20 January 2017

COMPANY INFORMATION

Mustang Resources Ltd
ABN 34 090 074 785
ASX Code: MUS

Current Shares on Issue:
372,309,913
Market Capitalisation:
$9.6M as at 19 January 2017

COMPANY DIRECTORS

Ian Daymond
Chairman

Christiaan Jordaan
Managing Director

Cobus van Wyk
Director

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PLANT COMMISSIONING COMPLETED AND FIRST COMMERCIAL PARCEL OF RUBIES SENT TO THE USA

Parcel includes two rare 24ct stones and production ramping up at the Montepuez Ruby Project in Mozambique with first revenue set for H1- 2017

Highlights:

- **Mustang has completed the plant commissioning process at Montepuez following relocation of the plant late last year**
- **Relocation placed the plant closer to the key Alpha ruby deposit and important water sources**
- **Production now ramping up to targeted rate of 525tpd a day, three times the rates recorded before the relocation**
- **Targeted processing rate forecast to increase monthly production substantially**
- **First commercial parcel of rubies & corundum totalling 6,221 carats dispatched to US service providers and customers**
- **Parcel includes 5 special stones (75cts total weight), including two rare 24-carat rubies, none of which require treatment**
- **Five special stones will be cut by internationally-renowned gemstone cutter and polisher Meg Berry**
- **First sales revenue expected to be recorded in H1-2017**
- **Auger drilling underway to map ruby-bearing ore across the project area and to delineate a JORC Resource**

Mustang Resources (ASX: MUS) (“Mustang”) is pleased to advise that its strategy to ramp up production and generate the first sales revenue at its Montepuez Ruby Project in Mozambique is firmly on track, with commissioning of the relocated processing plant now completed.

Production is currently ramping up to the targeted rate of 525tpd (~11,025 tons per month, assuming 21 operational days per month running one shift) which is forecast to result in a substantial increase in the Company's monthly ruby production.

Mustang also advises that it has sent its first commercial batch of rubies to US service providers and customers. These include the highly regarded gemstone cutter Meg Berry and leading jewellers in California. This shipment is aimed at enabling Mustang to obtain further opinions from experts about the range in potential ruby values and the best marketing strategies to unlock their maximum value. To assist in this process Mustang contracted the services of an American gemmologist and his team to do a full market study to enable the Board to decide if Mustang will only market its rubies in the rough on auctions, or whether to cut and polish a portion of its stones and supply the wholesalers & manufacturers directly.

To capitalise on the marketing opportunity stemming from this shipment to the US, Mustang's team will attend the AGTA GemFair in Tucson, Arizona from 31 January to 4 February 2017. The AGTA GemFair is the largest coloured gemstone trade show in the world and provides the perfect opportunity to engage with potential customers from around the globe.

Mustang is encouraged by the fast growth of the gemstone market, which according to Gemfields' reports has expanded by an estimated 213% since 2009 to a total (global import) value of US$5.9 billion per annum (A$7.6 billion).

The Montepuez ruby field is also gaining worldwide acclaim for its quality and ability to produce unheated gem/facet quality rubies, with leading gemstone experts citing it as the single largest supplier. The field is expected to growing further in global significance over coming years as Mustang's neighbour, Gemfields PLC, ramps up its mining activities.

Mustang Managing Director Christiaan Jordaan said the Company's strategy to grow production and revenue was well on track.

"The initial results following the plant relocation suggest we can triple throughput rates," Mr Jordaan said.

"At the same time, we have achieved a key milestone for Mustang with the first commercial shipment of rubies recovered through bulk sampling as well as our highly successful prospecting teams that form part of our local community engagement & employment program"

"This shipment will play a vital role in helping us to place market values on our rubies as well as growing awareness and understanding of our world-class stones amongst customers.

"As a result, we will be better placed to estimate the revenue we can generate from our rapidly growing production profile."

Production to Date & Exploration Done by Mustang's Prospecting Teams

Since the inception of the bulk sampling program to date 15,585 m^3 of ruby-bearing gravel (including the immediate material above and below the gravel contacts) has been mined from the Alpha deposit and stockpiled of which 7,290.50 m^3 (approximately 11,300.28 tonnes) has been processed through the plant resulting in the recovery of 1,638.76 cts of high quality ruby.

In addition to these recoveries, Mustang has used prospecting teams to assist in its exploration program and to accelerate the discovery and testing of new areas which can then be followed up with bulk sampling & auger drilling. This strategy has already proven itself to be highly successful in covering a lot of ground & rapidly testing new areas.

To date Mustang's prospecting teams work has resulted in the recovery of 13,314.76 cts of ruby & corundum of which 5,406cts was included in the 6,221cts parcel dispatched to the US. Due to the inability to determine accurate sample details, the rubies recovered by the Company's prospecting teams will naturally be excluded from any JORC Resource calculations.

Mustang considers that an inclusive relationship with local workers is the most sustainable way to engage with the local communities in its areas of operations and the Company will be continuing to

develop and invest actively in this program to provide skill formation (mining, health & safety) as well as training. The Company has committed to pay its workers fair salaries. This local community engagement & employment program is controlled and managed by Mustang's management team at site.

Mustang Ruby Parcel

A parcel of rubies & corundum totalling 6,221ct (which includes rubies mined by Mustang and those recovered by its prospecting teams) have been sent to the US to be further assessed and processed prior to being sold to customers. This parcel will assist the market research team to evaluate the Company's rubies and to determine which marketing channel will be the most effective and profitable for Mustang.

Figure 1. Portion of the parcel of ruby & corundum (excl. special stones) dispatched to the USA. The parcel contains a good mix of different ruby qualities from lower quality material well suited to heat treatment to gem/facet quality material for the higher end markets.

Mustang Special Stones

A parcel of five special stones (Figure 2 below) weighing a total of 76.65cts, including two rare 24ct high quality rubies, will be cut by specialist gemstone cutter Meg Berry. Ms Berry has more than 38 years' experience in the cutting of fine gemstones and is widely acclaimed for her expertise in cutting ruby and other coloured gemstones.

All five stones have been confirmed as suitable for cutting without heat treatment. Typical cutting yields for gem/facet quality ruby from Mozambique can range from 30% to 60% depending on several factors such as the number of inclusions in the stone & the colour saturation. However, one of the most important factors for achieving a high-yield, high-quality final product is the skill of the cutter which can materially influence the value of these high-end stones.

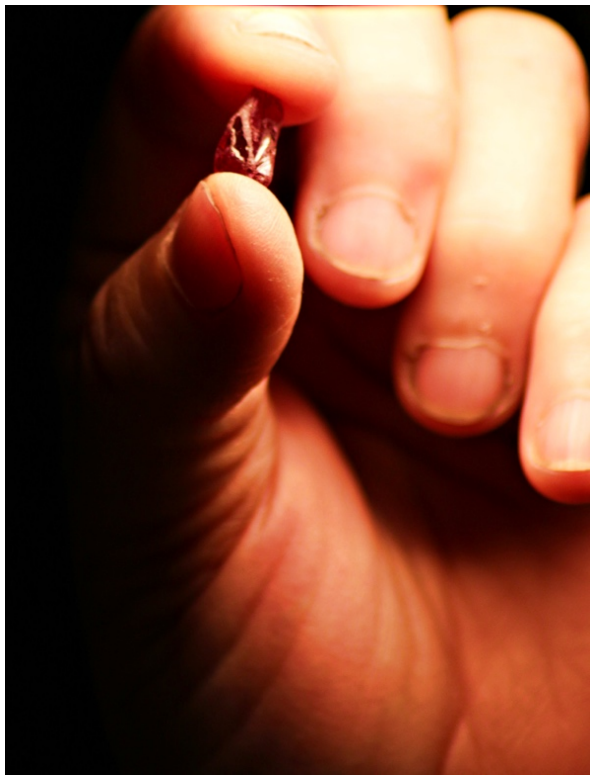

Figure 2: Photos of Mustang Special Stones delivered in the USA

Current asking prices in the US for unenhanced (untreated) Mozambique rubies between 4.00 and 4.99cts is US$18,425/ct (Lower Fine) to US$42,000 (Upper Extra Fine). Due to their rarity, wholesale reference prices for unenhanced (cut) Mozambican rubies larger than 5ct are not yet available and are typically negotiated between buyer and seller and prices can increase exponentially as the rubies get larger.

Coloured Gemstone Market Information

Significant recent ruby sales:

- 10.05ct Ratnaraj Ruby sold for US$10,000,000 in November 2016 in Hong Kong. Third highest price per carat for a ruby of US$1,017,557.
- 15.99ct Jubilee Ruby sold for US$14,165,000 in April 2016. Most expensive coloured gemstone sold in the USA in history.
- 15.04ct Crimson Flame Ruby sold for US$18,382,385 in December 2015 by Christies in Hong Kong
- 25.59ct Sunrise Ruby sold for US$30,335,698 in May 2015 setting the current world record for ruby. Most expensive Cartier jewel ever auctioned.
- 8.62ct Graff Ruby sold for US$8,372,094 in Nov 2014 at the Sotheby's Geneva auction. Held the record for the highest US$ per ct value for a brief period up to May 2015
- 32.08ct Hope Ruby sold for US$6,736,750 in May 2012
- Van Cleef & Arpel's 8.24ct Ruby and Diamond Ring sold for US$4,226,500 in in December 2011 setting a then record. The ring was as a gift by Richard Burton to Elizabeth Taylor and was auctioned as part of her jewellery collection.

Figure 3. The 8.62ct Graff Ruby (Left) and the 25.50ct Sunrise Ruby (Right)

China, India and the USA remain the most significant emerald, ruby and sapphire consumer markets with their imports standing at around US$1.2 billion per country per annum (wholesale/cut stones). This is an increase of ~280% since 2005.

According to the Global Mining Observer, the US coloured gemstone market has grown from the equivalent of 2.6% of the diamond market in 2005 to 4.5% in 2014 with substantial opportunity for further rapid increases (see Figure 4). This growth is expected to be boosted by the activities of AIM-listed Gemfields PLC (ruby & emerald) with the market to be further supported by Mustang (ruby) from 2017 onwards.

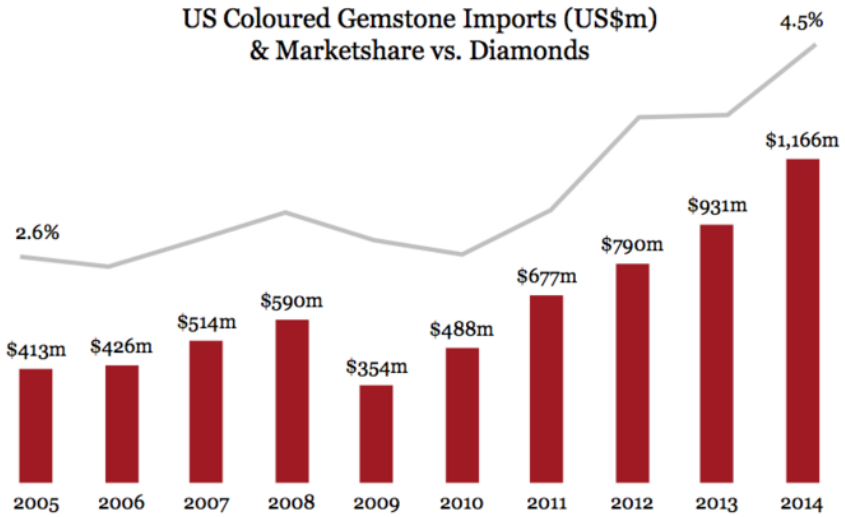

Figure 4. Graph illustrating US Coloured Gemstone Imports and market share versus diamonds. Source: Global Mining Observer, Issue 131 July 2015

According to the most recent Gemfields Annual Report, during 2015 global imports of emerald, ruby & sapphire gemstones reached US$5.9 billion, representing an increase of 13% compared to the previous year. In the corresponding period, global imports of diamonds decreased by 17% in the same period, from US$84 billion in 2014 to US$70 billion.

The US is a major target market for Mustang as it alone imports US$1.2 billion a year of (cut/processed) ruby, emerald and sapphire (2015). Assuming equal market share with emerald and sapphire, ruby would account for ~US$400 million of annual imports into the US and equal value in India and China. Initial market engagement by Mustang with US retailers and wholesalers has indicated a substantial unmet demand for ethically-mined, mine to market rubies, further supporting Mustang's immediate focus on the US market.

Mustang considers that further demand growth in all key markets will be greatly assisted by formalisation of the coloured gemstone sector. This involves consistent supply from Mozambique as the largest supply region over the next decades together with an emphasis on ethical mining and supply chains.

For and on behalf of the Company.

Christiaan Jordaan
Managing Director

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COMPETENT PERSON'S STATEMENT:

Information in this report that relates to the Montepuez Ruby Project's Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Paul Allan, a Competent Person who is a registered member of the South African Council for Natural Scientific Professions (SACNASP), which is a Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Mr Allan is an independent consultant who was engaged by the company to undertake this work. Mr Allan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Allan consents to the inclusion of the data in the form and context in which it appears.

FORWARD-LOOKING STATEMENTS:

This document may include forward-looking statements. Forward-looking statements include, but are not necessarily limited to the Company's planned exploration program and other statements that are not historic facts. When used in this document, words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although the Company considers that its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements

JORC CODE, 2012 EDITION – TABLE 1

Appendix to Ruby Announcement

Section 1: Sampling Techniques and Data.

Criteria	JORC Code Explanation	MUS Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	A number of (industry standard) issues peculiar to alluvial sampling of precious stones have been identified, which impact directly on the number and size of the samples and the complexity of Resource estimations. <u>Depositional environments</u> Alluvial streams are highly transient environments. The braided channels are unstable through time and gravel bars are formed and destroyed continuously. Shifting bars and channels cause wide variations in local flow conditions resulting in varied depositional assemblages. Common features in braided stream deposits include irregular bed thicknesses, restricted lateral and vertical variations within the sediments, and abundant evidence of erosion and re-deposition. On a broad scale, most deposits are complex with units of no great lateral extent. Locally, bedrock features play an important role in precious stones concentration of the alluvial deposits, with rubies occurring preferentially in natural traps such as gullies, potholes and gravel bars and, typically, reworked through one or more post-depositional colluvial or eluvial environments <u>Grade variation</u> In a single gravel unit (even within a few metres), ruby grades may vary from barren to over many carats per tonne, due to the development of localised trap-sites under favourable bedrock conditions, or hydraulic fractionation within a channel or bar. Consequently, the ruby distribution pattern (grade) of alluvial deposits is such that there is no repeatability of small sample results, even from adjacent samples. In order to account for all of these issues and ensure representivity, alluvial deposits can only be sampled through bulk-samples comprising tens to hundreds of thousands of cubic metres of gravel. Ruby deposits, especially alluvial deposits, cannot be sampled by means of drilling.

Criteria	JORC Code Explanation	MUS Commentary
		Drilling is used for stratigraphic information and to estimate thickness of overburden, gravel and the depth and nature of the bedrock. Bulk-sampling is completed in much the same manner as the production mining would be, except on a smaller scale. With positive results, bulk-sampling naturally progresses to trial-mining (and advanced technical studies), during which all of the modifying parameters are determined to allow a decision of whether to proceed to full production. Ruby recovery is dependent on mechanical recovery through standard heavy mineral separation techniques. No drilling results are reported in this document. Stratigraphic information has been obtained from limited pitting by hydraulic Daewoo 220 excavator and the bulk sampling completed with a Hitachi Zaxis 47 excavator.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	Drill recovery data is not applicable at this stage as no drilling for this project has been completed yet.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	Drill recovery data is not applicable at this stage as no drilling for this project has been completed yet. Details regarding bulk-sampling is presented in Section 5.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	All excavated faces of the pits (stratigraphic pits and sample trenches) are logged and photographed. Logging is semi-quantitative with stratigraphic and lithological units described and thicknesses noted.

Criteria	JORC Code Explanation	MUS Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	The bulk sampling programme is industry standard for low-grade alluvial/elluvial deposits. As a result, of generally all low grades associated with alluvial and eluvial systems, representative bulk-sample sizes have to be large – in the range of tens- to hundreds of thousands of cubic metres. As of 18 January 2016, the total bulk sample size that has been washed is 8,294m3. This sample size is not considered to be sufficient to estimate Mineral Resources but is appropriate to estimate Exploration Results, simply to identify the presence of rubies.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	Due to the nature of precious stones in an alluvial/elluvial deposit, samples are not taken for assay as would be normal for precious or base metal prospects. Consequently, no samples are dispatched to any analytical or testing laboratories. Further, sample splitting and reduction methods were not employed. All of the geological exploration samples are processed through a Bushman Jig on site. The bulk sampling is conducted to a processing plant on site, the material is fed into a scrubber and two 16-foot pans with the concentrate being fed into the glove boxes for the picking of the rubies. Since the samples were processed through the Company plant, Mustang personnel (and independent Competent Persons) were involved from the excavation of the gravels through to the final recovery of the rubies.

Criteria	JORC Code Explanation	MUS Commentary
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	The ruby distribution pattern (grade) of alluvial deposits is such that there is limited repeatability of bulk-sample results, even from adjacent samples of tens of thousand cubic metres in size. Consequently "check-samples" such as are standard in the precious and base-metal industries, are not possible. All exploration data is entered into a sampling database which is QA/QC'd by the Project Geologist (the database is currently GIS based). Data is stored both on-site as well as at the Company's office in Pretoria, RSA.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	Pitting sites were recorded and subsequently located using a hand held Garmin GPS (GPSMap64S). These handsets have an inherent accuracy variance of 7m in the X and Y dimension. The vertical/elevation dimension (Z) of handheld instruments is not reliable and is hence not reported. The Company is using to UTM WGS 84 – Zone 37s gird system Currently, topographic control is based on available 1:250,000 topographic maps. As the programme progresses, elevation data will be provided by professional survey.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	Bulk-samples are not taken along a systematic grid, neither are they sited so as to intersect specific areas of high or low grade. The key reasons for this are: • The large size of the individual samples. • The anticipated mining plan for the gravels is based on high volumes and, therefore, the samples have to address average recoveries. Consequently, samples are not sited so as to intersect areas of anticipated higher (or lower) grade. The sampling to date is not considered representative of the deposit and significantly more (and larger) samples will need to be taken before a Mineral Resource can be estimated. The reconnaissance sample results have not been composited, but are presented on a pit by pit basis.

Criteria	JORC Code Explanation	MUS Commentary
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	The stratigraphic pitting completed to date and future drilling are considered as reconnaissance exploration data which will assist in determining the extent and orientation of the gravel units. Insufficient data currently exists to determine whether sample bias is present.
Sample security	• *The measures taken to ensure sample security.*	Since the grades expected on alluvial/elluvial deposits are so low and the sampling is all mechanised, it is extremely improbable that rubies will be picked up during the excavation process or at the plant stockpile. However, security has been employed at the sample pit to prevent the presence of artisanal miners. At the plant site, security will be limited to caging around the processing pans; as the operation progresses and volumes are increased, cages will also be installed around conveyor feeder belts. It is only at the final-recovery glove-box house that sample security becomes a significant issue, where operations are monitored by Company security personnel.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	No external audits have been undertaken for this stage of work.

Section 2. Reporting of Exploration Results

Criteria	Explanation	MUS Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	Ownership of land and Mineral Rights in Mozambique is vested in the State. Companies may apply for Prospecting and Exploration or Mining Licenses from the Minister of Mineral Resources. The issue of any license is contingent on compliance with environmental regulations and risk management as well as the provision of a socio-economic upliftment program. Obligations for holders of Prospecting and Exploration Licenses include the submission of an annual report, an investment plan, a work plan and a proposed budget. Mustang's Montepuez Ruby Project comprises three Prospecting and Exploration Licenses; 5030L (14,047.4 ha), 4258L (503.08 ha) and 4143L (2,012.27 ha) as measured on the Company's GIS System. An Exploration License allows for the exploration (including bulk-sampling) of mineral resources but not exploitation. Licenses are valid for up to five years but can be extended for up to three further years on application to the Minister of Mineral Resources. After eight years (or sooner), the Prospecting and Exploration License can be converted into a Mining License or a new license must be applied for. All the licenses within the Montepuez Ruby Project are either in their first term or applications for their renewal submitted for a further 3 years upon expiry of the initial term.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	No prior exploration work has been done by other parties on the license areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country wide airborne magnetics and radiometric geophysical surveys flown over the region by the Government of Mozambique.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The Project Area lies within the structurally deformed and metamorphic terrane known as the Mozambique Belt or East African Orogen (EAO, mountain building event). The EAO represents a belt of sedimentary and volcanic rocks formed around 2.5Ga and younger in age that were deposited in a series of depositional basins and or seas between a sequence of ancient sialic (granitic/ Si and Al rich) crustal nuclei of Archean age (around 3.5Ga) old primordial crust.

Criteria	Explanation	MUS Commentary
		The Montepuez Complex forms a wedge-shaped unit of strongly deformed para- and orthogneisses between Montepuez, Chiúre and Namuno. The Montepuez Complex comprises orthogneisses, ranging from granitic to amphibolitic in composition, and paragneisses, comprising mainly quartzites, meta-arkoses, marbles, quartz-feldspar, gneisses and biotite gneisses.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* • *easting and northing of the drill hole collar* • *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* • *dip and azimuth of the hole* • *down hole length and interception depth* • *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	No drilling is reported in this document. No details are provided for the reconnaissance pits as they have not been used for the purposes of volume estimation. At this stage, the pits have been excavated simply as a means of understanding the local geology.

Criteria	Explanation	MUS Commentary
Data aggregation methods	*• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* *• Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* *• The assumptions used for any reporting of metal equivalent values should be clearly stated.*	Data aggregation methods are not, typically, applicable to alluvial/elluvial ruby deposits. All results are shown as obtained. Insufficient data has been obtained to estimate grade and/or ruby value at present.
Relationship between mineralisation widths and intercept lengths	*• These relationships are particularly important in the reporting of Exploration Results.* *• If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* *• If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	Pitting results are used, primarily, to define the presence of gravel units and to estimate their thicknesses, which data will, in conjunction with auger drilling and bulk sampling, eventually be used in the estimation of Resource volumes. The extent of the pitting to date is such that the true dips of the secondary horizons cannot be determined at this stage.
Diagrams	*• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Appropriate scale map and plans with scale and north points are included in the announcement.

Criteria	Explanation	MUS Commentary
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	All available exploration results have been reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	Regional geological mapping and regional airborne geophysics (magnetics and radiometrics) have been obtained from the Mozambican Government. The geophysics datasets are continually being used to aid in interpretations and plan drill hole program collar locations. Bulk sampling is described in Section 5.
Further work	• *The nature and scale of planned further work (e.g tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	The results to date simply identify the presence of ruby in the alluvial gravel deposits on license 4143L. A prospecting program has been drawn up, which is planned to culminate in the estimation of Mineral Resources present on the property. The program is planned to include both drilling and representative bulk-sampling. <u>Drilling</u> Currently, Phase 2A comprises plans for some 2,400m of auger drilling to identify bedrock variation, gravel distribution and Resource estimation. <u>Exploration-sampling</u> By 10 August 2016, 29 sample pits had been excavated to identify the presence of ruby/corundum. The initial samples have only sampled colluvial and hanging gravels. Once the necessary equipment has arrived on site, additional sampling will be conducted to obtain representative grade and ruby value data. The locations of these bulk-sample areas will be identified from the results of the pitting and drilling program.

Criteria	Explanation	MUS Commentary
		Further, the gravel from the pits will be characterised to determine what additional exploration techniques might be applied. Bulk-sampling By 18 January 2016, the fourth cut of Alpha deposit has been excavated to identify the presence of ruby/corundum. Each cut has sampled the colluvial gravels including at least 1m above the gravel layer and 0.5m of the underlying bedrock. Material from the first cut still needs to be processed before a representative grade and ruby value can be obtained.

Section 5: Estimation and Reporting of Diamonds and Other Gemstones.

Criteria	Explanation	MUS Commentary
Indicator minerals	*Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.*	Indicator minerals have not been sampled for and no reports have been prepared as such minerals are not applicable to alluvial ruby deposits.
Source of diamonds/gemstones	*Details of the form, shape, size and colour of the diamonds/gemstones and the nature of the source of diamonds/gemstones (primary or secondary) including the rock type and geological environment.*	A total of 1638 carats have been recovered from the pit to date, no official ruby studies have been undertaken yet, however, studies are currently underway. The rubies have been recovered from a sheet flow environment. The gravel horizon being sampled at the Alpha Deposit is not typically alluvial in nature but more of a colluvium. The colluvial gravels consist of loose unconsolidated material. The current (conceptual) geological model anticipates that the primary source to the rubies will be amphibolites located in the Montepuez area. The nature and exact location of the primary source(s) of the alluvial rubies is not entirely germane to the project and will not form the focus of current investigations.
Sample collection	• *Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (e.g. large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).* *Sample size, distribution and representivity.*	The reconnaissance samples have been small samples designed simply to establish the presence of rubies in the different gravel units. These will be expanded (in size and number) in order to estimate grade, value and stone size distribution and relevant confidence levels. As of 18 January 2017, 29 exploration samples (total of 34,119kgs) had been excavated, washed and sorted. 24,156 tonnes has been processed from the Alpha Deposit and as such, the results are not considered representative, either of the specific gravel, or of the project as a whole.
Sample treatment	• *Type of facility, treatment rate, and accreditation.* • *Sample size reduction. Bottom screen size, top screen size and re-crush.*	Gravel samples have been recovered from 29 separate pits, namely EXPIT 001 to EXPIT 025 and GA001 to GA004. These samples have all been derived from the gravel layers intercepted while pitting.

Criteria	Explanation	MUS Commentary
	• *Processes (dense media separation, grease, X-ray, hand-sorting, etc.).* • *Process efficiency, tailings auditing and granulometry.* *Laboratory used, type of process for micro diamonds and accreditation.*	Bulk samples cannot be processed at a laboratory – but are processed on site, through the Mustang plant, by Mustang personnel. The gravel is excavated using a hydraulic excavator (Daewoo 220) and transported to site by a Front End Loader. The sample area visually inspected and all gravels are excavated to bedrock (where the bedrock is friable, the sample includes some 10-15cm of bedrock to ensure collection of gravel and rubies that may have penetrated the bedrock). Excavation of the bulk sample area was carried out utilising a 45 ton Hitachi Zaxis 470 excavator and two to three 27 ton ADT7. All of the overburden for cut 1 and the cut 1 extension was dumped immediately adjacent to the pit Sample pits are measured and logged (with measuring tape by the geological staff) to estimate volumes and keep records of the material intercepted. The material is fed into Bushman Jigs. The action of the Bushman Jig's results in the lighter material being suspended and the denser material settling into the centre of the jig sieves. The sieve fractions are +14mm, -14+10mm, -10+8mm, -8+6mm, -6+4mm, -4+2mm. Each sieve is hand-sorted separately by two sorters in the presence of a security guard. Processing plant: 1 x Grizzly screen, 1 x Double decker sizing screen 2 x 16-foot rotary pan plant 1 x Classifier 2 x De-watering screens 1 x Glove box The entire gravel sample (-40+2mm fraction) is processed. Rubies smaller than 2mm have very little commercial potential and their loss is not at issue.
Carat	*One fifth (0.2) of a gram (often defined as a metric carat or MC).*	Metric carats ("ct") have been used throughout this document.

Criteria	Explanation	MUS Commentary
Sample grade	• *Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.* • *The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.* *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).*	Insufficient data has been recovered to estimate sample grades or ruby size frequency distribution, as yet.
Reporting of Exploration Results	• *Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.* • *Sample density determination.* • *Per cent concentrate and undersize per sample.* • *Sample grade with change in bottom cut-off screen size.* • *Adjustments made to size distribution for sample plant performance and performance on a commercial scale.* • *If appropriate or employed, geostatistical techniques applied to model stone size,*	As of 18 January 2016 (Table 1), 1,638.76 carats had been recovered (with a bottom cut-off size of 2mm). All of the rubies have, thus far, been recovered from the colluvial gravel unit. The current sample is considered too small to complete any sort of analysis. This will be reported when an appropriate size ruby sample has been recovered in the near future.

Criteria	Explanation	MUS Commentary
	distribution or frequency from size distribution of exploration diamond/gemstone samples. *The weight of diamonds/gemstones may only be omitted from the report when the diamonds/gemstones are considered too small to be of commercial significance. This lower cut-off size should be stated.*	
Grade estimation for reporting Mineral Resources and Ore Reserves	• *Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.* • *The sample crush size and its relationship to that achievable in a commercial treatment plant.* • *Total number of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.* • *Total weight of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.* *The sample grade above the specified lower cut-off sieve size.*	Mineral Resources and/or Ore Reserves have not yet been estimated for this project.

Value estimation	• *Valuations should not be reported for samples of diamonds/gemstones processed using total liberation method, which is commonly used for processing exploration samples.*
	• *To the extent that such information is not deemed commercially sensitive, Public Reports should include:*
	  ○ *Diamonds/gemstones quantities by appropriate screen size per facies or depth.*
	  ○ *details of parcel valued.*
		The ruby sample recovered to date is considered too small to be representative in terms of value and no such valuations have yet been undertaken.

Criteria	Explanation	MUS Commentary
	○ *number of stones, carats, lower size cut-off per facies or depth.* • *The average $/carat and $/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.* • *The basis for the price (e.g. dealer buying price, dealer selling price, etc.).* *An assessment of diamond/gemstone breakage.*	
Security and integrity	• *Accredited process audit.* • *Whether samples were sealed after excavation.* • *Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.* • *Core samples washed prior to treatment for micro diamonds/gemstones* • *Audit samples treated at alternative facility.* • *Results of tailings checks.* • *Recovery of tracer monitors used in sampling and treatment.* • *Geophysical (logged) density and particle density.* • *Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.*	All rubies are weighed, sealed and stored in a Category 4 safe on site. The site is secured by electric fencing and security guards are present 24/7. When transported from site to other locations (e.g. USA representatives) it is done in sealed parcels with documented parcel numbers. Receipt of a parcel is signed form by the recipient and cross-checked with the source records that are meticulously kept. Bulk-samples are not processed at an alternative facility. No audit of tailings has yet taken place – concentrated tailings are returned to the pit for rehabilitation. The Bushman Jig and processing plant efficiencies are monitored using industry standard tracer tests.

Criteria	Explanation	MUS Commentary
Classification	• *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.*	The uncertainty of the project is such that only Exploration Results are presented as conceptual Exploration Targets.