



9 March 2017

## MUSTANG TO EXPORT A FURTHER 25,000cts OF GEM-QUALITY RUBIES

Ruby inventory now at 37,291cts

### Highlights

- Mustang preparing to export its second commercial parcel of rubies totalling 25,000cts from its Montepuez Project in Mozambique
- Export parcel includes 4 special stones (29.88cts total weight), the two largest of which weigh 11.07cts and 7cts
- The large shipment has been made possible by the continued success of the bulk sampling together with the ongoing prospecting program which has seen the total inventory rise to 37,291 cts
- Potential for significant increases in processing rates with plant upgrades scheduled for mid-April 2017
- First sales revenue from special stones on track for H1-2017; larger sales volumes targeted for H2-2017
- Auger drilling program being accelerated to map the extensions of gravels across the licence area
- Newly acquired licence included in prospecting work program with highly prospective targets identified near the existing Mustang bulk sampling plant

### COMPANY INFORMATION

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

Current Shares on Issue:  
525,722,388  
Market Capitalisation:  
\$37.49M as at 7 March 2017

### COMPANY DIRECTORS

Ian Daymond  
Chairman

Christiaan Jordaan  
Managing Director

Cobus van Wyk  
Director

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Mustang Resources (**ASX: MUS**) is pleased to announce that it is set to export the second commercial parcel of gem-quality rubies from its Montepuez Project in Mozambique in a move which is expected to significantly increase the Company's sales revenue in 2017.

The parcel, which comprises 25,000cts, including four 'special stones' of 5 carats or more, stems from the outstanding results of the bulk sampling & prospecting program at Montepuez.

Mustang shipped its first commercial parcel of rubies, totalling 6,221cts, to the US earlier this year which included five special stones larger than 5cts including two 24ct rubies. These stones are now being prepared for sale by internationally-renowned gemstone cutter and polisher Meg Berry.

The success of the bulk sampling program has seen the total inventory on hand increase to 37,291cts from 14,952cts at the start of February 2017.

The cutting and certification of the five 'special-stones' delivered to the US at the end of January 2017 is well advanced, with at least three of the five stones to be completed and submitted with GIA for certification by the end of March. The remainder of the stones are scheduled for completion during April, after which they will be sold to select customers in the US.

Whilst the sale of select 'special-stones' will deliver the Company initial "proof of concept" revenue in Q2-2017, work on grading and preparing rubies for a larger volume sale in H2-2017 (through auction and/or direct sales) is well underway. This strategy will be aided by the export of the 25,000cts parcel to Thailand expected next week.

Given the fast growth in its gem-ruby inventory and increasing processing capacity and prospecting activities, the Company intends to have enough rough and cut stones to enable a sale of at least 50,000cts in H2-2017.

This will deliver Mustang significant cashflow from its prospecting and feasibility work program.

Auger drilling is progressing ahead of schedule with 578m completed in the past month and a further 1,200m planned in the coming three months. This will help delineate the extent (and volume) of prospective ruby-bearing gravels at the Montepuez Project.

Drilling has been planned on a north-west to south-east strike zone stretching from the north-west corner of licence 4143L, following which drilling will commence over licence 5030L.

Work on the installation of a new front-end (scrubber and dewatering screen) for the 75tph bulk sampling plant is well advanced, with delivery and commissioning scheduled for mid-April. These improvements will result in the Company having up to 1,500tpd processing capacity on the bulk sampling plant for the remainder of the year, with expected higher efficiencies and ruby recoveries.

**Mustang Managing Director Christiaan Jordaan said the bulk sampling & prospecting program was generating outstanding results and paving the way for significant cashflow.**

**"The processing rates are exceeding our targets and we are delighted with the ruby recoveries," Mr Jordaan said.**

**"This has enabled us to prepare another major parcel for export, which will in turn increase our 2017 cashflow substantially.**

**"At the same time, we are progressing the first rubies sent to the US, with cutting and polishing well underway."**

### **Processing to Date & Work Done by Mustang's Prospecting Teams**

Since the inception of the bulk sampling & prospecting program to date 22,815 m<sup>3</sup> of ruby-bearing gravel (including the immediate material above and below the gravel contacts) have been mined from the Alpha deposit and a number of new test pits. The material has been processed through the plant resulting in the recovery of 3,952 cts of high-quality ruby.

In addition to these recoveries, Mustang's prospecting teams (comprising artisanal miners operating within Mustang's licence areas) have been able to accelerate the discovery and testing of new areas which will then be followed up with bulk sampling and auger drilling including a newly discovered area

3km south east of the Alpha deposit where intensive artisanal activity is ongoing. Work done by Mustang's prospecting teams has resulted in the receipt of 33,339 cts of ruby of which 22,993.4cts were included in the second parcel of 25,000cts expected to be dispatched to Thailand during the week commencing 13 March 2017.





**Figure 1. Portion of the Mustang Gem-Ruby Inventory.**

### **Upgrades to bulk sampling plant to increase ruby recoveries**

In late December 2016, Mustang commissioned the construction of a complete new wet front-end for its 75tph bulk sampling processing plant. This new front-end is nearing completion and is scheduled for installation and commissioning in mid-April 2017.

The new front-end upgrades also include replacing all the conveyors with slurry pumps, installing a new water recirculation and treatment unit and several other plant improvements aimed at increasing processing efficiency.

These plant improvements were financed from proceeds of the December 2016 placement and have the potential to increase ruby recoveries significantly.

### **Export of 25,000cts to Thailand & Marketing Developments**

A parcel of rubies totalling 25,000cts (which includes rubies mined by Mustang and those recovered by its prospecting teams) is scheduled for export to Thailand during the week commencing 13 March 2017 for further grading and preparation prior to being sold to customers as part of an anticipated sale of >50,000cts gem-ruby in H2-2017. The Company has made rapid inroads in establishing key business relationships in Thailand, which is currently the world's leading processing and treatment centre for rubies and sapphires with many generations of experience and low cost bases.

Market development initiatives are ongoing and customer interest in ruby supply from the Mustang operations in Mozambique has been very strong.

### **Mustang Special Stones**

Included in the parcel being exported next week are 4 special stones (**Figure 2 below**) weighing a total of 29.88cts, including one 11ct high quality ruby and a beautiful 7ct stone. These rubies will be cut and sold to the Company's fast growing wholesale customer base in the United States.



**Figure 2. Some of the Mustang Special Stones included in second parcel**

A number of the five special stones being cut by award-winning gem-cutter Meg Berry at her facilities in San Diego, California are scheduled for completion by end of March 2017 following which they will be sold to customers in the USA.

### **Prospecting Work Program - Auger Drilling Campaign and Test Pits**

The auger drilling campaign is underway on Licence 4143L, testing for secondary mineralisation which is present at the Alpha Pit and numerous areas which are currently being targeted by the local artisanal miners across the Mustang concessions.

The auger drilling (Figure 3) is aimed at providing insight into the extension of the gravels on Mustang's licence areas by cheaply and efficiently delineating potential ruby-bearing material. The data from the drilling program will provide the Company with a better understanding of the stratigraphy and further targets for bulk sampling.





Figure 3. Auger Drilling on Montepuez Ruby Project, February 2017



Figure 4. Location map of auger drilling boreholes surrounding Pit 21. Further planned auger holes are shown in Figure 6.

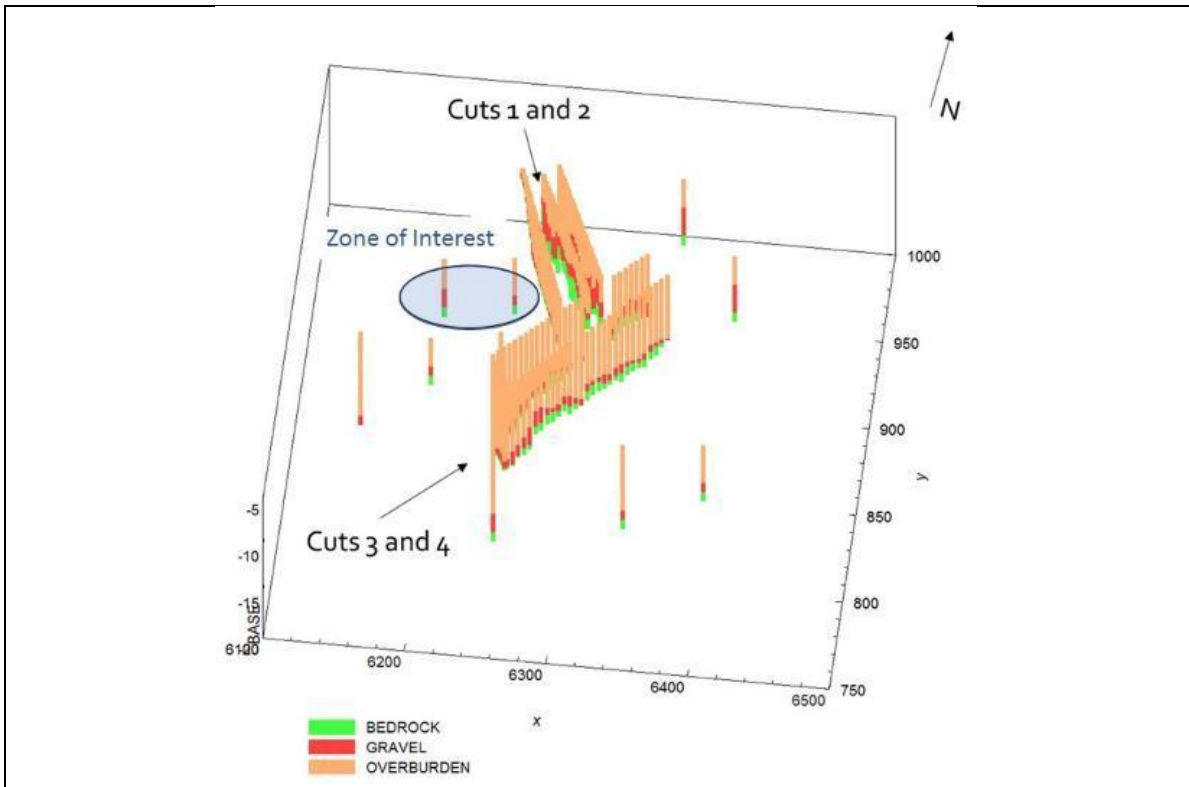


Figure 5. XYZ plot of the cuts of Alpha Pit (measured each 2.5m along the walls) and the surrounding auger holes.



Figure 5 above shows cuts from the Alpha Pit (measured at 2.5m intervals along the cut sidewalls) combined with the surrounding auger holes (50m around the Pit). The results clearly show a deepening of the gravel towards the SW which seems continuous based on the series of auger holes drilled. However, the two auger holes drilled directly west of Cut 2 (circled in blue in Figure 5) both contained good gravels intersected at relatively shallow depths. As such the extension of the Alpha Pit is being done in this direction.

Currently, the drill program is concentrated on a 200m E-W line spacing running along the NW-SE regional trend (depicted as red points which have already been drilled and black points, still to be drilled, in Figure 6 above). This drilling program is concentrating on the regional extension of the ruby gravel to demonstrate the potential for ruby mineralisation across the whole licence area. This has been confirmed with both Serafina 6 and Pit 117 (seen in Figure 6 above) where rubies have been found in test pits. The 200m spacing is convenient at present – allowing for a large distribution of data. Phase 2 of the drilling will follow up with auger drilling being done at 100m spacings and then 50m intervals, as and if required.

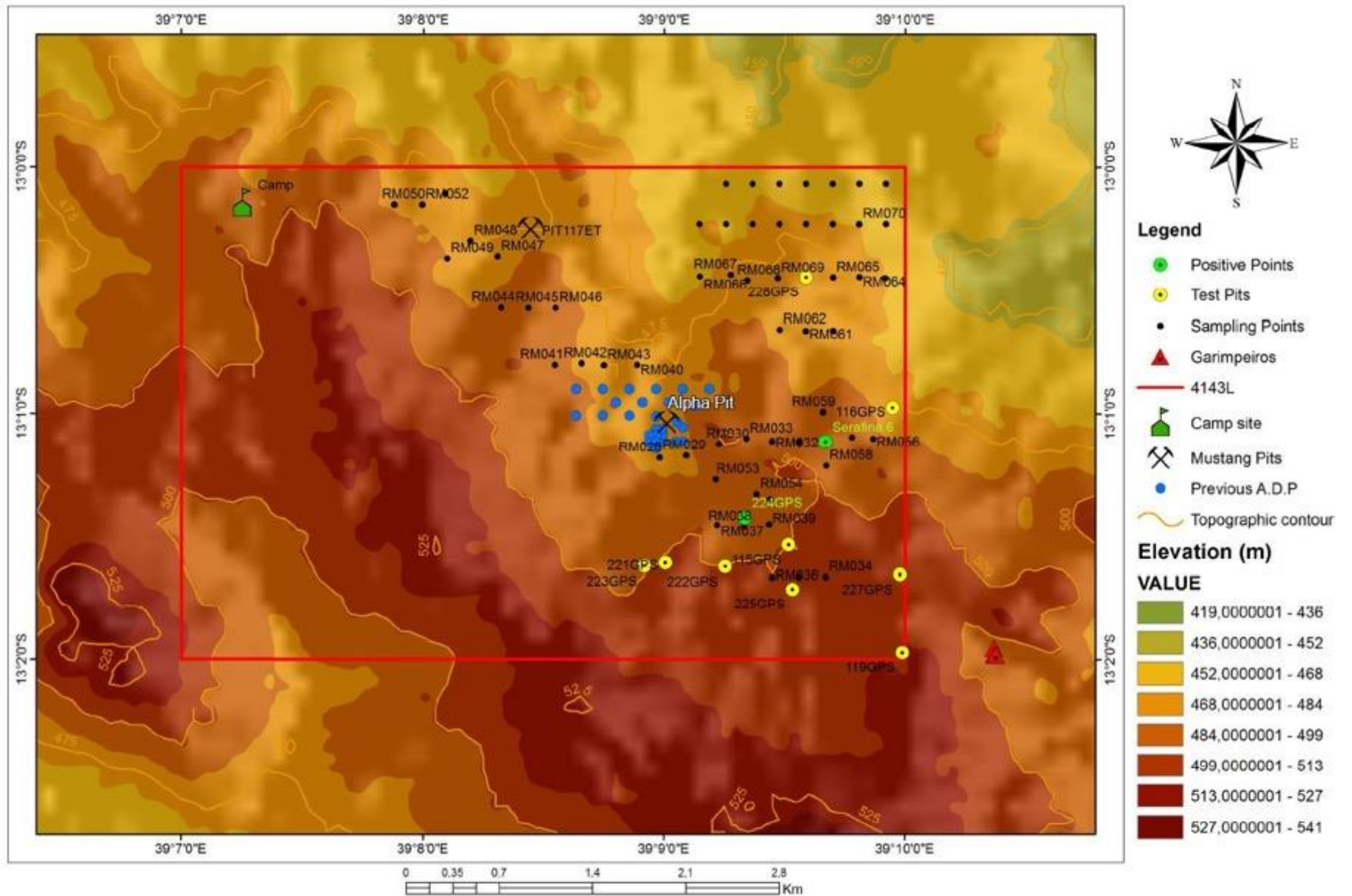


Figure 6. Topographic map of 4143L highlighting planned auger drilling program and test pits (yellow dots).

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
<p><i>Sampling techniques</i></p>	<ul style="list-style-type: none"> <li>• <i>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.</i></li> <li>• <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></li> <li>• <i>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.</i></li> </ul>	<p>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.</p> <p><u>Depositional environments</u></p> <p>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.</p> <p><u>Grade variation</u></p> <p>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.</p> <p>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.</p>

Criteria	JORC Code Explanation	MUS Commentary
		<p>Drilling is used for stratigraphic information and to estimate thickness of overburden, gravel and the depth and nature of the bedrock.</p> <p>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.</p> <p>Ruby recovery is dependent on mechanical recovery through standard heavy mineral separation techniques.</p> <p>All drilling has been completed using an Auger drill, all auger holes have been sampled for rubies and the presence of gravels noted. The composite samples size may vary depending on the length of the geological unit within the hole. The hole was logged, samples were collected in situ at the drill site and then washed and tested in the Bushman Jigs on site.</p> <p>Stratigraphic information has been obtained from limited pitting by hydraulic Daewoo 220 excavator, auger drilling and the bulk sampling completed with a Hitachi Zaxis 47 excavator.</p>
<i>Drilling techniques</i>	<ul style="list-style-type: none"> <li><i>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).</i></li> </ul>	<p>Auger drilling has and currently is being carried out by Major Drilling Mozambique S.A.</p>
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> <li><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></li> <li><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></li> <li><i>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.</i></li> </ul>	<p>Sample is collected and lifted from the auger flights. Care is taken to ensure that the material lifted is not due to the material falling back into the hole.</p> <p>Details regarding bulk-sampling is presented in Section 5.</p>

Criteria	JORC Code Explanation	MUS Commentary
Logging	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>• The total length and percentage of the relevant intersections logged.</li> </ul>	<p>All excavated faces of the pits (stratigraphic pits and sample trenches) are logged and photographed.</p> <p>Logging is semi-quantitative with stratigraphic and lithological units described and thicknesses noted.</p>
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> <li>• If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>• If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>• For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>• Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>• 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.</li> <li>• Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<p>All the auger holes are logged geologically by Mustang's geologists</p> <p>The bulk sampling programme is industry standard for low-grade alluvial/elluvial deposits.</p> <p>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.</p> <p>As of 18 January 2016, the total bulk sample size that has been washed is 8,294m<sup>3</sup>. 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.</p>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>• 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.</li> <li>• Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and</li> </ul>	<p>All holes are logged geologically. All gravel samples are collected and washed at the Bushman's Jig on site.</p> <p>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.</p> <p>All of the geological exploration samples are processed through a Bushman Jig on site.</p>

Criteria	JORC Code Explanation	MUS Commentary
	<p><i>whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i></p>	<p>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.</p>
<p><i>Verification of sampling and assaying</i></p>	<ul style="list-style-type: none"> <li>• <i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li>• <i>The use of twinned holes.</i></li> <li>• <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li>• <i>Discuss any adjustment to assay data.</i></li> </ul>	<p>All drill holes are logged on paper at the drill site and then entered onto the site's office computer.</p> <p>No twinning of holes has been undertaken in this program</p> <p>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.</p> <p>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.</p>
<p><i>Location of data points</i></p>	<ul style="list-style-type: none"> <li>• <i>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.</i></li> <li>• <i>Specification of the grid system used.</i></li> <li>• <i>Quality and adequacy of topographic control.</i></li> </ul>	<p>Pitting sites and auger hole collars 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.</p> <p>The Company is using to UTM WGS 84 – Zone 37s grid system.</p> <p>Currently, topographic control is based on available 1:250,000 topographic maps. As the programme progresses, elevation data will be provided by professional survey.</p>
<p><i>Data spacing and distribution</i></p>	<ul style="list-style-type: none"> <li>• <i>Data spacing for reporting of Exploration Results.</i></li> <li>• <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity</i></li> </ul>	<p>The tight spaced auger holes were spaced on a 50m x 50m grid around the bulk sampling pits. Moving away from the pits, the sampling lines</p>

Criteria	JORC Code Explanation	MUS Commentary
	<p><i>appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <ul style="list-style-type: none"> <li><i>Whether sample compositing has been applied.</i></li> </ul>	<p>moved to a 200m spaced line, moving from the NW of the concession 4143L towards the SE of the concession.</p> <p>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:</p> <ul style="list-style-type: none"> <li>The large size of the individual samples.</li> <li>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.</li> </ul> <p>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.</p> <p>The reconnaissance sample results have not been composited, but are presented on a pit by pit basis.</p>
<p><i>Orientation of data in relation to geological structure</i></p>	<ul style="list-style-type: none"> <li><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> <li><i>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.</i></li> </ul>	<p>The stratigraphic pitting completed to date and all drilling is considered as reconnaissance exploration data which will assist in determining the extent and orientation of the gravel units.</p> <p>Insufficient data currently exists to determine whether sample bias is present.</p>
<p><i>Sample security</i></p>	<ul style="list-style-type: none"> <li><i>The measures taken to ensure sample security.</i></li> </ul>	<p>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.</p> <p>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.</p>



Criteria	JORC Code Explanation	MUS Commentary
		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.
<i>Audits or reviews</i>	<ul style="list-style-type: none"> <li>• <i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul>	No external audits have been undertaken for this stage of work.

## Section 2. Reporting of Exploration Results

Criteria	Explanation	MUS Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> <li><i>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.</i></li> <li><i>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.</i></li> </ul>	<p>Ownership of land and mineral rights in Mozambique is vested in the State. Companies may apply for Prospecting and Exploration or Mining Licences from the Minister of Mineral Resources and Energy. The issue of any licence is contingent on compliance with environmental regulations and risk management as well as the provision of a socio-economic upliftment program.</p> <p>Obligations for holders of Prospecting and Exploration Licences include the submission of an annual report, an investment plan, a work plan and a proposed budget.</p> <p>Mustang's Montepuez Ruby Project covers three Prospecting and Exploration Licences: 5030L (14,047.4 ha), 4258L (503.08 ha) and 4143L (2,012.27 ha) as measured on the Company's GIS System, and 8245L which is being acquired</p> <p>An Exploration Licence allows for the exploration (including bulk-sampling) of mineral resources but not exploitation. Licences 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 Licence can be converted into a Mining Licence or a new licence must be applied for.</p> <p>All the licences 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.</p>
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> <li><i>Acknowledgment and appraisal of exploration by other parties.</i></li> </ul>	<p>No prior exploration work has been done by other parties on the licence areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country-wide airborne magnetic and radiometric geophysical surveys flown over the region by the Government of Mozambique.</p>
<i>Geology</i>	<ul style="list-style-type: none"> <li><i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>	<p>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/</p>

Criteria	Explanation	MUS Commentary
		<p>Si and Al rich) crustal nuclei of Archean age (around 3.5Ga) old primordial crust.</p> <p>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.</p>
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <li>• <i>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:</i></li> <li>• <i>easting and northing of the drill hole collar</i></li> <li>• <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li>• <i>dip and azimuth of the hole</i></li> <li>• <i>down hole length and interception depth</i></li> <li>• <i>hole length.</i></li> <li>• <i>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.</i></li> </ul>	<p>Auger results are used, primarily, to define the presence of gravel units and to estimate their thicknesses, which data will, in conjunction with localised pitting 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.</p> <p>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.</p>

Criteria	Explanation	MUS Commentary
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> <li>• <i>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.</i></li> <li>• <i>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.</i></li> <li>• <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul>	<p>Data aggregation methods are not, typically, applicable to alluvial/elluvial ruby deposits. All results are shown as obtained.</p> <p>Insufficient data has been obtained to estimate grade and/or ruby value at present.</p>
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <li>• <i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li>• <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li>• <i>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').</i></li> </ul>	<p>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.</p>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>• <i>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.</i></li> </ul>	<p>Appropriate scale map and plans with scale and north points are included in the announcement.</p>

Criteria	Explanation	MUS Commentary
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	All available exploration results have been reported.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<p>Regional geological mapping and regional airborne geophysics (magnetics and radiometrics) have been obtained from the Mozambican Government.</p> <p>The geophysics datasets are continually being used to aid in interpretations and plan drill hole program collar locations.</p> <p>Bulk sampling is described in Section 5.</p>
<i>Further work</i>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (e.g tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<p>The results to date simply identify the presence of ruby in the alluvial gravel deposits on licence 4143L.</p> <p>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.</p> <p><u>Drilling</u></p> <p>Currently, Phase 2A comprises plans for some 2,400m of auger drilling to identify bedrock variation, gravel distribution and Resource estimation.</p> <p><u>Exploration-sampling</u></p> <p>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.</p>

Criteria	Explanation	MUS Commentary
		<p>Further, the gravel from the pits will be characterised to determine what additional exploration techniques might be applied.</p> <p><u>Bulk-sampling</u></p> <p>By 8 March 2017, the fourth cut of Alpha deposit had 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.</p>

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

Criteria	Explanation	MUS Commentary
<i>Indicator minerals</i>	<i>Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.</i>	Indicator minerals have not been sampled for and no reports have been prepared as such minerals are not applicable to alluvial ruby deposits.
<i>Source of diamonds/gemstones</i>	<i>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.</i>	<p>A total of 3,952.68 carats have been recovered from the pit to date, no official ruby studies have been undertaken yet, however, studies are currently underway.</p> <p>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.</p> <p>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.</p>
<i>Sample collection</i>	<ul style="list-style-type: none"> <li><i>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).</i></li> </ul> <p><i>Sample size, distribution and representivity.</i></p>	<p>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.</p> <p>As of 8 March 2017, 29 exploration samples, from the localised pitting work (total of 34,119kgs) had been excavated, washed and sorted. Of the Bulk sample 35,363 tonnes (22,815 m<sup>3</sup>) has been processed from the Alpha Deposit and EXPIT 117ET and as such, the results are not considered representative, either of the specific gravel, or of the project as a whole.</p>

Criteria	Explanation	MUS Commentary
<p><i>Sample treatment</i></p>	<ul style="list-style-type: none"> <li>• <i>Type of facility, treatment rate, and accreditation.</i></li> <li>• <i>Sample size reduction. Bottom screen size, top screen size and re-crush.</i></li> <li>• <i>Processes (dense media separation, grease, X-ray, hand-sorting, etc.).</i></li> <li>• <i>Process efficiency, tailings auditing and granulometry.</i></li> </ul> <p><i>Laboratory used, type of process for micro diamonds and accreditation.</i></p>	<p>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.</p> <p>Bulk samples cannot be processed at a laboratory – but are processed on site, through the Mustang plant, by Mustang personnel.</p> <p>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).</p> <p>Excavation of the bulk sample area was carried out utilizing 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.</p> <p>Sample pits are measured and logged (with measuring tape by the geological staff) to estimate volumes and keep records of the material intercepted.</p> <p>The material is fed into Bushman Jigs. The action of the Bushman Jigs 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.</p> <p>Processing plant:</p> <ul style="list-style-type: none"> <li>1 x Grizzly screen,</li> <li>1 x Double decker sizing screen</li> <li>2 x 16-foot rotary pan plant</li> <li>1 x Classifier</li> <li>2 x De-watering screens</li> <li>1 x Glove box</li> </ul> <p>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.</p>



Criteria	Explanation	MUS Commentary
Carat	<i>One fifth (0.2) of a gram (often defined as a metric carat or MC).</i>	Metric carats (“ct”) have been used throughout this document.
Sample grade	<ul style="list-style-type: none"> <li>• <i>Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.</i></li> <li>• <i>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.</i></li> </ul> <p><i>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).</i></p>	Insufficient data has been recovered to estimate sample grades or ruby size frequency distribution, as yet.
Reporting of Exploration Results	<ul style="list-style-type: none"> <li>• <i>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.</i></li> <li>• <i>Sample density determination.</i></li> <li>• <i>Per cent concentrate and undersize per sample.</i></li> </ul>	<p>As of 8 March 2017 3,952.68 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.</p> <p>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.</p>

Criteria	Explanation	MUS Commentary
	<ul style="list-style-type: none"> <li>• <i>Sample grade with change in bottom cut-off screen size.</i></li> <li>• <i>Adjustments made to size distribution for sample plant performance and performance on a commercial scale.</i></li> <li>• <i>If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond/gemstone samples.</i></li> </ul> <p><i>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.</i></p>	
<p><i>Grade estimation for reporting Mineral Resources and Ore Reserves</i></p>	<ul style="list-style-type: none"> <li>• <i>Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.</i></li> <li>• <i>The sample crush size and its relationship to that achievable in a commercial treatment plant.</i></li> <li>• <i>Total number of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.</i></li> <li>• <i>Total weight of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.</i></li> </ul> <p><i>The sample grade above the specified lower cut-off sieve size.</i></p>	<p>Mineral Resources and/or Ore Reserves have not yet been estimated for this project.</p>
<p><i>Value estimation</i></p>	<ul style="list-style-type: none"> <li>• <i>Valuations should not be reported for samples of diamonds/gemstones processed using total liberation method, which is commonly used for processing exploration samples.</i></li> </ul>	<p>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.</p>

Criteria	Explanation	MUS Commentary
	<ul style="list-style-type: none"> <li>• <i>To the extent that such information is not deemed commercially sensitive, Public Reports should include:</i> <ul style="list-style-type: none"> <li>○ <i>Diamonds/gemstones quantities by appropriate screen size per facies or depth.</i></li> <li>○ <i>details of parcel valued.</i></li> <li>○ <i>number of stones, carats, lower size cut-off per facies or depth.</i></li> </ul> </li> <li>• <i>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.</i></li> <li>• <i>The basis for the price (e.g. dealer buying price, dealer selling price, etc.).</i></li> </ul> <p><i>An assessment of diamond/gemstone breakage.</i></p>	
<p><i>Security and integrity</i></p>	<ul style="list-style-type: none"> <li>• <i>Accredited process audit.</i></li> <li>• <i>Whether samples were sealed after excavation.</i></li> <li>• <i>Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.</i></li> <li>• <i>Core samples washed prior to treatment for micro diamonds/gemstones</i></li> <li>• <i>Audit samples treated at alternative facility.</i></li> <li>• <i>Results of tailings checks.</i></li> <li>• <i>Recovery of tracer monitors used in sampling and treatment.</i></li> <li>• <i>Geophysical (logged) density and particle density.</i></li> </ul>	<p>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.</p> <p>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.</p> <p>The Bushman Jig and processing plant efficiencies are monitored using industry standard tracer tests.</p>

Criteria	Explanation	MUS Commentary
	<ul style="list-style-type: none"> <li>• <i>Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.</i></li> </ul>	
<i>Classification</i>	<ul style="list-style-type: none"> <li>• <i>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.</i></li> </ul>	<p>The uncertainty of the project is such that only Exploration Results are presented as conceptual Exploration Targets.</p>