merlin Diamonds Limited share, subject to the Bidder’s Statement dated 26 March 2013 issued by the Company; and the Directors be and are hereby authorised to do all such acts and things as they may consider necessary, desirable or expedient to give effect to the aforesaid proposed acquisition and/or the transactions contemplated under the Bidder’s Statement and this Resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alteration or modification to any document and affix the Common Seal of the Company to any such documents if required.

**Resolution 2:**

**The proposed allotment and issue of up to 354,468,566 new ordinary shares (credited as fully paid) in the issued and paid-up share capital of the Company (the “Consideration Shares”), at an issue price of S\$0.2145 for each Consideration Share to such shareholders of Merlin Diamonds Limited who accept the takeover offer made by the Company pursuant to the Proposed Takeover**

That contingent upon passing of Resolution 1 above, the Directors of the Company be and are hereby authorised to allot and issue, credited as fully paid-up, the Consideration Shares, free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing issued and paid-up ordinary shares in the share capital of the Company, at an issue price of S\$0.2145 for each Consideration Share, to such shareholders of Merlin Diamonds Limited who accept the offer made by the Company pursuant to the Proposed Takeover, on the terms and subject to the conditions of the Bidder’s Statement.

By order of the Board

Stanley Chu Kam Po  
Company Secretary

Singapore, 23 May 2013

Notes:

- (1) A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy (or in the case of a corporation, appoint its authorised representative or proxy) to attend and vote in his stead.
- (2) A proxy need not be a member of the Company.
- (3) The Proxy Form must be lodged at the Company’s registered office at 190 Middle Road #19-07 Fortune Centre Singapore 188979 not less than 48 hours before the time fixed for holding the Meeting.



# INNOPAC HOLDINGS LIMITED

(Company Registration Number 197301788K)  
(Incorporated in the Republic of Singapore)

## PROXY FORM

### FOR EXTRAORDINARY GENERAL MEETING

#### IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of Innopac Holdings Limited, this circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of INNOPAC HOLDINGS LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or failing him/them, the Chairman of the Extraordinary General Meeting ("EGM") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the EGM of the Company to be held at 100 Victoria Street, National Library Building, Level 5 Imagination Room, Singapore 188064 on 10 June 2013 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the ordinary resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the EGM.

Ordinary Resolutions:		For	Against
(1)	To approve the acquisition (by way of a takeover offer) of up to 212,147,063 ordinary fully paid shares representing the entire issued and paid-up share capital of Merlin Diamonds Limited		
(2)	To approve the allotment and issue of up to 354,468,566 new ordinary shares (credited as fully paid) in the share capital of the Company as Consideration Shares to such shareholders of Merlin Diamonds Limited who accept the takeover offer made by the Company		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of Extraordinary General Meeting.)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s) or  
Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless the member specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 not less than 48 hours before the time appointed for the Extraordinary General Meeting.

*fold along this line (1)*

Affix  
Postage  
Stamp

The Company Secretary  
**Innopac Holdings Limited**  
190 Middle Road  
#19-07 Fortune Centre  
Singapore 188979

*fold along this line (2)*

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting as certified by The Central Depository (Pte) Limited to the Company.