

BLUMONT GROUP LTD.

(Company Registration No.: 199302554G)

(Incorporated in the Republic of Singapore)

TAKEOVER BID FOR MERLIN DIAMONDS LIMITED

1. INTRODUCTION

The board of directors (the “**Board**”) of Blumont Group Ltd. (博诺有限公司) (the “**Company**”) refers to its previous announcements dated 17 February 2014 and today in relation to its entry into a subscription application letter with Merlin Diamonds Limited (“**MED**”) to subscribe (the “**Subscription**”) for 26,000,000 fully paid ordinary shares in the capital of MED (“**MED Shares**”) at the subscription price of A\$0.075 per MED Share (approximately S\$0.0853275¹) for a total subscription price of A\$1.95 million (approximately S\$2.22 million²) (the “**Subscription Consideration**”). The Company has been issued 13,333,333 MED Shares pursuant to the Subscription.

The Board wishes to announce that in addition to the Subscription, the Company has, on 28 February 2014, entered into a bid implementation deed (the “**Implementation Deed**”) with MED, pursuant to which the Company has agreed to make an off-market takeover bid (the “**Takeover Bid**”) to acquire all the MED Shares which are not already held by the Company. A copy of the Implementation Deed is appended to this announcement as Annex A.

The consideration to be offered under the Takeover Bid (the “**Takeover Consideration**”) is to be satisfied by way of an allotment and issue of 5.7 new fully paid ordinary shares in the capital of the Company (“**Shares**”) for every 2 MED Shares, up to a maximum of approximately 1,021,597,879 new Shares (the “**Consideration Shares**”), subject to any fractional entitlements being rounding up to the nearest whole Consideration Share.

2. BACKGROUND ON MED

(Information relating to MED has been extracted from publicly available sources.)

2.1. Corporate Information

MED is a company incorporated in Australia whose shares are listed and quoted for trading on the Australian Securities Exchange (“**ASX**”) (ASX Code: MED). The current directors of MED are Mr. Joseph Gutnick (Executive Chairman and Chief Executive Officer), Mr. Craig Michael (Executive Director), Mr. Henry Herzog (Non-Executive Director) and Dr David S Tyrwhitt (Non-Executive Director). MED has its registered office at Level 8, 580 St. Kilda Road, Melbourne, Victoria 3004.

As at 27 February 2014, MED has a total issued share capital of 225,480,396 MED Shares and 6,975,000 options (the “**MED Issued Options**”). MED has also obtained shareholder approval for the issuance of a further 22,000,000 options (the “**MED Unissued Options**”, and together with the MED Issued Options, the “**MED Options**”). The MED Issued Options and the MED

¹ Converted at an exchange rate of A\$1.00 to S\$1.1377. Elsewhere in this announcement, unless expressly stated otherwise, A\$ amounts are converted to S\$ at an exchange rate of A\$1.00 to S\$1.132.

² Converted at an exchange rate of A\$1.00 to S\$1.1377.

Unissued Options (if issued on or prior to the end of the Offer Period (as defined below)), may be exercised and result in up to 28,975,000 new ordinary shares in MED being issued, on or prior to the end of the Offer Period.

Additionally, MED intends to issue the balance 12,666,667 ordinary shares in MED to the Company pursuant to the Subscription and as announced by MED on 20 February 2014, 117,333,333 ordinary shares in MED to international investors (collectively, the “**MED Approved Placements**”).

For the purpose of this announcement, the expression “**MED Shares**” shall include 28,975,000 new shares in MED which would be issued upon the issuance and exercise of all the MED Options and 130,000,000 new shares which would be issued upon the completion of the MED Approved Placements.

2.2. Mineral and Resources Portfolio

The Merlin Diamond Project

MED is the owner of the Merlin diamond mine, the only diamond mine in the Northern Territory of Australia and Australia’s third diamond producer (the “**Merlin Project**”).

The Merlin Project is located some 100 km south of the settlement of Borroloola and comprises 14 kimberlite pipes, grouped into four clusters. Nine of these pipes were subject to open-pit mining by Ashton Mining (now part of Rio Tinto) over a 5 year period commencing in 1998. The operations ceased in 2003 having produced 507,000 carats of diamonds. During its short operational life, the Merlin Project was renowned for the production of top quality white, yellow, cognac and champagne diamonds and large specials, the largest being 104.73 carats.

The total JORC compliant combined Indicated and Inferred Mineral Resource is 19.02 million tonnes for a contained 4.31 million carats, while the total JORC compliant Probable Ore Reserve is estimated at 11.1 million tonnes for a contained 2.9 million carats.³ This gives a combined Mineral Resource and Ore Reserve for all the diamond pipes at the Merlin Project of 30.1 million tonnes representing a total contained 7.2 million carats. These estimates make the Merlin Project the second largest combined diamond resource and reserve in Australia.

Engineering studies aimed at increasing production rates of the borehole mining equipment at the Merlin Project continued during the quarter ended 31 December 2013. MED aims to restart production at the Merlin Project upon completion of the engineering works and raising the funds required for recommencing operations.

There is also further exploration potential in relation to the Merlin Project and the surrounding areas and MED continues to carry out exploration work in relation to the same.

Other tenements

MED is also active in its other tenement interests in the North Kimberley and Arnhem Land, holding approximately 22,000km² in total under title.

2.3. Financial Information

A summary of the latest audited consolidated financial statements of MED for its financial years ended 30 June 2013 and 30 June 2012 are as follows:

³ Based on the Joint Ore Reserves Committee (JORC) Code 2004 Edition.

	FY2013 (A\$)	re-stated FY2012 (A\$)
Statement of Profit or Loss and Other Comprehensive Income		
Loss from continuing operations	(6,949,288)	(3,806,868)
Share of loss of equity accounted investee (net of income tax)	(408,678)	(1,099,309)
Loss before income tax	(7,357,966)	(4,906,177)
Income tax expense	-	-
Loss for the year	(7,357,966)	(4,906,177)
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive loss for the year	(7,357,966)	(4,906,177)
Statement of Financial Position		
Total current assets	3,031,951	3,718,721
Total non-current assets	14,953,382	3,882,376
Total assets	17,985,333	7,601,097
Total current liabilities	1,349,339	496,817
Total non-current liabilities	1,241,976	883,500
Total liabilities	2,591,315	1,380,317
Net Assets	15,394,018	6,220,780

The book value, net tangible asset (“NTA”) value and latest available open market value of the MED Shares to be acquired pursuant to the Takeover Bid and the Subscription are as follows:

	MED Shares (A\$)
Book value ⁽¹⁾	15,394,018
NTA value ⁽¹⁾	15,394,018
Latest available open market value ⁽²⁾	33,409,174

Notes:

- (1) Based on the latest announced consolidated financial statements of MED for the financial year ended 30 June 2013.
- (2) Based on the volume weighted average price (“VWAP”) of each MED Share of A\$0.0869 on 25 February 2014 (note that there was no trading of MED Shares on 26 and 27 February 2014), and assuming the maximum of 384,455,396 MED Shares are acquired pursuant to the Takeover Bid and the Subscription.

Additional information on MED can be found at its website at <http://www.merlindiamonds.com.au>.

3. RATIONALE FOR THE TAKEOVER BID

Since late 2012, the Company and its subsidiaries (collectively, the “Group”) have embarked on a new strategy to acquire and hold multiple and diversified mineral and energy resources assets and it has been actively pursuing and acquiring new investment opportunities in this sector.

On 21 August 2013, the Company announced its intention to seek the approval of the shareholders of the Company ("**Shareholders**") to include the business of exploration, development and production of mineral and energy resources and investments in mineral and energy resources projects and companies (collectively, the "**Mineral and Energy Resources**") as an additional core business activity of the Company.

With the Subscription and now the Takeover Bid, the Company aims to establish a position in the diamond industry and more generally, to strengthen its position in the Mineral and Energy Resources industry.

4. PRINCIPAL TERMS OF THE TAKEOVER BID

4.1. Offer Terms

(a) Takeover Bid

The Company is required to lodge and issue a bidder's statement (the "**Company's Statement**") to the shareholders of MED offering to acquire all the MED Shares which are not already held by the Company.

The offer will extend to MED Shares which are issued during the period from the date (the "**Register Date**") set by the Company pursuant to section 633(2) of the Corporations Act 2001 of Australia ("**Corporations Act**") to the end of the Offer Period (as defined below) due to a conversion or exercise of rights attached to securities which exist, or will exist, as at the Register Date including pursuant to any of the MED Options and the MED Approved Placements.

(b) Bid Price

The Takeover Bid will be made at an implied bid price (the "**Bid Price**") of A\$0.15 (approximately S\$0.1698) per MED Share, for an aggregate consideration of up to a maximum of A\$53,768,309.40 (approximately S\$60,865,726.24). The Bid Price represents a premium of approximately 73% to the VWAP of each MED Share traded on the ASX on 25 February 2014. No valuation report was procured for the MED Shares.

In agreeing to the Bid Price, the Company relied on the closing price of the MED Shares and the net asset value ("**NAV**") of the MED Shares of approximately A\$15,394,018 as at 30 June 2013 as well as an arms' length commercial negotiation with the management team of MED.

(c) Takeover Consideration

The Takeover Consideration is to be satisfied by way of an issue and allotment of 5.7 Consideration Shares for every 2 MED Shares. Any fractional entitlements to Consideration Shares will be rounded up to the nearest whole Consideration Share.

The Takeover Consideration will comprise up to approximately 1,021,597,879 Consideration Shares, representing approximately 39.55% and 28.34% respectively of the Company's existing and enlarged share capital based on its issued share capital as at 27 February 2014. The implied issue price of S\$0.0596 per Consideration Share represents a discount of 2.33% to the closing price per Share and 1.03% to the VWAP

per Share for trades of the Shares done on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 27 February 2014, being the full market day immediately preceding the date on which the Implementation Deed is executed.

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 Bid.

The Company will be seeking approval from the Shareholders for the allotment and issuance of the Consideration Shares pursuant to the Takeover Bid. The Company will also be making an application to the SGX-ST to list and quote the Consideration Shares on the Official List of the SGX-ST.

(d) The Offer Period

The Takeover Bid will be open for acceptance for a period of two months from the date the Company's Statement is lodged and issued, as may be varied by the Company in accordance with the Corporations Act (the "**Offer Period**"). Subject to certain restrictions under Australian laws, the Offer Period must be no less than one month and can be extended so that the Offer Period does not exceed 12 months.

(e) Recommendation of MED Directors

The directors of MED (the "**MED Directors**") have indicated that they will recommend and accept the Takeover Bid in respect of MED Shares that they own or control unless a Superior Proposal (as defined in the Implementation Deed) is received during the Offer Period and is not matched or exceeded by an increase in the Takeover Consideration within five business days of the Company receiving notification from MED.

4.2. Offer Conditions

The Takeover Bid is subject to the conditions set out in Schedule 2 of the Implementation Deed (the "**Offer Conditions**"), including that:

- (a) at or before the end of the Offer Period, the Company has a Relevant Interest (as defined in the Corporations Act) in at least 50.1% of the aggregate of all the shares in MED on issue; and
- (b) prior to the end of the Offer Period, the Company receives the approval of its shareholders in general meeting (if required) for the Takeover Bid and the Offer (as defined in the Implementation Deed), and the issuance of the Consideration Shares.

Please refer to the copy of the Implementation Deed appended to this announcement as Annex A for the full list of the Offer Conditions.

Each of MED and the Company must, to the extent within its power, use reasonable endeavours to ensure that the Offer Conditions are satisfied as soon as practicable and that no Offer Conditions are breached or not satisfied. Any breach or non-fulfilment of the Offer Conditions may only be waived by the Company at its discretion. If the Offer Conditions are not satisfied or waived before the end of the Offer Period (including any extension thereof), the Takeover Bid will automatically lapse.

4.3. MED Break Fee

MED must pay a break fee of A\$125,000 (the “**Break Fee**”) to the Company if at any time after the date of the Implementation Deed, any of the circumstances set out in clause 8.1(c) of the Implementation Deed occur (the “**Break Fee Circumstances**”).

The Break Fee will not be payable if the Offer Conditions have been satisfied or waived and the Company becomes the holder of not less than 30% of MED Shares as a result of the Takeover Bid, notwithstanding the occurrence of any Break Fee Circumstances.

Please refer to the copy of the Implementation Deed appended to this announcement as Annex A for the full list of the Break Fee Circumstances.

4.4. Compensation for MED

The Company must pay the Break Fee of A\$125,000 to MED if at any time after the date of the Implementation Deed, any of the circumstances set out in clause 8.2(a) of the Implementation Deed occur, including the following:

- (a) the Company fails to comply with its obligations under Clause 2 of the Implementation Deed, other than for the reason that the Offer Conditions are not satisfied;
- (b) MED terminated the Implementation Deed in accordance with Clause 10.1 of the Implementation Deed;
- (c) the Company does not receive prior to the end of the Offer Period approval from its shareholders in general meeting (if required) for the Takeover Bid and the Offer, and the issuance of the Consideration Shares,

other than where:

- (i) MED has not complied with its obligations under the Implementation Deed in all material respects; or
- (ii) any Offer Condition other than Offer Condition 2 (*Bidder shareholder approval*) as set out in Schedule 2 of the Implementation Deed is not satisfied.

The Break Fee must be paid within 10 business days after the Company receives (or is deemed to receive) a valid written notice from MED setting out the relevant circumstances and requiring payment.

Please refer to the copy of the Implementation Deed appended to this announcement as Annex A for the full list of the circumstances under which the Company has to pay the Break Fee to MED.

4.5. Appointments to MED Board

MED shall procure, as soon as practicable after the Offer Period closes, the resignation of such number of MED Directors as requested by the Company and the appointment of such number of persons nominated by the Company as MED Directors such that the number of MED Directors nominated by the Company to the MED Board is proportionate, as far as possible, to the Relevant Interest (as defined in the Corporations Act) of the Company in MED.

5. RELATIVE BASES UNDER RULE 1006 OF THE LISTING MANUAL

Assuming that the Company acquires all of the MED Shares pursuant to the Takeover Bid and the Subscription, the relative figures for the Takeover Bid and the Subscription computed on the bases set out in Rule 1006 of the Listing Manual Part A: Mainboard Rules of the SGX-ST (the “Listing Manual”) are set out below.

Bases	Percentage (%)
(a) Net asset value of the assets to be disposed of, compared with net asset value of the Group	Not applicable for acquisitions
(b) Net losses ⁽¹⁾ attributable to the assets acquired, compared with the Group's net profits	(16.4)%
(c) Aggregate value of the Subscription Consideration and the Takeover Consideration ⁽²⁾ , compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares ⁽³⁾	40.98%
(d) The total number of Consideration Shares ⁽⁴⁾ issued as consideration for the Takeover Bid, compared with the number of equity securities previously in issue	39.55%
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable for acquisitions

Notes:

- (1) Net profit/(loss) is defined as profit or loss before income tax, minority interests and extraordinary items. Based on the audited financial statements of MED for the financial year ended 30 June 2013, the net losses attributable to the assets being acquired pursuant to the Takeover Bid and the Subscription amounts to approximately A\$(7,357,966) (approximately S\$(8,329,218)). The unaudited profit before income tax for the Group for the nine-month period ended 30 September 2013 was S\$50.68 million.
- (2) Where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the NAV represented by such shares, whichever is higher. The aggregate value of the Takeover Consideration is based on the market value of S\$61,500,192 of the Consideration Shares on 27 February 2014, being the last traded market day prior to the date of the Implementation Deed.
- (3) Market capitalisation is determined by multiplying the number of Shares by the weighted average price of such Shares transacted on the market day preceding the date of the Implementation Deed. As at the date of this announcement, the Company has 2,583,006,879 issued Shares. The market capitalisation of the Company for the purposes of the Takeover Bid is approximately S\$155.50 million based on the VWAP of S\$0.0602 per Share on 27 February 2014, being the last traded market day prior to the date of the Implementation Deed.
- (4) The maximum number of Consideration Shares to be issued for the Takeover Bid is approximately 1,021,597,879. The Subscription Consideration is to be satisfied fully in cash.

As the relative figure computed on the base set out in Rule 1006(b) is a negative figure, the Company will be consulting the SGX-ST, in accordance with Rule 1007(1) of the Listing Manual, on whether approval of the Shareholders is required for the Takeover Bid and the Subscription under Rule 1014 of the Listing Manual.

6. FINANCIAL EFFECTS OF THE TAKEOVER BID AND THE SUBSCRIPTION

The *pro forma* financial effects of the Takeover Bid and the Subscription as set out below are for illustrative purposes only and do not reflect the future financial results or position of the enlarged group after the completion of the Takeover Bid and the Subscription.

The objective of presenting the *pro forma* financial effects of the Takeover Bid and the Subscription as shown below is to illustrate what the historical financial information might have been had the Takeover Bid and the Subscription been completed at an earlier date. However, such financial information is not necessarily indicative of the results of the operations or the related effects in the financial position that would have been attained had the Takeover Bid and the Subscription been completed at the earlier date.

The financial effects in this section are based on the audited accounts of the Company for the 12 months ended 31 December 2012. The *pro forma* financial effects of the Takeover Bid and the Subscription have been prepared based on the following assumptions:

- (a) the Takeover Bid and the Subscription were completed on 1 January 2012 for the purpose of computing the *pro forma* financial effects on the earnings per Share ("**EPS**") of the Company; and
- (b) the Takeover Bid and the Subscription were completed on 31 December 2012 for the purpose of computing the *pro forma* financial effects on the NTA per Share of the Company.

6.1. Effect on EPS

For illustrative purposes only, and assuming the Takeover Bid and the Subscription were completed at the beginning of the financial year ended 31 December 2012, the *pro forma* financial effects of the Takeover Bid and the Subscription on the EPS are as follows:

	Before the Takeover Bid and the Subscription	After the Takeover Bid and the Subscription
Profit of the Company (S\$)	27.72 million	19.39 million ⁽¹⁾
Weighted average number of Shares	1,434,116,608	2,455,714,487 ⁽²⁾
EPS (cents)	1.933	0.789

Notes:

- (1) The figure is derived by adding the loss for the year ended 30 June 2013 of MED of approximately A\$(7,357,966) (approximately S\$(8,329,218)) and the net profit of the Company of S\$27.72 million.
- (2) The weighted average number of Shares includes 1,021,597,879 Consideration Shares, being the maximum number of Consideration Shares to be issued in satisfaction of the Takeover Consideration.

6.2. Effect on NTA

For illustrative purposes only, and assuming the Takeover Bid and the Subscription was completed at the end of the financial year ended 31 December 2012, the *pro forma* effects of the Takeover Bid and the Subscription on the NTA per Share are as follows:

	Before the Takeover Bid and the Subscription	After the Takeover Bid and the Subscription
NTA value (S\$)	100,813,696	74,800,027 ⁽¹⁾
Weighted average number of Shares	1,692,504,586	2,714,102,465 ⁽²⁾
NTA per Share (cents)	5.956	2.756

Notes:

- (1) The figure is derived by adding (a) the NTA as at 30 June 2013 of MED of approximately A\$15,394,018 (approximately S\$17.43 million), (b) the Subscription Consideration of S\$2.22 million, and (c) the NTA of the Company of S\$100.81 million, less (d) the goodwill amount (associated with the Takeover Bid and the Subscription) of S\$43.44 million.
- (2) The weighted average number of Shares includes 1,021,597,879 Consideration Shares, being the maximum number of Consideration Shares to be issued in satisfaction of the Takeover Consideration.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors of the Company (the “**Directors**” and each, a “**Director**”) (other than in his capacity as a Director or Shareholder) or controlling shareholders of the Company (other than in its capacity as a Shareholder) has any interest, direct or indirect, in the Takeover Bid.

8. SERVICE CONTRACTS

Subject to the Company in general meeting approving, *inter alia*, the allotment and issue of the Consideration Shares, the Company intends, subsequent to the close of the Offer Period, to appoint new directors to the Board of MED, although the Implementation Deed includes nomination rights as specified above.

No person will be appointed to the Board of the Company in connection with the Takeover Bid.

9. INTRODUCER

There is no introducer for the Takeover Bid, and no commission or fee is payable by the Company to any person arising from the Takeover Bid.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Implementation Deed will be made available for inspection during normal business hours at the registered office of the Company at 298 Tiong Bahru Road, #20-02/03

Central Plaza, Singapore 168730 for a period of three months from the date of this announcement.

11. UPDATES

The Company will disclose any updates or further information on the Takeover Bid when it is appropriate to do so.

BY ORDER OF THE BOARD
Blumont Group Ltd.

James Hong Gee Ho
Executive Director
28 February 2014

ANNEX A
IMPLEMENTATION DEED