MUSTANG RESOURCES LIMITED

ACN 090 074 785

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 2:00pm (Sydney time)

DATE: 22 May 2017

PLACE: The Offices of Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1 (Refer to Resolution 1). The Independent Expert's Report comments on the fairness and reasonableness of the Ruby Acquisition to the non-associated Shareholders. The Independent Expert has determined the Ruby Acquisition is **not fair but reasonable** to the non-associated Shareholders.

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm (Sydney time) on 20 May 2017.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – RUBY ACQUISITION

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

"That, for the purposes of section 208 of the Corporations Act, ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for the Company to complete the Ruby Acquisition including paying the Cash Consideration (US$100,000 in reimbursement of expenditure incurred by Regius Resources Group Ltd) and issuing 30,000,000 Shares to Regius Resources Group Ltd (or its nominee) and otherwise on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction, Regius Resources Group Ltd (or its nominee), and any of their associates (**Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not an Excluded Party, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Ruby Acquisition to the non-associated Shareholders. The Independent Expert has determined the Ruby Acquisition is **not fair but reasonable** to the non-associated Shareholders. A copy of the Independent Expert's Report is available on the Company's website (http://www.mustangresources.com.au/). If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 1 SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 68,572,467 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – PLACEMENT OF TRANCHE 2 SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 7,792,213 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – APPROVAL UNDER SECTION 195 OF THE CORPORATIONS ACT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 195(4) of the Corporations Act and for all other purposes, approval is given for Christiaan Jordaan to be present and vote at Board meetings on matters relating to the Management & Technical Services Agreement between the Company and Regius Resources Group Ltd."

Dated: 7 April 2017

By order of the Board

Robert Marusco
Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9217 2400.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. BACKGROUND TO PROPOSED RUBY ACQUISITION

1.1 Summary of the Ruby Acquisition

As announced on 28 February 2017, the Company has entered a conditional term sheet with Regius Resources Group Ltd (**Regius**) to acquire a 65% interest in a highly prospective ruby licence bordering its Montepuez Ruby Project in Mozambique (**Term Sheet**). Regius is a party to a joint venture agreement with the registered holder of licence 8245L (**Licence**) (**Joint Venture Agreement**). Pursuant to the Term Sheet the Company will acquire all of Regius' rights and interest, including its obligations and liabilities, under the Joint Venture Agreement (**Ruby Acquisition**).

Regius is an entity controlled by Cobus van Wyk (a director and holder of a 60% shareholding interest in Regius), a Director and therefore is a related party of the Company under the Corporations Act and the ASX Listing Rules. Christiaan Jordaan, the Managing Director of the Company, has a material personal interest in the Ruby Acquisition by virtue of his 20% shareholding interest in Regius. As at the date of this Notice, Regius has a relevant interest in 29,725,308 Shares (5.65%) and on completion of the Ruby Acquisition Regius will have a relevant interest in 59,725,308 Shares (10.7% assuming no further Shares are issued, whether from the exercise of Options, vesting of Performance Rights or otherwise) (or 10.6% assuming the maximum of 7,792,213 Shares the subject of Resolution 3 are issued but no other Shares are issued). In addition, Regius is the holder of 6,860,000 Performance Rights (which vest on proving a JORC compliant inferred graphite resource of a minimum of 50 million tonnes at >5% total graphite content on any of the licences comprising the Balama Project (4661L, 4662L, 5873L, 6527L, 6636L, 6678L) on or before 31 December 2019).

A summary of the material terms of the Term Sheet and the Joint Venture Agreement is set out in Section 1.2.

1.2 Material terms of the transaction documents

Term Sheet

The material terms of the Term Sheet are as follows:

(a) (**Ruby Acquisition**) Regius agrees to assign to the Company (or its nominee) and the Company accepts the assignment from Regius of all of Regius' rights and interest, including Regius' obligations and liabilities, under the Joint Venture Agreement on the terms and conditions set out in the Term Sheet;

(b) (**Conditions Precedent**) Settlement of the Ruby Acquisition is conditional upon the satisfaction or waiver of the following conditions:

(i) **Due diligence**: completion of legal and geological/technical due diligence by the Company on the Licence and the Joint Venture Agreement to the absolute satisfaction of the Company;

(ii) **No Recompliance**: the Company obtaining written confirmation from ASX Limited that ASX Listing Rule 11.1.3 does not apply to the Ruby Acquisition;

(iii) **Shareholder Approvals**: the Company obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules, Corporations Act or any other law, including in Mozambique, to allow the Company (or its nominee) to lawfully complete the matters set out in the Term Sheet (**Shareholder Approvals**);

(iv) **Independent Expert's Report**: any independent expert's report prepared for the purpose of the Shareholder Approvals concluding that the Ruby Acquisition is either fair and reasonable or not fair but reasonable to the non-associated shareholders of the Company;

(v) **Regulatory Approvals**: the Company obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law, including in Mozambique, to allow the Company (or its nominee) to lawfully complete the matters set out in the Term Sheet;

(vi) **Third Party Approvals**: the Company obtaining all necessary third party consents, approvals or waivers to allow the Company (or its nominee) to complete the matters set out in the Term Sheet, each of which is unconditional or subject only to conditions reasonably acceptable to the Company;

(vii) **Shareholders and Loan Agreements**: the Company (or its nominee) and the current holder of the Licence entering into a shareholders agreement and a loan agreement as contemplated by the Joint Venture Agreement; and

(viii) **Management & Technical Services Agreement**: the Company and Regius entering into an agreement in relation to the management of the activities conducted on the Licence pursuant to the Joint Venture Agreement.

on or before 5:00pm (Perth time) on 30 June 2017;

(c) (**Consideration**): the consideration payable by the Company for the Ruby Acquisition is the:

(i) issue to Regius (or its nominee) of 30,000,000 Shares (**Consideration Shares**); and

(ii) payment of US$100,000 to Regius (or its nominee) for reimbursement of expenditure incurred by Regius (**Cash Consideration**); and

(d) (**Right to acquire Rubies and Other Saleable Products**): On and from the date the Term Sheet has been executed by the Company and Regius (**Execution Date**), Regius grants the Company a first right to acquire, at cost, any rubies and any other products capable of being sold, that have been extracted from the area the subject of the Licence (**Rubies and Other Saleable Products**), and which have been obtained or bought by Regius or an Affiliate (being any other person or entity directly or indirectly controlling, controlled by or under common control with the Vendor). Regius agrees this right applies to Rubies and any Other Saleable Products which have been obtained or bought by Regius or an Affiliate prior to the Execution Date and which have not been on sold by Regius or the Affiliate prior to the Execution Date.

Within 7 days after:

(i) the Execution Date, Regius must give written notice to the Company of any Rubies and Other Saleable Products which have been obtained or bought by Regius or an Affiliate prior to the Execution Date; and

(ii) Regius or an Affiliate obtaining or buying any Rubies or Other Saleable Products, Regius must give written notice to the Company of any such Rubies and Other Saleable Products,

together with evidence of the cost to the satisfaction of the Company and such other details reasonably required by the Company to make a decision whether to exercise its right under this clause (**Notice**).

The Company has 30 days to acquire some or all of the Rubies and Other Saleable Products following receipt of a Notice by payment in cash to Regius of the cost specified in the relevant Notice for the Rubies and Other Saleable Products the Company has elected to acquire.

In the event the Company does not exercise this right, Regius is entitled to sell such Rubies and Other Saleable Products to a third party subject to such sale being not less than the cost specified in the relevant Notice.

Joint Venture Agreement

On completion of the Ruby Acquisition the Company will acquire all of Regius' rights and interest, including its obligations and liabilities, under the Joint Venture Agreement.

The material terms of the Joint Venture Agreement (assuming the Company has assumed all of Regius' rights and obligations) are as follows:

(a) (**Incorporated Joint Venture**) A new entity is to be incorporated in Mozambique with the following shareholdings (65% the Company and 35% the current holder of the Licence (**Holder**)) (**JV Co**) with the Licence to be transferred to JV Co;

(b) (**Conditions precedent**) Commencement of the joint venture is conditional upon the satisfaction or waiver of the following conditions:

(i) **Due diligence**: completion of legal and geological/technical due diligence by the Company on the Licence confirming that the Licence is in good standing and in full compliance with applicable legislation and proving the existing of rubies on the Licence;

(ii) **Incorporation and transfer**: JV Co being incorporated and the Licence being transferred from the Holder to JV Co and the issuance of valid exploration licence in the name of JV Co by the applicable government authority in Mozambique; and

(iii) **Government approval**: obtaining approval from the applicable government authority in Mozambique to conduct a bulk sample of at least 150,000 tons, including approval of an amended exploration work program and an amended environmental management plan;

(c) (**Board composition**) There will be no change to the Board as a result of the Ruby Acquisition, however, the Holder will be entitled to appoint 1 of the 3 directors the board of JV Co. The director appointed by the Holder will be paid a consulting fee US$3,000 per month (inclusive of applicable taxes) from 1 June 2017;

(d) (**Work program and budget**) The proposed work program and budget has to be approved by all directors of JV Co and in the absence of unanimous approval as determined by an expert appointed by the board of JV Co or JV Co's auditors if the board of JV Co cannot agree on an expert;

(e) (**Bulk sampling program commitment**) The Company undertakes to conclude its initial bulk sampling and exploration program on the Licence within 18 months after satisfaction of the conditions precedent;

(f) (**Termination rights**) Where the deadlines in the pre-agreed initial bulk sampling and exploration program are not adhered to the Holder will provide the Company 30 days to rectify the non-compliance and if not rectified the Holder will have the right to cancel the joint venture;

(g) (**Funding**) The Company is solely responsible for all expenditure of JV Co with the Holder free carried for the duration of the project and no dilution to its shareholding in JV Co. The Company will fund JV Co through interest free loans;

(h) (**Distributions**) 100% of the revenues generated from the sale of rubies recovered from the Licence during the bulk sampling program will be used to repay the loan balance for the bulk sampling program and once that loan is repaid profits will be distributed in proportion to the shareholdings in JV Co. Loans made to JV Co by the Company for other purposes (e.g. commercial scale mining operations), or any balance remaining from the loan relating to the bulk sampling program which remains unpaid after the distribution of all revenue generated from the sale of rubies recovered from the Licence during the bulk sampling program, will be repaid by distributing 50% of the revenues generated from the sale of rubies recovered from the Licence to repayment of the loan with the remaining 50% distributed proportionately to the shareholders of JV Co;

(i) (**Put Option**) The Holder will have the right to sell its shares in JV Co to the Company for cash or listed shares at any time following identification of a mineable resource on the Licence at a valuation to be determined by an independent expert;

(j) (**Decision to mine payment**) The Company will be required to pay the current licence holder US$1,500,000 following the successful completion of the bulk sampling program which leads to the decision by the Company to start full-scale mining; and

(k) (**Decision not to proceed**) Should the Company decide not to proceed with the project it agrees to sell its interest in JV Co to the Holder for MZM10 (~0.02 cents) and write off all shareholder loans.

1.3 Montepuez Ruby Project

The Montepuez Ruby Project is the Company's flagship project. This project is located within the Montepuez complex in the Cabo Delgado Province of northern Mozambique (**Montepuez Complex**). The licences in which the Company has interests lie along the established NW-SE ruby mineralisation trend and extensive mineralisation can also be found immediately to the southeast of those licences.

As announced to the ASX on 20 January 2017, the Company has sent its first commercial batch of rubies to US service providers and customers. Subsequently, the Company has sent a second commercial parcel of rubies to Thailand for further grading and preparation prior to being sold to customers, as announced to ASX on 9 March 2017. Also, as announced to ASX on 9 February 2017, the Company has increased its processing capacity since relocating its processing plant late last year and has now achieved its production target of processing 525 tonnes a day, which is triple the rate recorded at its previous processing plant, and is continuing to ramp up processing towards 1,500 tonnes a day.

1.4 International ruby market

The international market for Mozambican rubies is very significant and increasing largely due to the marketing efforts by Gemfields. The prices for Mozambican Ruby published by Gemfields are significant and even a modestly sized primary or secondary ruby discovery has a good potential to be economically viable for the foreseeable future.

Rubies from the Montepuez region of Mozambique are very important to the trade because of the large quantities and the wide range of qualities and sizes produced. Their colours bridge the gap between those from the classic sources of Burma (highly fluorescent, with low iron content) and Thailand/Cambodia (weakly fluorescent, with high iron content). Whilst rubies owe their red colour to chromium, their colour is modified by the presence of iron, which reduces the chromium-caused fluorescence. An interesting aspect of rubies from the amphibole-related deposit near the Montepuez region of Mozambique is their range of iron content, from nearly as low as Burmese marble-type rubies to as high as rubies found in basalt-related deposits along the Thai-Cambodian border. This means they can potentially suit the tastes of a range of different markets.

1.5 Details of Licence

Title

The Licence was granted on 16 December 2016 and has an expiry date of 16 December 2021 and is able to be renewed until 16 December 2024.

Geology

The Licence lies within the Montepuez Complex, an extremely geologically and structurally deformed complex defined in part by its unique geophysical signatures compared to surrounding areas. The Licence covers 3500ha, sits between the Montepuez Ruby Project and a key secondary deposit being mined by Gemfields PLC (AIM:GEM), is only 3km directly south-east of the Company's plant site and Alpha ruby deposit.

Importantly, the Licence is covered by similar lithologies as those found in the Gemfields PLC project areas and the potential thus exists for similar ruby mineralisation, both primary and secondary, especially given that the regional area is structurally very complex. However, the Directors note that further work is required to be undertaken on the Licence to determine the existence and quality of rubies within the Licence.

An analysis of the high resolution aeromagnetic data of the area shows several SE-NW trending lineaments which transect the licence area as well as the Gemfields licence areas to the south-east. These lineaments / faults may have played a role in the localisation of ruby associated magmas or fluids or the remobilisation thereof.

The Licence has extensive artisanal activity which has proven secondary ruby mineralisation within 3km of the Company's Alpha ruby deposit. These deposits were also "ground-truthed" by independent consultant and ruby exploration specialist Paul Allan, who noted there were approximately 50 to 100 active artisanal miners in the area. The rubies that the artisanal miners presented to Paul Allan were high quality and notably secondary (abraded with pockmarks).

The presence of artisanal activity within the Licence, combined with its prospective geology, provide high priority targets for further prospecting, including the undertaking of bulk sampling activities.

Further details of the Licence are set out in Appendix 3 to the Independent Expert's Report.

Proposed activities

The Company plans to prospect the areas along the southeast/northwest mineralisation trend aggressively through auger drilling and pitting. An access road will be built to the area currently being mined by artisanals on the Licence and ruby-bearing gravels will be transported to the Company's existing plant for processing and further analysis as part of the Company's broader bulk sampling program. Due to the prospectivity of the Licence and the quality (and size) of the rubies being recovered by local miners, the Company intends to fast-track the development of the Licence.

1.6 Additional risk factors

Completion of the Ruby Acquisition will increase the Company's company risk exposure to Mozambique. However, the Board considers that Mozambique is still a favourable investment destination within Africa and intends to mitigate any country risk exposure through continued good relationships with the local and national governments of Mozambique and to continued prudent good management of its projects.

The Directors do not consider there are any other additional risks as a result of the Ruby Acquisition that Shareholders are not already exposed to by an investment in the Company.

1.7 Advantages of the Ruby Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

(i) Completion of the Ruby Acquisition will result in the logical expansion of the Company's ruby interests in Mozambique, which is the country on which the Company is strategically focused and where a member of its key personnel (Cobus van Wyk & Christiaan Jordaan) have longstanding experience and familiarity with operations;

(ii) Completion of the Ruby Acquisition is expected to provide the Company with the opportunities to discover and recover rubies and provide a further opportunity for early stage cash flow with limited capital expenditure and low operating costs;

(iii) The Licence is located in a world-class geological setting adjacent to and in the same geology as the world's largest known ruby deposit, currently being developed by the AIM-listed company Gemfields Plc;

(iv) The Licence is located in close proximity to the Company's existing plant; and

(v) Completion of the Ruby Acquisition will increase the areas of prospective ruby recoveries and enable the Company to continue to establish and to maintain itself as a major player in ruby recoveries in Mozambique without allowing another party to acquire a controlling interest in the Licence.

1.8 Disadvantages of the Ruby Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

(i) Completion of the Ruby Acquisition will increase the Company's country risk exposure to Mozambique. However, the Board considers that Mozambique is still a favourable investment destination within Africa and intends to mitigate any country risk exposure through continued good relationships with the local and national governments of Mozambique and to continued prudent good management of its projects; and

(ii) The consideration payable to Regius for the Ruby Acquisition is primarily Shares which will result in dilution of all existing shareholders interests in the Company, although the asset portfolio of the Company will be increased by the Ruby Acquisition.

1.9 Pro forma balance sheet

An unaudited pro-forma balance sheet of the Company following completion of the Ruby Acquisition and the issue of the Tranche 1 Shares forming part of the Capital Raising is set out in section 10.1 of the Independent Expert's Report.

1.10 Intentions if Ruby Acquisition is not approved

If the Ruby Acquisition is not approved the Company intends to focus its exploration activities and to re-allocate funds allocated to the 8245L on its existing licences 4143L, 4258L & 5030L; and to focus upon its Balama and Caula Graphite Projects in northern Mozambique.

2. RESOLUTION 1 – RUBY ACQUISITION

2.1 General

As outlined in Section 1.1, the Company has entered into the Term Sheet in relation to the Ruby Acquisition.

The Company is required to obtain Shareholder approval under ASX Listing Rules 10.1 and 10.11 as well as section 208 of the Corporations Act in order to complete the Ruby Acquisition. Resolution 1 seeks these approvals.

2.2 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a related party of the entity, a substantial holder or one of its associates, without the prior approval of holders of the entity's ordinary shareholders.

Acquisition

The Ruby Acquisition is an acquisition by the Company.

Substantial asset

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the financial year ended 30 June 2016) were $27,421,544. 5% of this amount is $1,371,077.20.

Based on the value of the Consideration Shares and the Cash Consideration as set out in the Independent Expert's Report, the value of the consideration for the Ruby Acquisition is more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules.

Therefore, the Ruby Acquisition is an acquisition of a substantial asset.

Related Party

For the purposes of ASX Listing Rule 10.1, a related party of an entity includes, amongst other persons, directors of a public company and an entity controlled by directors of a public company (unless that entity is also controlled by the public company).

Regius is a related party of the Company as it is an entity controlled by Cobus van Wyk (a director and holder of a 60% shareholding interest in Regius), who is a Director. Christiaan Jordaan, the Managing Director of the Company, has a material personal interest in the Ruby Acquisition by virtue of his 20% shareholding interest in Regius.

Requirement for shareholder approval

As a result of the above conclusions, the completion of the Ruby Acquisition will result in the acquisition by the Company of a substantial asset from a related party of the Company and the Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report set out in Annexure A sets out a detailed independent examination of the Ruby Acquisition to enable non-associated Shareholders to assess the merits and decide whether to approve the Ruby Acquisition.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Ruby Acquisition and concludes that it is **not fair but reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

2.3 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Consideration Shares and the payment of the Cash Consideration to Regius constitutes giving a financial benefit and Regius is a related party of the Company by virtue of being an entity controlled by Cobus van Wyk, Director. In addition, Christiaan Jordaan, Director, has a material personal interest in the Ruby Acquisition by virtue of his 20% shareholding in Regius.

Ian Daymond, is the sole Director without an interest in Resolution 1 but as the Board is unable to form a quorum to determine whether an exception set out in sections 210 to 216 of the Corporations Act applies, the Ruby Acquisition and the resulting issue of Consideration Shares and payment of the Cash Consideration requires Shareholder approval.

2.4 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the issue of the Consideration Shares involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

2.5 Technical information required by ASX Listing Rule 10.13 and section 219 of the Corporations Act

Pursuant to and in accordance with ASX Listing Rule 10.13 and section 219 of the Corporations Act, the following information is provided in relation to Resolution 1:

(a) the related party is Regius who is a related party by virtue of being an entity controlled by Cobus van Wyk, a Director;

(b) the maximum number of Shares to be issued to the Regius (or its nominee) is 30,000,000;

(c) the nature of the financial benefit being provided is the Consideration Shares (30,000,000 Shares) and the Cash Consideration (US$100,000) (together the **Financial Benefit**);

(d) the Consideration Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date

(e) the Consideration Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than for escrow imposed in accordance with the ASX Listing Rules;

(f) the Consideration Shares will be issued for nil cash consideration, accordingly no funds will be raised;

(g) the value of the Financial Benefit as set out in the Independent Expert's Report is:

	Low	Preferred	High
Consideration Shares	$2,100,000	$2,520,000	$2,940,000
Cash Consideration	$130,600	$130,600	$130,600
TOTAL	**$2,130,600**	**$2,650,600**	**$3,070,600**

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

(h) In determining the quantum of the total consideration for the Ruby Acquisition, Ian Daymond, the Director who does not have a material personal interest in the Ruby Acquisition, considered:

(i) the historical transactions for acquisitions of licences in close proximity to the Licence concluded by Gemfields Plc (**Gemfields**) noting that Gemfields paid US$2.5 million cash consideration for 75% interests in two licences in 2012 and a further US$3.5 million cash consideration for 75% interests in a further two licences in 2014, with the Montepuez ruby field having been substantially de-risked since these acquisitions by Gemfields;

(ii) the near-term cash flow opportunity that the Licence presents, with artisanal miners actively mining rubies within 3km of the Company's bulk sampling plant site;

(iii) minimising the cash component to reimbursement of expenditure incurred by Regius in respect of the Licence with the balance (and majority) of the consideration being Shares; and

(iv) that such prospective ground covered by the Licence is scarce and not easy to acquire and that a competitive situation existed with other prospective buyers. It was also recognised that it is not uncommon for local holders of licences in Mozambique to demand increasingly strong terms for joint ventures. In other words, there would have been a significant opportunity cost for the Company had it not been possible to arrive at mutually agreed terms with Regius for the Ruby Acquisition.

(i) as at the date of completing the preparation of this Notice, Regius has a relevant interest in 29,725,308 Shares (5.65%) and on completion of the Ruby Acquisition Regius will have a relevant interest in 59,725,308 Shares (10.7% assuming no further Shares are issued, whether from the exercise of Options, vesting of Performance Rights or otherwise) (or 10.6% assuming the maximum of 7,792,213 Shares the subject of Resolution 3 are issued but no other Shares are issued). In addition, Regius is the holder of 6,860,000 Performance Rights (which vest on proving a JORC compliant inferred graphite resource of a minimum of 50 million tonnes at >5% total graphite content on any of the licences comprising the Balama Project (4661L, 4662L, 5873L, 6527L, 6636L, 6678L) on or before 31 December 2019) which if vest will result in Regius having a relevant interest in 66,585,308 Shares (11.5% assuming no further Shares are issued other than 7,140,000 Shares in respect of the balance of the Performance Rights with the same vesting condition held by persons other than Regius, whether from the exercise of Options, vesting of Performance Rights or otherwise) (or 11.4% assuming the maximum of 7,792,213 Shares the subject of Resolution 3 are issued but no other Shares are issued other than 7,140,000 Shares in respect of the balance of the Performance Rights with the same vesting condition held by persons other than Regius);

(j) the issue of the Consideration Shares will increase the number of Shares on issue from 525,956,516 to 555,956,516 (assuming no further Shares are issued, whether from the exercise of Options, vesting of Performance Rights or otherwise) with the effect that the shareholding of existing Shareholders would be diluted by 5.7%;

(k) the trading history of the Shares on ASX in the 12 months up to 3 April 2017 is set out below:

	Price	**Date**
Highest	$0.11	22 February 2017
Lowest	$0.02	28 and 30 December 2016 and 9 and 11 January 2017
Last	$0.085	31 March 2017

(l) the primary purpose of giving the Financial Benefit to Regius (or its nominee) is in consideration for the Ruby Acquisition;

(m) each of Cobus van Wyk and Christiaan Jordaan declines to make a recommendation to Shareholders in relation to Resolution 1 due to their respective material personal interests in the outcome of the Resolution (Cobus van Wyk is a director and 60% shareholder of Regius and Christiaan Jordaan is a 20% shareholder of Regius). Ian Daymond, the remaining Director, does not have a personal interest in the outcome of Resolution 1;

(n) Ian Daymond recommends that Shareholders vote in favour of Resolution 1 for the following reasons:

(i) after assessment of the advantages and disadvantages referred to in Sections 1.7 and 1.8, he is of the view that the advantages outweigh the disadvantages;

(ii) the Independent Expert has determined the Ruby Acquisition to be **not fair but reasonable** to the non-associated Shareholders; and

(iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in giving the Financial Benefit upon the terms proposed.

Ian Daymond intends to vote all of his (or his associates) Shares in favour of Resolution 1; and

(o) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Consideration Shares to Regius (or its nominee) as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Consideration Shares to Regius (or its nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

3. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES

3.1 General

On 28 February 2017, the Company announced that it had receive firm commitments from a select group of new and existing sophisticated and institutional investors to raise approximately $5.88 million via the issue of approximately 76.4 million Shares at an issue price of $0.077 per Share to be issued in two tranches (**Capital Raising**).

On 9 March 2017 the Company announced it had issued 68,572,467 Shares pursuant to the Capital Raising under the Company's placement capacity under ASX Listing Rule 7.1 (**Tranche 1 Shares**) with the remaining up to 7,792,213 Shares (**Tranche 2 Shares**) to be issued subject to Shareholder approval under Resolution 3.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Tranche 1 Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying the issue of the Tranche 1 Shares, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

3.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

(a) 68,572,467 Tranche 1 Shares were issued;

(b) the issue price per Tranche 1 Share was $0.077;

(c) the Tranche 1 Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Tranche 1 Shares were issued to sophisticated and professional clients of Hartleys and Jett Capital LLC (joint lead managers), none of whom were a related party of the Company; and

(e) the funds raised from this issue are being used:

(i) to meet the costs for the proposed Ruby Acquisition;

(ii) for increased bulk sampling activities;

(iii) to fund an accelerated auger drilling program at the Montepuez Project; and

(iv) for general working capital.

4. RESOLUTION 3 – PLACEMENT – TRANCHE 2 SHARES

4.1 General

Resolution 3 seeks Shareholder approval for the issue of up to 7,792,213 Shares at an issue price of $0.077 per Share to complete the Capital Raising.

A summary of ASX Listing Rule 7.1 is set out in section 3.1 above.

The effect of Resolution 3 will be to allow the Company to issue the Tranche 2 Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Tranche 2 Shares:

(a) the maximum number of Tranche 2 Shares to be issued is 7,792,213;

(b) the Tranche 2 Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

(c) the issue price will be $0.077 per Tranche 2 Share;

(d) the Tranche 2 Shares will be issued to sophisticated and professional clients of Hartleys and Jett Capital LLC. None of these subscribers are related parties of the Company.

(e) the Tranche 2 Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the Company intends to use the funds raised from the issue of the Tranche 2 Shares of the Capital Raising:

(i) to meet the costs for the proposed Ruby Acquisition;

(ii) for increased bulk sampling activities;

(iii) to fund an accelerated auger drilling program at the Montepuez Project; and

(iv) for general working capital.

5. RESOLUTION 4 – APPROVAL UNDER SECTION 195 OF THE CORPORATIONS ACT

5.1 General

A condition precedent to completion of the Ruby Acquisition is the Company and Regius entering into an agreement in relation to the management of the activities conducted on the Licence pursuant to the Joint Venture Agreement (**Management & Technical Services Agreement**).

Christiaan Jordaan, the Company's Managing Director, has a material personal interest in the Ruby Acquisition by virtue of his 20% shareholding interest in Regius.

5.2 Corporations Act requirements

Subject to specific exceptions, a director of a public company who has a material personal interest in a matter that is being considered at a directors' meeting must not be present while the matter is being considered at the meeting, or, vote on the matter.

Section 195(4) of the Corporations Act provides that where there are not enough directors to form a quorum for a directors' meeting because of section 195 of the Corporations Act, one or more of the directors (including those who have a material personal interest in the matter) may call a general meeting and the general meeting may pass a resolution to deal with the matter.

Resolution 4 seeks Shareholder approval for Christiaan Jordaan to be present and vote at Board meetings on matters relating to the Management & Technical Services Agreement between the Company and Regius notwithstanding his 20% shareholding interest in Regius.

For clarity, Cobus van Wyk, the Company's third Director holds a 60% shareholding interest in Regius and is a director of Regius and is therefore disqualified from being present or voting when matters relating to Regius are considered by the Board.

5.3 Voting

Christiaan Jordaan, Cobus van Wyk, Regius and their associates do not intend to vote on Resolution 4.

GLOSSARY

$ means Australian dollars.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Chair means the chair of the Meeting.

Company means Mustang Resources Limited (ACN 090 074 785).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the report set out in Annexure A to this Notice.

Licence means prospecting and exploration licence number 8245L located in the Montepuez Complex.

Management & Technical Services Agreement means the agreement proposed to be entered between the Company and Regius for Regius to provide technical and management skills related to the exploration, bulk sampling, construction, development, operation, maintenance and administrative requirements of the Licence.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Regius means Regius Resources Group Ltd.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Ruby Acquisition has the meaning given to it in Section 1.1.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

US$ means the official currency of the United States of America.

MUSTANG RESOURCES LIMITED
Independent Expert's Report

OPINION: Not fair but reasonable

4 April 2017

BDO

Financial Services Guide

4 April 2017

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (**'we'** or **'us'** or **'ours'** as appropriate) has been engaged by Mustang Resources Limited (**'Mustang'**) to provide an independent expert's report on the proposal for Mustang to acquire a 65% interest in a ruby licence from Regius Resources Group Limited (**'Regius'**) (**'Proposed Transaction'**). You will be provided with a copy of our report as a retail client because you are a shareholder of Mustang.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (**'FSG'**). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $30,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments – BDO has previously prepared an independent expert's report for Mustang in January 2016 for which a fee of $22,000 was charged.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Mustang for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (**'FOS'**). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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38 Station Street
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PO Box 700 West Perth WA 6872
Australia

4 April 2017

The Directors
Mustang Resources Limited
Level 10, 20 Martin Place
Sydney NSW 2000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 28 February 2017 Mustang Resources Limited ('**Mustang**' or '**the Company**') announced that it had agreed to acquire a 65 per cent interest in a ruby licence (8245L) ('**Ruby Licence**') from Regius Resources Group Limited ('**Regius**') ('**Proposed Transaction**'). The 65 per cent interest being acquired is in a joint venture entity specifically incorporated to hold the licence with the other 35 per cent held by SLR Mining Lda.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Mustang have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Mustang ('**Shareholders**').

Our Report is prepared pursuant to ASX listing rule 10.1 and is to be included in the Notice of Meeting for Mustang in order to assist the Shareholders in their decision whether to approve the Proposed Transaction and is required because Regius, the company from which Mustang is acquiring the interest in the Ruby Licence, is a related party, being an entity controlled by Cobus van Wyk, a director of Mustang.

ASX Listing Rule 10.1 requires that the acquisition of a substantial asset from a related party by a public company must be approved by the holders of the entity's ordinary securities.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 74 'Acquisitions Approved by Members' ('**RG 74**'), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- How the value of the consideration provided compares to the value of the asset acquired;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Proposed Transaction is not fair but reasonable to Shareholders.

In our opinion, the Proposed Transaction is not fair because the value of the consideration to be paid exceeds the value of the asset acquired. However, we consider the Proposed Transaction to be reasonable because the advantages of the Proposed Transaction to Shareholders are greater than the disadvantages. In particular the potential for early stage cashflow and the proximity to Mustang's existing Montepuez Ruby operations are key advantages for Shareholders.

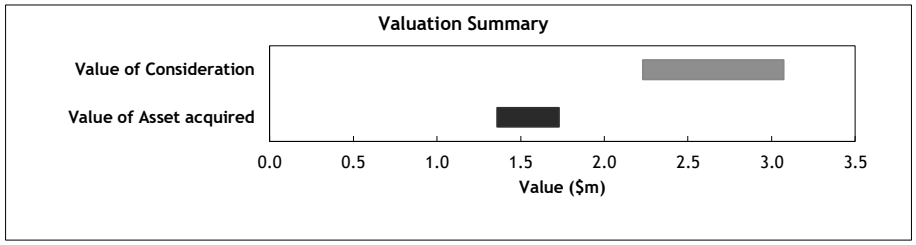
2.4 Fairness

In section 12 we compared the value of the consideration for the Proposed Transaction to the value of the asset acquired, as detailed below.

	Ref	Low $m	Preferred $m	High $m
Value of consideration	10.5	2.23	2.65	3.07
Value of the asset acquired	11	1.36	1.51	1.73

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above value comparison indicates that, in the absence of any other relevant information, and a superior offer, the Proposed Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.2	Early stage cash flow	13.3	The Proposed Transaction is not fair
13.2	Proximity to existing Mustang operations	13.3	Dilution of existing shareholders
13.2	Expanded project area	13.3	Cash outflow
13.2	Favourable proportionate comparison between asset to be acquired and the consideration based on values assessed by the independent technical expert on a consistent basis	13.3	Further exposure to the country risk of Mozambique
13.2	Exposure to the potential upside of the Montepuez Ruby Project (including the existing project and the ruby licence to be acquired)		
13.2	Leveraging existing expertise and experience in Mozambique		
13.2	Proximity to existing world class ruby area		

Other key matters we have considered include:

Section	Description
13.1	Consequences of not approving the Proposed Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset (or the value of the asset being disposed) constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Based on the reviewed accounts as at 31 December 2016, the value of the consideration to be paid for assets is greater than 5% of the equity interest of Mustang.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party or substantial shareholder of the listed entity.

Regius, the company from which Mustang is acquiring the Ruby Licence, is a related party of Mustang because Regius is an entity controlled by Cobus van Wyk a director of Mustang.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction, being the non-associated shareholders.

Accordingly, an independent experts' report is required for the Proposed Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Mustang.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of the entity (Mustang) by either:

- undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Mustang have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act define the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111 which provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is not a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a non-control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111.57 states that a proposed related party transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

For the Proposed Transaction, the financial benefit to be provided by the entity (Mustang) to the related party (Regius) takes the form of shares in Mustang and a cash payment. The consideration being provided to Mustang by Regius is a 65% interest in Ruby Licence 8245L.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value the financial benefit (the shares in Mustang plus the cash payment) being provided by Mustang to Regius, and the value of the consideration (the 65% interest in Ruby Licence 8245L) being provided by Regius to Mustang (fairness – see Section 12 'Is the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 'Is the Proposed Transaction Reasonable?').

3.4 APES 225 requirements

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

The details of the Proposed Transaction are set out in the Notice of Meeting.

Term Sheet

The material terms of the Proposed Transaction as set out in the Term Sheet are as follows:

a) (**Ruby Acquisition**) Regius agrees to assign to the Company (or its nominee) and the Company accepts the assignment from Regius of all of Regius' rights and interest, including Regius' obligations and liabilities, to the Joint Venture Agreement on the terms and conditions set out in the Term Sheet;

b) (**Conditions Precedent**) Settlement of the Ruby Acquisition is conditional upon the satisfaction or waiver of the following conditions:

   i. Due diligence: completion of legal and geological/technical due diligence by the Company on the License and the Joint Venture Agreement to the absolute satisfaction of the Company;

   ii. No Recompliance: the Company obtaining written confirmation from ASX Limited that ASX Listing Rule 11.1.3 does not apply to the Ruby Acquisition;

   iii. Shareholder Approvals: the Company obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules, Corporations Act or any other law, including in Mozambique, to allow the Company (or its nominee) to lawfully complete the matters set out in the Term Sheet;

   iv. Independent Expert's Report: an independent expert's report prepared for the purpose of the Shareholder Approvals concluding that the Ruby Acquisition is either fair and reasonable or not fair but reasonable to the non-associated shareholders of the Company;

   v. Regulatory Approvals: the Company obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law, including in Mozambique, to allow the Company (or its nominee) to lawfully complete the matters set out in the Term Sheet;

   vi. Third Party Approvals: the Company obtaining all necessary third party consents, approvals or waivers to allow the Company (or its nominee) to complete the matters set out in the Term Sheet, each of which is unconditional or subject only to conditions reasonably acceptable to the Company;

   vii. Shareholders and Loan Agreements: the Company (or its nominee) and the current holder of the License entering into a shareholders agreement and a loan agreement as contemplated by the Joint Venture Agreement; and

   viii. Management and Technical Services Agreement: the Company and Regius entering into an agreement in relation to the management of the activities conducted on the License pursuant to the Joint Venture Agreement.

   on or before 5:00pm (Perth time) on 30 June 2017;

c) (**Consideration**): the consideration payable by the Company for the Ruby Acquisition is the:

   i. issue to Regius (or its nominee) of 30,000,000 Shares (Consideration Shares); and

   ii. payment of US$100,000 to Regius (or its nominee) (Cash Consideration).

And

Joint Venture Agreement

On completion of the Ruby Acquisition the Company will acquire all of Regius' rights and interest, including their obligations and liabilities to, the Joint Venture Agreement. The material terms of the Joint Venture Agreement are set out in the Notice of Meeting.

5. Profile of Mustang Resources Limited

5.1 History

Mustang Resources Limited is an emerging gemstone developer focused on the development of the Montepuez Ruby Project in northern Mozambique. Mustang also has the Balama Graphite Project, also in Mozambique, where diamond drilling is taking place. The Company also retains an interest in the Save River Diamond Project.

Mustang was formerly known as OGI Group Ltd and changed its name to Mustang Resources Limited in January 2015. Mustang Resources Limited is based in Sydney, Australia.

Prior to the 2015 financial year Mustang was focused on US oil and gas exploration but during the year to 30 June 2015 the Company's US oil and gas interests were disposed of and associated debts and other liabilities were settled or satisfied. The Company re-focused its attention on graphite and diamond exploration and prospecting in Mozambique.

5.2 Directors

The directors of Mustang Resources Limited are as follows:

- Ian Daymond – Non-executive Director and Chairman;
- Christiaan Jordaan – Managing Director; and
- Cobus van Wyk – Non-executive Director.

5.3 Recent capital raisings

Recent capital raising undertaken by Mustang are as follows:

- On 5 August 2016, Mustang announced that it had raised $1.0 million through the placement of 25 million new fully paid ordinary shares at an issue price of $0.04 per share.
- On 15 December 2016, the Company announced that it had received formal commitments to raise $2.8 million in an oversubscribed placement through the issue of 133.4 million new ordinary shares at an issue price of $0.021 per share.

  The placement was made to institutional, professional and sophisticated investors and was completed in two tranches – 48.56 million shares in the first tranche and the remaining 84.84 million shares were issued in a second tranche along with options following the receipt of shareholder approval on 20 January 2017.
- On 27 January 2017, the Company released a prospectus for the offer of up to 100,000 quoted options at an issue price of $0.001 per quoted option to raise approximately $100.
- On 28 February 2017 Mustang announced the receipt of firm commitments from new and existing institutional and sophisticated investors for a placement to raise up to $5.88 million through the issue of approximately 76.4 million new ordinary shares at an issue price of 7.7 cents per share. This announcement was included as part of the announcement of the Proposed Transaction on 28 February 2017.

The placement consists of two tranches – the first completed on 8 March 2017 for the issue of 68.6 million shares to raise approximately $5.28 million and the second for 7.8 million shares to raise $0.6 million conditional on shareholder approval at the same general meeting as the Proposed Transaction.

5.4 Projects

Montepuez Ruby Project

The Montepuez Ruby Project is in the Montepuez Complex within the Cabo Delgado Province of northern Mozambique.

The Montepuez Complex is a unique geological occurrence with widespread high-grade ruby mineralisation. Mustang currently has several licences in the Montepuez Complex.

Mustang's licences lie along the established NW-SE ruby mineralisation trend which also transects the Gemfields plc (AIM listed natural resources company specialising in coloured gemstones) licences. Extensive ruby mineralisation can also be found immediately to the Southeast of the Mustang licences, close to the village of Namahaka.

The Company has built and commissioned a 75 tonnes per hour processing plant at Alpha Deposit within the Montepuez Ruby Project, with a bulk sampling program commencing in early 2017.

In parallel with the bulk sampling program at Alpha, Mustang has also commenced exploration activities to open up new ore sources on its tenements with auger drilling underway.

The auger drilling campaign commenced in January 2017 to map the ruby-bearing ore across the Montepuez Ruby Project area.

A parcel of rubies and corundum totalling 6,221 carats (which included 815 carats of rubies mined by Mustang) was recently sent to the USA to be further assessed and processed prior to sale to customers.

On 8 February 2017, the Company announced that it had completed Phase 1 of the Montepuez Ruby Project. It stated that the first rubies were being cut following the dispatch of the first parcel of gems in the previous month, with first sales to leading wholesalers scheduled to take place within the next month.

Balama Graphite Project

The Balama Graphite Project is located in the same region as the Montepuez Ruby Project and extensive high-grade graphite mineralisation has already been delineated. The Balama Graphite Project consists of eight exploration licences totalling more than 662.4 square kilometres.

The Balama Graphite Project is located along strike from Syrah Resources and Triton Mineral's graphite resources, and hosts similar geology to the graphite bearing units of these previously discovered deposits.

Mustang recently completed diamond drilling in the Caula Project site within the Balama Graphite Project.

Further information on the Company's Montepuez Ruby Project and Balama Graphite Project may be found in Appendix 3.

Save River Diamond Project

The Save River Diamond Project is the name for a concession in the Gaza Province alongside the Save River in Mozambique near the Zimbabwe border. The concession is as set out below.

Licence	Area km²	Valid until	Right to earn interest	Licence holder
4525L	23.84	21 Nov 2016	70%	Mozvest Mining Limitada

The project area comprises 24,000 hectares and is situated in the Save River Valley, downstream from the Murowa and Marange diamond fields in Zimbabwe.

Mustang currently holds 74% of Sese Diamonds Pty Ltd which in turn owns 70% of Mozvest Mining Limitada, the holder of licence 4525L. So overall Mustang owns a right to 51.85% of licence 4525L.

This project has currently been placed on care and maintenance with minimum expenditure while the Company focusses on the Montepuez Ruby Project and the Balama Graphite Project.

5.5 Historical Balance Sheet

Balance Sheet	Reviewed as at 31-Dec-16 $	Audited as at 30-Jun-16 $	Audited as at 30-Jun-15 $
CURRENT ASSETS			
Cash and cash equivalents	602,702	2,173,329	3,711,787
Trade and other receivables	647,576	652,060	670,702
Financial assets held at fair value - Lanstead Capital shares	397,671	611,041	-
Prepayments	640	33,497	116,609
TOTAL CURRENT ASSETS	**1,648,589**	**3,469,927**	**4,499,098**
NON-CURRENT ASSETS			
Trade and other receivables	4,670	5,088	1,014
Plant and equipment	735,295	719,971	1,676,172
Exploration and evaluation assets	31,197,884	28,107,516	21,307,109
TOTAL NON-CURRENT ASSETS	**31,937,849**	**28,832,575**	**22,984,295**
TOTAL ASSETS	**33,586,438**	**32,302,502**	**27,483,393**
CURRENT LIABILITIES			
Trade and other payables	904,066	1,222,226	1,783,718
Provisions	201,258	115,937	136,777
TOTAL CURRENT LIABILITIES	**1,105,324**	**1,338,163**	**1,920,495**
NON-CURRENT LIABILITIES			
Other payables	-	-	1,464,844
TOTAL NON-CURRENT LIABILITIES	**-**	**-**	**1,464,844**
TOTAL LIABILITIES	**1,105,324**	**1,338,163**	**3,385,339**
NET ASSETS	**32,481,114**	**30,964,339**	**24,098,054**

Balance Sheet	Reviewed as at 31-Dec-16 $	Audited as at 30-Jun-16 $	Audited as at 30-Jun-15 $
EQUITY			
Contributed equity	147,950,005	146,056,472	129,920,396
Reserves	12,204,737	11,421,686	12,242,498
Accumulated losses	(131,216,198)	(130,056,614)	(119,923,917)
PARENT INTERESTS	**28,938,544**	**27,421,544**	**22,238,977**
Non-controlling interests	3,542,570	3,542,795	1,859,077
TOTAL EQUITY	**32,481,114**	**30,964,339**	**24,098,054**

Source: Annual reports and interim financial report for the six months ended 31 December 2016

We note the following in relation to the historical balance sheets of Mustang.

Going concern

Mustang's 2016 Annual Report includes note 1(c) Going Concern. This note refers to the following:

- *the Company incurred a net loss for the year of $10,282,313, has a closing cash balance of $2,173,329 and a working capital surplus of $2,131,764 for the year ended 30 June 2016. The Company has significant capital commitments in the next financial year to progress its exploration projects. The company has prepared cash flow forecasts which show the need for additional funding to provide the necessary development capital for its exploration projects and for working capital to provide corporate services.*
- *there is uncertainty whether revenue forecast to be generated from the trial mining program at the Montepuez Ruby Project will be sufficient to fund these commitments in the required timeframes. The company will also seek to raise additional capital.*
- *the auditor concludes that these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may not be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.*

The audit report included in the annual report for the year to 30 June 2016 also referred to the going concern issue as follows:

- ***Material uncertainty regarding continuation as a going concern**. Without qualifying our opinion, we draw attention to the basis of preparation in Note 1(c) in the financial report, which indicates the need for the consolidated entity to raise additional funding to meet ongoing expenditure and existing commitments. This condition, along with other matters set out in Note 1(c) indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.*

For the six month period to 31 December 2016 the financial statements also included a similar note in relation to going concern. The financial statements also noted that subsequent to 31 December 2016

Mustang announced the completion of a strategic placement to institutional and sophisticated investors to raise up to $5.88 million of which $5.28 million was completed under the Company's placement capacity and the remaining $600,000 is subject to shareholder approval at an EGM expected to be held in April 2017.

We note that the 31 December 2016 half year auditor's review report did not contain a going concern qualification nor an emphasis of matter.

Financial assets held at fair value – Lanstead Capital shares

During the year to 30 June 2016 Mustang entered into a series of agreements with Lanstead Capital LP (**'Lanstead'**) to provide ongoing funding. The remaining balance at 31 December 2016 relates to the third agreement entered into on 11 May 2016 for a lump sum payment of $127,500 in exchange for 5,312,500 shares and a further 15,937,500 shares in escrow to be released to Lanstead over the following eighteen months. The initial fair value was calculated as $629,412 which reduced to $611,041 at 30 June 2016 and further reduced to $397,671 as at 31 December 2016.

Exploration and evaluation assets

This represents the book value of capitalised expenditure on the Company's exploration and evaluation assets. The breakdown between projects is as set out in the table below.

Exploration & evaluation assets	Reviewed as at 31-Dec-16 $	Audited as at 30-Jun-16 $
Montepuez Ruby Project	10,799,627	8,460,503
Balama Graphite Project	12,182,565	11,775,745
Save River Diamond Project	8,215,692	7,871,268
Total	**31,197,884**	**28,107,516**

Commitments

The half year financial report for 31 December 2016 of Mustang includes a note to the financial statements in respect of a commitment of between one and five years of $2,015,000. This commitment arises in relation to Mustang's acquisition of Montepuez Minerals Pty Ltd where Mustang assumed contingent acquisition payments for Licence 5030L to the local partner of US$750,000 six months after bulk sampling start-up and US$750,000 twelve months after bulk sampling start-up.

Minority interests

Minority interests represent interests held in various subsidiaries of Mustang in which Mustang has a controlling interest but less than 100%.

5.6 Historical Statement of Comprehensive Income/ (Loss)

Statement of Profit or Loss and Other Comprehensive Income	Reviewed 6m to 31-Dec-16 $	Audited y/e 30-Jun-16 $	Audited y/e 30-Jun-15 $	Audited y/e 30-Jun-14 $
Revenue				
Interest income	3,832	731	2,672	800
Expenses				
Impairment of exploration & evaluation expenditure	-	(4,784,279)	-	-
Impairment of debtors	-	-	-	(250,000)
Administration costs	(1,324,074)	(3,708,395)	(1,685,763)	(1,647,450)
Relisting and restructure costs	-	-	(636,432)	-
Fair value loss on financial asset held at fair value	(175,373)	(1,692,847)	-	-
Profit/ (loss) on sale of assets	16,410	(108,130)	40,682	-
Foreign exchange gain	319,413	17,919	105,994	-
Future value gain/ (loss) on derivatives	-	-	-	(20,212)
Gain on extinguishment of liability	-	292,692	-	-
Exploration expenditure	-	(154,306)	-	-
Depreciation	-	(104,341)	(1,326)	(11,186)
Finance costs	(17)	(41,357)	(201,967)	(266,295)
Loss before income tax	(1,159,809)	(10,282,313)	(2,376,140)	(2,194,343)
Income tax expense	-	-	-	-
Loss from continuing operations	**(1,159,809)**	**(10,282,313)**	**(2,376,140)**	**(2,194,343)**
Loss from discontinued operations	-	-	(4,244,564)	(21,249,731)
Net loss for the period	**(1,159,809)**	**(10,282,313)**	**(6,620,704)**	**(23,444,074)**
Foreign currency translation (loss)/ gain	670,743	(1,372,837)	5,013,596	167,294
Total comprehensive loss for the year	**(489,066)**	**(11,655,150)**	**(1,607,108)**	**(23,276,780)**

Source: Annual reports and interim financial report for the six months ended 31 December 2016

5.7 Capital Structure

The share structure of Mustang as at 24 March 2017 is outlined below:

	Number
Total Ordinary Shares on Issue	525,956,516
Top 20 Shareholders	175,265,563
Top 20 Shareholders - % of shares on issue	33.32%

Source: Computershare share registry

The range of shares held in Mustang as at 24 March 2017 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	%Issued Capital
1-1,000	375	58,663	0.01%
1,001-5,000	61	158,020	0.03%
5,001-10,000	165	1,378,300	0.26%
10,001-100,000	996	44,914,246	8.54%
100,001 – and over	740	479,447,287	91.16%
TOTAL	**2,337**	**525,956,516**	**100.00%**

Source: Computershare share registry

The ordinary shares held by the most significant shareholders as at 24 March 2017 are detailed below:

Name	No of Ordinary Shares	% of Issued Shares
Lanstead Capital LP	40,862,500	7.77%
Andium Pty Ltd	32,900,436	6.26%
Regius Resources Group Ltd	29,725,308	5.65%
Elba Investments Pty Ltd	14,142,168	2.69%
Subtotal	117,630,412	22.37%
Others	408,326,104	77.63%
Total Ordinary Shares on Issue	**525,956,516**	**100.00%**

Source: Computershare share registry

The options on issue as at 24 March 2017 are detailed below:

Name	Number of Options	Exercise Price ($)	Expiry Date
Quoted			
Options (MUSO)	31,324,181	0.2500	30-Jun-17
Options (MUSOA)	66,700,000	0.0350	23-Jan-20
Not quoted			
Options	149,253	0.2412	10-Nov-17
Options	8,750,000	0.2500	30-Jun-17
Options	8,000,000	0.1500	14-Jun-19

Name	Number of Options	Exercise Price ($)	Expiry Date
Options	2,000,000	0.1500	31-Dec-17
Options	1,000,000	0.0600	31-Dec-17
Options	2,000,000	0.0900	31-Dec-17
Options	19,000,000	0.0750	21-Jun-19
Options	7,500,000	0.0600	04-Aug-19
Options	5,922,805	0.0273	23-Jan-20
Options - restricted	2,238,806	0.2100	22-May-17
Total options on issue	154,585,045		
Cash raised if all options on issue are exercised	**$16,635,887**		

Source: Computershare share registry

There are also 14 million performance rights on issue of which 6,860,000 are escrowed until 10 June 2017. These performance rights vest on Mustang proving a JORC compliant inferred graphite resource of a minimum of 50 million tonnes at more than 5% total graphite content on or before 31 December 2019 on any of the licences comprising the Balama Project (4661L, 4662L, 5873L, 6527L, 6636L and 6678L).

6. Details of the asset to be acquired – Licence 8245L

6.1 Overview

Mustang has agreed to acquire a 65% interest in ruby licence 8245L which borders on the existing Montepuez Ruby Project in Mozambique. Artisanal miners have recovered high quality rubies from this area which also borders one of the key ruby deposits being mined by Gemfields plc.

Licence 8245L is only 3 kilometres north-east of Mustang's plant site and existing ruby deposit.

6.2 Geology of area of Licence 8245L

The licence area lies within the Montepuez Complex which is a complex with unique geological signatures compared to surrounding areas.

Several factors may have contributed to the formation of corundum and in particular gem-grade rubies within the licence area.

The licence is covered by the same lithologies as found over the Gemfields plc project areas creating the potential for similar ruby mineralisation, both primary and secondary.

6.3 Artisanal mining activity on Licence 8245L

The licence area has extensive artisanal activity which has proven secondary ruby mineralisation within three kilometres of Mustang's alpha ruby deposit.

Further details of the Ruby Licence 8245L are provided in the independent technical report by Agricola (Appendix 3).

7. Economic analysis

7.1 Global Overview

Growth of global economic activity is estimated to have slowed in 2016 to a low of 2.3 percent, as global trade stalled, investment decelerated, and policy uncertainty increased. However, conditions in the global economy have improved over recent months, and above trend growth is expected in a number of advanced economies in 2017, although uncertainties remain.

In China, economic growth picked up in mid-2016, supported by higher spending on infrastructure and property construction. This composition of growth and the rapid increase in borrowing mean that the medium-term risks to Chinese growth remain.

Growth in East Asia has been little changed over the past year or so, and growth in New Zealand and India has been relatively strong. GDP growth in the advanced economies has been at or above potential. This is expected to continue over the next couple of years, which should reduce excess capacity further.

Growth in the major advanced economies is expected to be above potential, although there is significant uncertainty around policy in the United States and its effect on global growth and prices. Headline inflation has picked up in the major advanced economies, and is now close to the central bank's target in both the United States and Europe. This is largely due to the increase in oil prices over 2016 which has contributed to global inflationary pressures.

7.2 Australia

Conditions in the Australian economic market have been relatively stable over recent months. The Australian economy is continuing its transition following the end of the mining investment boom. GDP was weaker than expected in the September quarter, largely reflecting some temporary factors however, a return to reasonable growth is expected in the December quarter. Growth will be boosted by further increases in resource exports and by the period of declining mining investment coming to an end. However, overall growth is not expected to be sufficient to generate much of a decline in the unemployment rate.

Inflation in Australia remains quite low. The December quarter outcome was as expected, with both headline and underlying inflation of around 1.5%. The continuing subdued growth in labour costs means that inflation is expected to remain low for some time. Headline inflation is expected to pick up over the course of 2017 to be above 2%, with the rise in underlying inflation expected to be a bit more gradual.

The Australian dollar has been broadly unchanged since the US election, with the downward pressure associated with the narrowing in the interest rate differential between Australian and US sovereign bonds offset by support from the increase in commodity prices over this period. Since its trough in January 2016, the Australian dollar has appreciated by more than 10% against the US dollar and on a trade-weighted basis, alongside a significant increase in commodity prices.

7.3 Commodities

The prices of bulk commodities increased significantly over the past year. Australia's terms of trade have consequently risen by more than 15% since mid-2016, following the large falls over the previous few years. The higher commodity price levels are also boosting the profits of resource firms. At this stage, this is not expected to translate into materially higher investment or employment in the resources sector, because the recent increases in prices are unlikely to be sustained.

The spot price of iron ore has increased noticeably over the past few months partly due to a pick-up in Chinese steel production and increased demand for high-quality iron ore in steel production to minimise coking coal inputs, for which prices increased sharply over 2016. The iron ore spot price has more than doubled since its low in December 2015, but it is expected to decline gradually as additional low-cost production from Australia and Brazil comes on line.

Oil prices have also increased over the past few months, after oil production was reduced by around 1.8 million barrels per day for six months, effective from January. Prices are currently around their highest levels in over a year, but still remain well below their highs of early 2014. The increases in oil prices since the start of 2016 have started to feed through to higher liquefied natural gas export prices.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision 7 March 2017*

8. Industry analysis

8.1 Rubies

Rubies are a red coloured gemstone formed from the mineral Corundum (Aluminium Oxide). Rubies are usually the result of chromium and titanium inclusions in Corundum, the more common form of Corundum is in the form of Sapphire. Corundum is an extremely hard mineral and scores a 9 on the Moh's Hardness scale. It is second only to the Diamond.

Corundum can usually be found in alluvial and eluvia deposits similar to diamonds. Corundum can also be found in pegmatite's that are silica poor. Sapphires are the most common type of Corundum. They can be found in many regions around the world from India, to East Africa, to South America, the Hindu Kush and there are even a few deposits in the United States. Prices of Rubies are determined by colour as well as cut, clarity and carat weight with colour being the most important factor.

The price can vary significantly with prices realised by Gemfields PLC at auction between $4.02 per carat and $688.64 per carat. These auctions took place between June 2014 and December 2016 with total sales of US$225.7 million.

8.2 Graphite

There are three types of graphite found naturally; these are flake, lump, and amorphous. Flake graphite commands the highest demand, due to the versatility of use, yet has the lowest supply. This creates a premium price for flake graphite with larger flake sizes having higher prices than the smaller flake size of equal purity.

There is optimism in the graphite market as a number of new technologies have arrived and are now starting to have a meaningful impact on the market, namely lithium ion batteries and fuel cells.

The US Geological Survey stated that "worldwide consumption of graphite steadily increased since 2012 and into 2016. This increase resulted from the improvement of global economic conditions and its impact on industries that use graphite; however, U.S. consumption of natural graphite has declined from 2014 to 2016. In 2016, principal U.S. import sources of natural graphite were, in descending order of tonnage, China, Canada, Brazil, Japan, Mexico, and Madagascar, which combined accounted for 96% of the tonnage and 98% of the value of total imports. Mexico provided all the amorphous graphite, and Sri Lanka provided all the lump and chippy dust variety. China, Canada, Brazil, and Madagascar were, in descending order of tonnage, the major suppliers of crystalline flake and flake dust graphite. During 2016, China produced 66% of the world's graphite and consumed 35%. Graphite production decreased in Canada and increased in Madagascar from that of 2015. New deposits are being developed, and mines will begin production in the near future in Madagascar, Mozambique, Namibia, and Tanzania."

Graphite prices are a function of flake size and purity with large flake commanding premium in US$ per tonne:

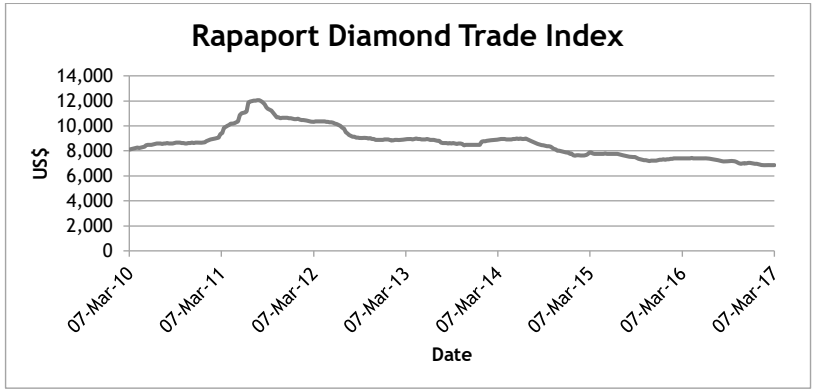
- Large flake: ~$1,300 (-48 to +80 mesh)
- Medium flake: ~$1,100 (-80 to +100 mesh)
- Small flake: ~$750 (-100 to +200 mesh).

8.3 Diamonds

There are a number of different uses for diamonds based on the category they fall into. Gem diamonds are diamonds of a high quality. Low quality and small gems are used for the low end of the jewellery market. 80% of mined diamonds are unsuitable for use as gemstones and are known as industrial diamonds. They are valued for their heat conductivity and hardness and are used for cutting, drilling, grinding and polishing.

Global demand for diamond jewellery reached a record high of US$81 billion in 2014 and has remained strong with demand being higher over the past three years than in any other three-year period. However, while consumer demand for diamonds is still growing in the US (the world's largest diamond jewellery market), growth has slowed in China as a result of their economic performance, and declined in India due to the effects of demonetisation.

The price of diamonds is largely determined by supply and demand. The average price of rough diamonds increased by 48% from March 2010 to the peak evident in July 2011. Based on the Rapaport Diamond trade index graph below that is formulated from the average price for the top 25 best quality 1 carat diamonds, colour between D and H and clarity between internally flawless and very small inclusion, the prices for diamond have consistently fallen since the peak in July 2011 onwards.



Source: Bloomberg and BDO Analysis

The constant decline in diamond price over the past three years has been driven by diamond manufacturers. This was supplemented by a decline in credit availability and manufacturing margins. Buyers were also assessing the impact of various banks reducing their finance for the purchase of rough diamonds from 100 per cent to around 70 per cent.

Over the short to medium term, prices are expected to remain relatively stable, with the potential for price increases due to a firming US market and continued growth in China. Over the long term, growth is expected to be increasingly dominated by China and India. A number of large mines are expected to come to their economic end over the next decade. With an increasing demand-supply gap, a lack of significant diamond discoveries and expected demand growth in India, China and the US, the diamond prices are expected to increase over the long term.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (**'FME'**)
- Discounted cash flow (**'DCF'**)
- Quoted market price basis (**'QMP'**)
- Net asset value (**'NAV'**)
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

We have also considered the recent capital raisings by Mustang and the pricing used in those raisings.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Mustang shares (to determine the value of the consideration) we have chosen to employ the following methodologies:

- Net asset value;
- Market based assessment and
- QMP.

We have chosen these methodologies for the following reasons:

- We have used QMP as our primary valuation methodology. In accordance with RG111.69, we note (in section 10.2 of this Report) that there is a deep and liquid market for the trading of Mustang shares. Therefore, there is a sufficiently active trading market to reflect a fair market value of the Company's shares, which allows the QMP method to be used as a secondary methodology. RG 111.32 also requires the consideration of the volatility of the market price of the entity's shares.
- We have considered NAV as our secondary valuation methodology. The major assets of Mustang are its exploration assets and we have used a market based assessment by Agricola Mining Consultants Pty Ltd (**'Agricola'**) to value the mineral asset interests being acquired and those held prior to the Transaction in our Net Asset Valuation
- We have also given due consideration to the prices for recent (successful) capital raisings by Mustang – December 2016/ January 2017 at 2.1 cents per share and February 2017 at 7.7 cents per share.
- Mustang is a holder of exploration assets with a limited amount of revenue produced from bulk sampling, as such we do not consider that we have reasonable grounds to use an income based valuation methodology such as DCF.

10. Valuation of the consideration (valuation of shares in Mustang)

10.1 Net Asset Valuation of Mustang

The value of the net assets of Mustang on a going concern basis is reflected in our valuation below:

	Ref	Reviewed as at 31 Dec 2016 $	Low valuation $	Preferred valuation $	High valuation $
CURRENT ASSETS					
Cash and cash equivalents	a	602,702	5,611,556	5,611,556	5,611,556
Trade and other receivables		647,576	647,576	647,576	647,576
Financial assets held at fair value	b	397,671	1,211,144	1,211,144	1,211,144
Prepayments		640	640	640	640
TOTAL CURRENT ASSETS		**1,648,589**	**7,470,916**	**7,470,916**	**7,470,916**
NON-CURRENT ASSETS					
Trade and other receivables		4,670	4,670	4,670	4,670
Plant and equipment	c	735,295	735,295	735,295	735,295
Exploration and evaluation assets	d	31,197,884	9,960,000	14,540,000	21,330,000
TOTAL NON-CURRENT ASSETS		**31,937,849**	**10,699,965**	**15,279,965**	**22,069,965**
TOTAL ASSETS		**33,586,438**	**18,170,881**	**22,750,881**	**29,540,881**
CURRENT LIABILITIES					
Trade and other payables		904,066	904,066	904,066	904,066
Provisions		201,258	201,258	201,258	201,258
TOTAL CURRENT LIABILITIES		**1,105,324**	**1,105,324**	**1,105,324**	**1,105,324**
TOTAL LIABILITIES		**1,105,324**	**1,105,324**	**1,105,324**	**1,105,324**
NET ASSETS		**32,481,114**	**17,065,557**	**21,645,557**	**28,435,557**
# of shares on issue	e		**555,956,516**	**555,956,516**	**555,956,516**
Value per share ($)			**0.031**	**0.039**	**0.051**

Source: BDO analysis

We have been advised that, other than as noted below, there has not been a significant change in the net assets of Mustang since 31 December 2016 and we have verified this by reference to the Company's subsequent management accounts. The table above indicates the net asset value of a Mustang share is between $0.031 and $0.051 with a preferred value of $0.039.

The following adjustments were made to the net assets of Mustang as at 31 December 2016 in arriving at our valuation.

a. Adjustment to cash

We have made the following adjustments to cash:

Cash movements since 31-Dec-16	Ref	$
Cash and cash equivalents at 31-Dec-16		602,702
Cash movement to latest balance date (31 January 2017)	a	37,195
Net cash from capital raising – first tranche completed and announced 8 March 2017	b	4,965,268
Cash from conversion of 234,128 options (announced 17 March 2017)		6,391
Adjusted Cash and cash equivalents		**5,611,556**

The individual adjustments are as follows:

a. Cash balance at 31 January 2017 of $639,897; and

b. Tranche 1 of capital raising – issue of 68,600,000 shares to raise $5,282,200 less capital raising costs of 6%.

We note that we have not adjusted the cash balance for future receipts and payments:

- Net cash to be received from Tranche 2 of capital raising to be approved by shareholders in April 2017 – 7.8 million shares at 7.7 cents per share less capital raising costs of 6%; and
- Net cash to be paid as consideration – US$100,000.

b. Financial assets at fair value

This balance relates to the value of shares held by Lanstead Capital LP being a financial asset of Mustang the value of which depends on the share price. The 31 December 2016 value has been updated to March 2017 in line with the mechanism set out in the agreement with Lanstead.

c. Property plant and equipment at market value

Property, plant and equipment represents mining plant and equipment, motor vehicles (together $724,837) and a small amount of office equipment ($10,458) all at net written down value. We note that the mining plant and equipment and motor vehicles are depreciated at 25% per annum and we consider that this is not unreasonable for such equipment.

d. Valuation of Mustang's mineral assets

We instructed Agricola Mining Consultants Pty Ltd ('**Agricola**') to provide an independent market valuation of the exploration assets held by Mustang in accordance with the requirements of the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2015 ('**VALMIN Code 2015**'). Agricola's independent valuation report may be found in Appendix 3.

Agricola assessed the market value of the Montepuez Ruby Project, the Balama Graphite Project and the Save River Diamond Project. Agricola considered a number of different valuation methods when valuing these projects. Agricola applied the Geo-factor rating method.

This method is a cost based valuation method which is considered appropriate for exploration ground which is not sufficiently advanced to allow the estimation of mineral resources.

Under this method the base acquisition cost (representing the exploration cost) is determined based on the average expenditure in the first year of the licence tenure for projects/ tenements at a similar stage.

To this base value a prospectivity index is applied based on a consideration of regional mineralisation, local mineralisation, identified anomalies and other geological factors to determine a technical value.

The technical value is then refined by applying a market factor to determine market value.

We consider that this geo-factor rating method is appropriate given the stage of development for Mustang's mineral assets.

The range of values for each of Mustang's mineral assets as calculated by Agricola is set out below:

Mineral Asset	Low Value $m	Preferred Value $m	High Value $m
Montepuez Ruby Project	2.18	2.45	2.85
Balama Graphite Project	7.69	11.99	18.36
Save River Diamond Project	0.09	0.10	0.12
Total	**9.96**	**14.54**	**21.33**

Source: Agricola Report

Based on the table above Agricola concluded that the range of values for the Montepuez Ruby Project, the Balama Graphite Project and the Save River Diamond Project is between $9.96 million and $21.33 million, with a preferred value of $14.54 million.

The market valuation undertaken by Agricola was in accordance with the requirements of the VALMIN Code 2015 and the values arrived at by Agricola were then adopted in our NAV assessment above in place of the book values at 31 December 2016 which were determined for the Company's financial statements in accordance with the requirements of Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). We note that the requirements of the VALMIN Code 2015 are different to the requirements of AAS and IFRS.

e. Shares on issue

As a result of the Proposed Transaction 30 million shares will be issued to Regius, thereby increasing the number of Mustang shares on issue to 555,956,516.

Diluted position

There are currently 154,585,045 options on issue in twelve different tranches as set out below.

Name	Number of Options	Exercise Price ($)	Expiry Date
Quoted			
Options (MUSO)	31,324,181	0.2500	30-Jun-17
Options (MUSOA)	66,700,000	0.0350	23-Jan-20
Not quoted			
Options	149,253	0.2412	10-Nov-17
Options	8,750,000	0.2500	30-Jun-17
Options	8,000,000	0.1500	14-Jun-19
Options	2,000,000	0.1500	31-Dec-17
Options	1,000,000	0.0600	31-Dec-17
Options	2,000,000	0.0900	31-Dec-17
Options	19,000,000	0.0750	21-Jun-19
Options	7,500,000	0.0600	04-Aug-19
Options	5,922,805	0.0273	23-Jan-20
Options - restricted	2,238,806	0.2100	22-May-17
Total options on issue	154,585,045		
Cash raised if all options on issue are exercised	**$16,635,887**		

For several of these tranches the exercise price is considerably higher than the current quoted market share price making exercise unlikely. Based on a current quoted market share price of approximately $0.10 there are 102,122,805 options on issue with a lower exercise price and $4,611,193 would be raised from the exercise of those options. On this basis the range of values for a Mustang share would be as set out below. (We note that the quoted market share price estimate of $0.10 is greater than the net assets value per share as above so that this dilution calculation is at the high end of the range.)

Diluted position	Low value	Preferred value	High value
Mustang value	$21,676,750	$25,443,277	$33,046,750
Shares on issue (diluted)	658,079,321	658,079,321	658,079,321
Per share	0.033	0.040	0.050

We also note that only the two tranches with an expiry date of 23 January 2020 (66,700,000 quoted options and 6,156,933 unquoted options) have exercise prices below our assessed preferred value for the net assets value.

10.2 Quoted Market Prices for Mustang Securities

To provide a comparison to the valuation of Mustang in section 10.1 and as a cross check, we have also assessed the quoted market price for a Mustang share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

We have addressed this minority interest value reflected in the quoted market price by considering the pricing prior to the Proposed Transaction.

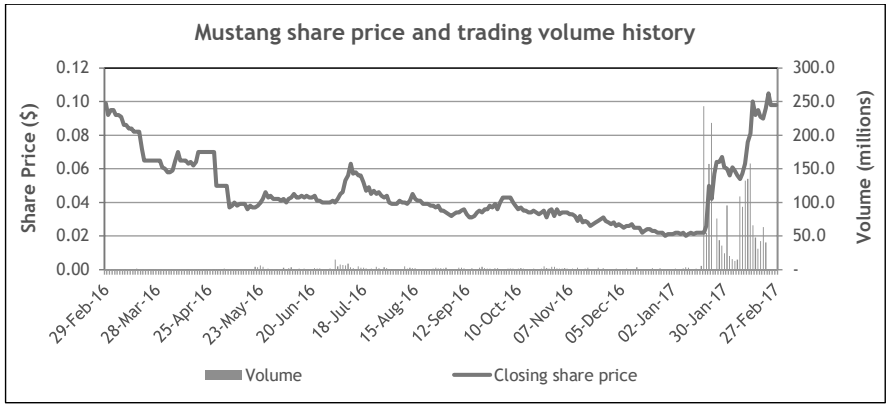
We note that the pricing prior to the Proposed Transaction should reflect the value of Mustang excluding the Proposed Transaction.

We further note that the pricing prior to the Proposed Transaction is based on the number of shares on issue prior to the Proposed Transaction but that the issue of shares as consideration will increase the number of shares over which the total equity value of Mustang should be apportioned.

Minority interest value

Our analysis of the quoted market price of a Mustang share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of a Mustang share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, we have considered the value of a Mustang share following the announcement when we have considered reasonableness in Section 13.

Information on the Proposed Transaction was announced to the market on 28 February 2017. Therefore, the following chart provides a summary of the share price movement over the period to 27 February 2017 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Mustang shares over the twelve months from 27 February 2016 to 27 February 2017 has ranged from a low of $0.020 (closing share price) on 28 December 2016 and 9 January 2017 to a high of $0.105 (closing share price) on 22 February 2017. The highest single day of trading was on 20 January 2017, where 243.23 million shares were traded.

During this period a number of announcements were made to the market as set out below. (We note that announcements made subsequent to 28 February 2017 are addressed in section 13.1.)

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		$ (movement)			$ (movement)		
23/02/2017	Trading Halt	0.098	▼	6.7%	0.089	▼	9.2%
08/02/2017	Mustang Processing Ramp Up Nearing First Sales	0.057	▲	5.6%	0.081	▲	42.1%
02/02/2017	Balama Graphite Project - Update	0.061	▲	8.9%	0.054	▼	11.5%
30/01/2017	Quarterly Cashflow Report	0.061	▼	9.0%	0.061	▶	0.0%
30/01/2017	Quarterly Activities Report	0.061	▼	9.0%	0.061	▶	0.0%
27/01/2017	Cleansing Prospectus - Options	0.067	▲	4.7%	0.056	▼	16.4%
20/01/2017	Plant Commissioned and Rubies Delivered to USA	0.050	▲	92.3%	0.064	▲	28.0%
15/12/2016	Mustangs Raises $2.8 Million in Oversubscribed Placement	0.022	▼	12.0%	0.024	▲	9.1%
12/12/2016	Trading Halt	0.025	▼	7.4%	0.022	▼	12.0%
09/12/2016	Mustang Ruby & Graphite Project Update	0.027	▲	4%	0.025	▼	7%
24/11/2016	Mustang Recovers Further Gem Quality Rubies	0.031	▲	3%	0.027	▼	13%
28/10/2016	Activity and Cashflow Reports for September 2016 Quarter	0.032	▼	11%	0.034	▲	6%
26/10/2016	Mustang Recovers 460cts from Plant Startup	0.035	▲	13%	0.036	▲	3%
05/10/2016	Reinstatement to Official Quotation - 6 October 2016	0.043	▶	0%	0.036	▼	16%
03/10/2016	Suspension from Official Quotation	0.043	▶	0%	0.040	▼	7%
19/09/2016	Montepuez Ruby Project Update	0.035	▲	3%	0.036	▲	3%
11/08/2016	Secondary Ruby Deposit Confirmed	0.041	▲	5%	0.041	▶	0%
05/08/2016	Mustang Raises $1.0 million in Placement	0.041	▲	5%	0.039	▼	5%
03/08/2016	Trading Halt	0.039	▶	0%	0.040	▲	3%
29/07/2016	Activites & Quarterly Cashflow Report	0.044	▲	2%	0.039	▼	11%
27/07/2016	Mustang recovers 10 rubies from initial exploration pits	0.044	▼	4%	0.040	▼	9%
27/06/2016	Balama Graphite Project Update	0.040	▶	0%	0.041	▲	3%
23/06/2016	Ruby Project Update	0.041	▶	0%	0.040	▼	2%
18/05/2016	Share Purchase Plan Prospectus	0.037	▼	3%	0.040	▲	8%
18/05/2016	Mustang Development Strategy & Share Purchase Plan	0.037	▼	3%	0.040	▲	8%
11/05/2016	Mustang Work Program Update	0.039	▲	3%	0.036	▼	8%
11/05/2016	Execution of Lanstead Agreement secures additional funding	0.039	▲	3%	0.036	▼	8%
09/05/2016	Prospectus	0.040	▲	5%	0.039	▼	3%
29/04/2016	Quarterly Activities & Cashflow Report	0.050	▶	0%	0.050	▶	0%
28/04/2016	Placement	0.050	▼	29%	0.050	▶	0%
26/04/2016	Trading Halt	0.070	▶	0%	0.050	▼	29%
04/04/2016	Montepuez Ruby Project Works Program Update	0.058	▶	0%	0.070	▲	21%
08/03/2016	Exercise of Option to Acquire 2 Additional Graphite Licences	0.091	▼	1%	0.084	▼	8%

Source: Bloomberg and BDO analysis

On 8 March 2016, the Company announced the exercise of its option to acquire two additional licences in the Mozambique graphite province. The report stated that upon completion of the acquisitions, Mustang was subject to the payment of US$50,000 by 15 April 2016. On the date of the announcement, Mustang's

share price decreased by 1% from $0.092 to $0.091, and over the three subsequent trading days continued to decrease by 8% to close at $0.084.

On 4 April 2016, the Company released an update on the Montepuez Ruby Project Works Program. The report stated that Mustang had made solid progress on the development of its Montepuez Ruby Project in Mozambique, and they were in the process of selling existing equipment, which was estimated to yield the equivalent of approximately A$900,000. On the date of the announcement, the Company's share price remained unchanged however, over the three subsequent trading days increased by 21% to close at $0.070.

On 26 April 2016, the Company was placed into a trading halt at its own request, pending the release of an announcement. On 28 April 2016, the Company announced that it had received formal commitments to raise approximately $3.0 million in a placement to professional and sophisticated investors through the issue of 75.5 million new shares. On the date of the announcement, Mustang's share price decreased by 29% from $0.070 to $0.050. However, over the three subsequent trading days the share price remained unchanged.

On 9 May 2016, the Company released a prospectus for the offer of up to 10,000 shares in the capital of the Company at an issue price of $0.04 per share to raise up to $400. On the date of the announcement, Mustang's share price increased by 5% from $0.038 to $0.040. However, over the subsequent three trading days the share price decreased by 3% to close at $0.039.

On 11 May 2016, the Company announced that it had executed binding agreements with Lanstead Capital LP for an investment of $850,000 in the form of 21.25 million ordinary shares issued at a price of $0.04 per share. The Company also provided an update in relation to the Montepuez Ruby Project, stating that it was progressing on schedule with Phase 1 of the work program to commence early June 2016. On the date of the announcements, Mustang's share price increased by 3% from $0.038 to $0.039. However, over the subsequent three trading days the share price decreased by 8% to close at $0.036.

On 18 May 2016, the Company released an update on their plans for the Montepuez Ruby Project in Mozambique. The Company also released a prospectus for on offer of up to 12.5 million shares at an issue price of $0.04 per share to raise up to $500,000 (SPP offer), as well as an offer of up to $10,000 shares at an issue price of $0.04 per share to raise up to $400 (Cleansing offer). On the date of the announcements, Mustang's share price decreased by 3% from $0.038 to $0.037. However, over the subsequent three trading days the share price decreased by 8% to close at $0.040.

On 23 June 2016, the Company released an update on the Montepuez Ruby Project. The report stated that the fieldwork activities were well advanced in preparation for the imminent commencement of Phase 1 of the work program. It also stated that $1.2 million had been received as a result of the Shareholder Purchase Plan released in the 18 May 2016 announcement. On the date of the announcement, the Company's share price remained unchanged however, over the three subsequent trading days decreased by 2% to close at $0.040.

On 27 June 2016, the Company released an update on the Balama Graphite Project in Mozambique, including initial exploration targets for two of its eight licences. On the date of the announcement, the Company's share price remained unchanged however, over the three subsequent trading days increased by 3% to close at $0.041.

On 27 July 2016, the Company announced that it had recovered 10 rubies from the initial exploration pits at Montepuez. The report stated that this would further validate the prospectivity of Mustang's

Montepuez Ruby Project. On the date of the announcement, the Company's share price decreased from $0.046 to $0.044, and over the three subsequent trading days continued to decrease by 9% to close at $0.040.

On 29 July 2016, the Company released its quarterly activities report for the quarter ended 30 June 2016. The report detailed that Phase 1 of the Montepuez Ruby Project work program was well advanced, with Phase 2 planned to commence in Q3 2016. Furthermore, the report stated that the Company had successfully completed the placement of $3 million with an additional $1.2 million raised from a strong supported Share Purchase Plan. On the date of the announcement, Mustang's share price increased by 2% from $0.043 to $0.044. However, over the subsequent three trading days the share price decreased by 11% to close at $0.039.

On 3 August 2016, the Company was placed into a trading halt at its own request, pending the release of an announcement. On 5 August 2016, the Company announced that it had raised $1.0 million through the placement of 25 million new fully paid ordinary shares at an issue price of $0.04 per share. On the date of the announcement, Mustang's share price increased by 5% from $0.039 to $0.041. However, over the subsequent three trading days the share price decreased by 5% to close at $0.039.

On 11 August 2016, the Company announced that it had recovered a further 19 rubies from the Montepuez Ruby Project in Mozambique. On the date of the announcement, Mustang's share price increased by 5% from $0.039 to $0.041. However, over the three subsequent trading days the share price remained unchanged.

On 19 September 2016, the Company released an update on the Montepuez Ruby Project, stating that it had made significant progress. On the date of the announcement, the Company's share price increased from $0.034 to $0.035, and over the three subsequent trading days continued to increase by 3% to close at $0.036.

On 3 October 2016, it was announced that the Company had been suspended from Official Quotation following failure to lodge their Full Year Accounts for the period ended 30 June 2016. On the date of the announcement, the Company's share price remained unchanged however, over the three subsequent trading days decreased by 7% to close at $0.040.

On 5 October 2016, it was announced that the Company was to be reinstated to official quotation on 6 October 2016. On the date of the announcement, the Company's share price remained unchanged however, over the three subsequent trading days decreased by 16% to close at $0.036.

On 26 October 2016, the Company announced that a total of 460.43 carats of high quality rubies had been recovered from the Montepuez Ruby Project. On the date of the announcement, the Company's share price increased by 13% from $0.031 to $0.035, and over the three subsequent trading days continued to increase to close at $0.036.

On 28 October 2016, the Company released its quarterly activities report for the quarter ended 30 September 2016. The report stated that the September quarter was highly productive, with 460.43 carats of high quality rubies being recovered from the Montepuez Ruby Project, and recoveries anticipated to increase in the coming months. On the date of the announcement, Mustang's share price decreased by 11% from $0.036 to $0.032. However, over the subsequent three trading days the share price increased by 6% to close at $0.034.

On 24 November 2016, the Company announced that a further 350 carats of high quality rubies had been recovered from the Montepuez Ruby Project. On the date of the announcement, Mustang's share price

increased by 3% from $0.030 to $0.031. However, over the subsequent three trading days the share price decreased by 13% to close at $0.027.

On 9 December 2016, the Company released an update on the Montepuez Ruby Project as well as the Balama Graphite Project. On the date of the announcement, Mustang's share price increased by 4% from $0.026 to $0.027. However, over the subsequent three trading days the share price decreased by 7% to close at $0.025.

On 12 December 2016, the Company was placed into a trading halt at its own request, pending the release of an announcement. On 15 December 2016, the Company announced that it had received formal commitments to raise $2.8 million in an oversubscribed placement through the issue of 133.4 million new ordinary shares at an issue price of $0.021 per share. On the date of the announcement, Mustang's share price decreased by 12% from $0.025 to $0.022. However, over the subsequent three trading days the share price increased by 9% to close at $0.024.

On 21 January 2017, the Company announced that plant commissioning was completed and the first commercial parcel of rubies totalling 6,221 carats was sent to the USA including two rare 24ct stones. On the date of the announcement, the Company's share price increased by 92% from $0.026 to $0.050, and over the three subsequent trading days continued to increase by 28% to close at $0.064.

On 27 January 2017, the Company released a prospectus for the offer of up to 100,000 quoted options at an issue price of $0.001 per quoted option to raise approximately $100. On the date of the announcement, Mustang's share price increased by 5% from $0.064 to $0.067. However, over the subsequent three trading days the share price decreased by 16% to close at $0.056.

On 30 January 2017, the Company released its quarterly activities and cash flow reports for the quarter ended 31 December 2016. The activities report stated that the December quarter was a pivotal period, which saw the Company put in place all of the foundations to unlock the value of its Montepuez Ruby Project. On the date of the announcement, Mustang's share price decreased by 9% from $0.067 to $0.061. However, over the subsequent three trading days the share price remained unchanged.

On 2 February 2017, the Company released an update on the Balama Graphite Project, stating that it had completed 596m of diamond drilling on site. On the date of the announcement, Mustang's share price increased by 9% from $0.056 to $0.061. However, over the subsequent three trading days the share price decreased by 11% to close at $0.054.

On 8 February 2017, the Company announced that it had completed Phase 1 of the Montepuez Ruby Project. It stated that the first rubies were being cut following the dispatch of the first parcel of gems in the previous month, with first sales to leading wholesalers scheduled to take place within the next month. On the date of the announcement, the Company's share price increased by 6% from $0.054 to $0.057, and over the three subsequent trading days continued to increase by 42% to close at $0.081.

On 23 February 2017, the Company was placed into a trading halt at its own request, pending the release of an announcement relating to the Proposed Transaction.

We note that the announcements on 21 January 2017 and on 8 February 2017 both led to significant and sustained spikes in the quoted market price of Mustang shares allied with strong trading volumes.

To provide further analysis of the market prices for a Mustang share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 27 February 2017.

Share Price per unit	27-Feb-17	10 Days	30 Days	60 Days	90 Days
Closing price	$0.098				
Volume weighted average price (VWAP)		$0.095	$0.070	$0.070	$0.069

Source: Bloomberg and BDO analysis

An analysis of the volume of trading in Mustang shares for the twelve months to 27 February 2017 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.098	$0.098	-	0.00%
10 Days	$0.078	$0.110	583,809,839	127.71%
30 Days	$0.021	$0.110	1,937,661,104	423.86%
60 Days	$0.020	$0.110	1,963,379,387	429.48%
90 Days	$0.020	$0.110	2,013,545,831	440.46%
180 Days	$0.020	$0.110	2,181,137,711	477.12%
1 Year	$0.020	$0.110	2,227,238,543	487.20%

Source: Bloomberg, BDO analysis

This table indicates that Mustang's shares display a high level of liquidity, with 440.46% of the Company's current issued capital being traded in the 90 trading days prior to the announcement. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

The Mustang share price has been significantly more volatile since the start of 2017 in line with much higher volumes of trading, than was the case for the prior six months from June 2016.

In the case of Mustang, we are of the view that the market is sufficiently deep as trading levels are above 1% per week and despite some recent peaks in trading there is a degree of consistency to volumes. We do not believe there are material unexplained movements in share price.

We consider that a range of values for Mustang shares based on market pricing prior to the Proposed Transaction is between $0.070 and $0.098 with a preferred value of $0.084.

As the Proposed Transaction is not a control transaction we do not need to add a premium for control to this valuation range.

10.3 Recent capital raisings

We note that Mustang has successfully completed two major capital raisings over the past few months at very different price levels. Details of the recent capital raisings are provided in section 5.3 above.

- The $2.8 million capital raising announced on 15 December 2016 was at an issue price of $0.021 per share.
- The $5.28 million capital raising completed on 9 March 2017 was at an issue price of $0.077 per share.

We consider that the capital raising on 9 March 2017 is more indicative of current value given that it was successful and supported by the sustained rise in the market price of Mustang shares identified in section 10.2 above and with the knowledge of the contents of the Company's announcements made on 21 January 2017 and on 8 February 2017.

10.4 Assessment of the value of a Mustang share

The results of the valuations performed are summarised in the table below:

Value of a Mustang share	Low Value	Preferred Value	High Value
Net assets value (Section 10.1)	$0.031	$0.039	$0.051
ASX market prices (Section 10.2)	$0.070	$0.084	$0.098
Recent capital raising (Section 10.3)	$0.077	$0.077	$0.077

Source: BDO analysis

We consider that the Quoted Market Price, supported by the recent successful capital raisings, provides a better indication of value than the net assets value.

We note that the net assets value is considerably lower than the value provided by ASX market prices. It is possible that the QMP may overstate the impact of the recent (January and February 2017) announcements but because of the high levels of liquidity it is likely that any market overreaction to a particular announcement would be corrected by the market. The QMP is also in line with the price for the most recent placement which reflects a real arm's length transaction.

Based on the results above we consider the value of a Mustang share to be between $0.070 and $0.098, with a preferred value of $0.084.

10.5 Assessment of the value of the consideration

Under the terms of the agreement Mustang is to issue 30 million shares to Regius together with cash of US$100,000. This is summarised below:

	Low value	Preferred value	High value
Mustang share value	0.070	0.084	0.098
Share consideration – 30 million Mustang shares	$2,100,000	$2,520,000	$2,940,000
Cash of US$100,000 (exchange rate 0.7657 – Source Bloomberg 28 February 2017))	$130,600	$130,600	$130,600
Total	**$2,230,600**	**$2,650,600**	**$3,070,600**

We note that the share consideration element of the value is calculated as set out below:

	Low value	Preferred value	High value
Mustang share – value per share	0.070	0.084	0.098
Number of Mustang shares	30,000,000	30,000,000	30,000,000
Total	**$2,100,000**	**$2,520,000**	**$2,940,000**

11. Valuation of the asset to be acquired

We instructed Agricola to provide an independent market valuation of the 65% interest to be acquired by Mustang in the Ruby Licence 8245L in accordance with the requirements of the VALMIN Code 2015.Agricola's independent valuation report may be found in Appendix 3. Agricola considered a number of different valuation methods when valuing the interest in the ruby licence. Agricola applied the Geo-factor rating method.

This method is a cost based valuation method which is considered appropriate for exploration ground which is not sufficiently advanced to allow the estimation of mineral resources.

Under this method the base acquisition cost (representing the exploration cost) is determined based on the average expenditure in the first year of the licence tenure for projects/ tenements at a similar stage.

To this base value a prospectivity index is applied based on a consideration of regional mineralisation, local mineralisation, identified anomalies and other geological factors to determine a technical value.

The technical value is then refined by applying a market factor to determine market value.

We consider that this geo-factor rating method is appropriate given the stage of development for the ruby licence.

The range of values for Mustang's interest in the ruby licence, as calculated by Agricola, is set out below:

	Low Value $m	Preferred Value $m	High Value $m
65% interest in ruby licence 8245L	1.36	1.51	1.73

Source: Agricola Report

Based on the table above, Agricola concluded that the range of market values is between $1.36 million and $1.73 million, with a preferred value of $1.51 million.

We note that the Agricola valuation of Ruby Licence 8245L is based on the premise of an agreed price from friendly negotiation between a hypothetical willing but not anxious seller and a hypothetical willing but not anxious purchaser acting at arm's length. The particular value to Mustang with its proximity to existing infrastructure (and contiguous area) is therefore not included in the Agricola valuation. We have addressed this matter in our consideration of reasonableness (section 13).

12. Is the Proposed Transaction fair?

The value of the consideration is compared below to the value of the assets acquired:

	Ref	Low $m	Preferred $m	High $m
Value of consideration	10.5	2.23	2.65	3.07
Value of the assets acquired	11	1.36	1.51	1.73

We note from the table above that the value of the consideration is greater than the value of the asset to be acquired. Therefore, we consider that the Proposed Transaction is not fair.

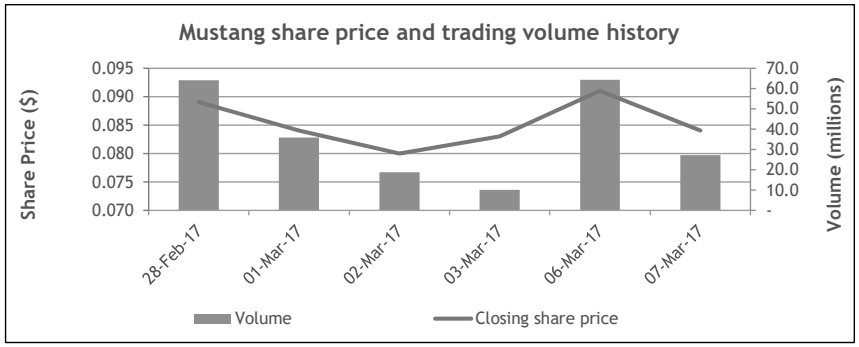
We note that in making this comparison the value of the asset to be acquired is based on the independent market valuation of Ruby Licence 8245L by Agricola.

13. Is the Proposed Transaction reasonable?

13.1 Consequences of not Approving the Proposed Transaction

Post announcement pricing

The following chart provides a summary of the share price movement over the period immediately after the information on the Proposed Transaction was announced to the market on 28 February 2017.



Source: Bloomberg

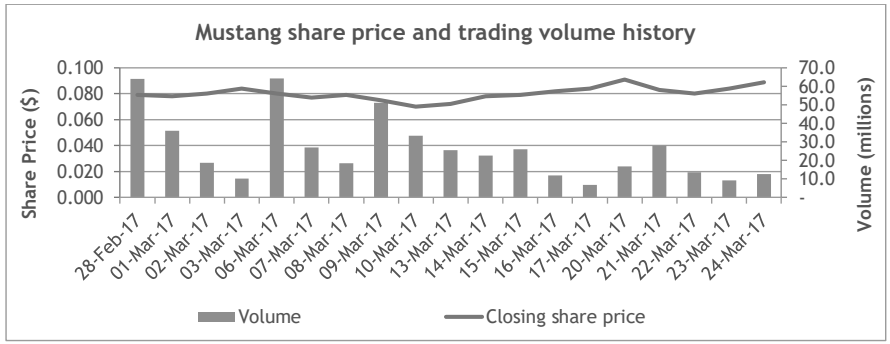
On 28 February 2017, information on the Proposed Transaction was announced to the market. On the date of the announcement, Mustang's share price decreased by 9% from $0.098 to $0.089, and over the three subsequent trading days continued to decrease by 7% to close at $0.083. We note that concurrent with the announcement of the Proposed Transaction, Mustang also announced the placement of approximately 76.4 million new ordinary shares at an issue price of 7.7 cents per share to raise up to $5.88 million, the 7.7 cents share price being at a discount to the closing price prior to the trading halt for the 28 February 2017 announcement.

On 6 March 2017, the Company announced a high-grade graphite discovery at its 80% owned Caula Project. On the date of the announcement, Mustang's share price increased by 10% from $0.083 to $0.091. However, over the subsequent trading day the share price decreased by 8% to close at $0.084.

The daily price of Mustang shares over the eight days from 28 February 2017 to 7 March 2017 has ranged from a low of $0.080 on 2 March 2017 to a high of $0.091 on 6 March 2017. The highest single day of trading was on 6 March 2017, where 6.16 million shares were traded.

Given the above analysis we conclude that the announcement of the Proposed Transaction was not well received as the market price fell and the pricing after 6 March 2017 is clouded by the other announcement so it is not possible to determine what would happen to the market price if the Proposed Transaction was not approved.

Subsequent to the week following the announcement of the Proposed Transaction, Mustang has continued to make announcements to the market with high volumes of trades and the share price staying around and above the 8 cents per share level as shown below.



Source: Bloomberg

Since 6 March 2017 the following price sensitive announcements have been made:

On 9 March 2017, the Company announced that it was preparing to export its second commercial parcel of rubies totalling 25,000 carats from its Montepuez Project and the export parcel includes four special stones (total weight of 29.88 carats).

On 27 March 2017, the Company announced that its gem ruby inventory had grown to 63,989 carats. In the same announcement Mustang said that its shares were now listed on the Frankfurt Stock Exchange.

Consequences

The Company has set out that should the Proposed Transaction not proceed then the Company is expected to continue with the exploration and drilling programs for its existing licences in the Montepuez Ruby Project and for its Balama Graphite Project.

13.2 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable/ not reasonable.

Advantage	Description
Early stage cash flow	The potential for Ruby Licence 8245L to provide bulk sampling which can be readily accessed gives the opportunity for early stage cash flow from limited infrastructure and with low operating costs. Because the Mustang plant has been fully commissioned and is already operational there is the opportunity to access cashflows readily from bulk sampling from the area of Ruby Licence 8245L.
Proximity to existing Mustang operations	Licence 8245L is only 3 kilometres south east of Mustang's plant site and existing ruby operations so the infrastructure is already in place for Mustang to progress this opportunity. With the upgrade of

Advantage	Description
	Mustang's processing plant to 1,500 tonnes per day the acquisition of Licence 8245L will provide another source of near surface rubies in very close proximity to feed the upgraded plant. This advantage accrues to Mustang as the specific identified acquirer of the Ruby Licence. The Agricola Report values the asset based on the premise of an agreed price from friendly negotiation between a hypothetical willing but not anxious seller and a hypothetical willing but not anxious purchaser acting at arm's length. The Agricola valuation, in accordance with the requirements of the Valmin Code 2015 and RG 111.13, does not include the particular value to Mustang with its proximity to existing infrastructure (and contiguous area).
Expanded project area	Ruby Licence 8245L is contiguous with Mustang's existing Montepuez Ruby Project which will further increase the drilling and bulk sampling campaign for what will be an expanded project area. There are significant synergies which may reasonably be expected to arise from Ruby Licence 8245L being contiguous with the existing Montepuez Ruby Project.
Favourable proportionate comparison between asset to be acquired and the consideration based on values assessed by independent technical expert on a consistent basis	We have considered a comparison between: • a) the proportion which the Ruby Licence asset to be acquired (in the Proposed Transaction) represents of the total net asset value of Mustang with the major mineral assets of Mustang (including the Ruby Licence asset to be acquired) assessed on a consistent basis by the independent technical expert, Agricola; and • b) the proportion which the shares to be issued (in the Proposed Transaction) represent of the total Mustang shares on issue after the Proposed Transaction. For the purposes of this comparison: • a) the Ruby Licence is valued by Agricola on a preferred basis at $1.5 million which represents 6.5% of the total net asset value of Mustang (including the value, determined by Agricola on a preferred basis, of the major mineral assets at $16.0 million - $1.5 million plus $14.5 million); and • b) the shares to be issued 30 million represent 5.4 % of the total Mustang shares which will be on issue after the Proposed Transaction. This comparison on a consistent basis incorporating the values determined by Agricola, suggests that the asset being acquired represents a higher proportion of total value (after the Proposed

Advantage	Description
	Transaction) than the shares being issued as a proportion of total shares on issue (after the Proposed Transaction) which is an advantage to Shareholders independent of our fairness assessment.
Exposure to the potential upside of the Montepuez Ruby Project (including the existing project and the ruby licence to be acquired)	The Proposed Transaction provides shareholders with an interest in ruby exploration licences which are at an early stage of exploration and further exploration may result in an increase in value in the future. The acquisition expands on the Company's interests in Mozambique and provides the opportunity to, if successful, access early stage cashflow with limited capital expenditure.
Leveraging existing expertise and experience in Mozambique	Mustang will expand its interests in Mozambique, a country where it is already strategically focussed where director Cobus van Wyk has longstanding expertise and experience.
Proximity to existing world class ruby area	Ruby Licence 8245L is located close to and with similar geology to the existing world class ruby area being developed by Gemfields plc.

13.3 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved then, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The Proposed Transaction is not fair	As set out in Section 12 the Proposed Transaction is not fair. Where a transaction is not fair the expert must consider factors that provide sufficient reasons for shareholders to vote for the proposal that outweigh the extent that the transaction is not fair.
Dilution of existing shareholders	Following the Proposed Transaction, existing non associated shareholders who currently hold approximately 94.35% of the Company will hold 89.26%, this is based on the current shares on issue of 525,956,516 being increased to 555,956,516.
Cash outflow	The Proposed Transaction includes a cash element (payment of US$100,000) reducing the amount of cash currently available for Mustang to pursue its projects, although this is substantially offset by the recent capital raising.
Increased concentration of country risk of Mozambique	The Proposed Transaction increases Mustang to the increased country risk associated with Mozambique. This may be mitigated by Mustang continuing to nurture good relationships with local and national government in the country.

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is not fair but reasonable to the Shareholders of Mustang.

In our opinion, the Proposed Transaction is not fair because the value of the consideration paid exceeds the value of the asset acquired. However, we consider the Proposed Transaction to be reasonable because the advantages of the Proposed Transaction to Shareholders are greater than the disadvantages. In particular the potential for early stage cashflow and the proximity to Mustang's existing Montepuez Ruby operations are key advantages for Shareholders.

15. Sources of information

This report is based on the following information:

- Draft Notice of General Meeting on or about the date of this report;
- Audited financial statements of Mustang for the years ended 30 June 2016 and 30 June 2015;
- Reviewed financial statements for the six months to 31 December 2016;
- Independent Valuation Report of Mustang's mineral assets dated 8 March 2017 performed by Agricola Mining Consultants Pty Ltd;
- Independent Valuation Report of the ruby licence 8245L dated 8 March 2017 performed by Agricola Mining Consultants Pty Ltd;
- Share registry information;
- Term sheet in relation to the Proposed Transaction dated 23 February 2017;
- Information in the public domain; and
- Discussions with Directors and Management of Mustang.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $30,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Mustang in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Mustang, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Mustang, Regius and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Mustang and Regius and their respective associates.

A draft of this report was provided to Mustang and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants in Australia and New Zealand. He has over twenty nine years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Mustang for inclusion in the Notice of Meeting which will be sent to all Mustang Shareholders. Mustang engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the acquisition of a 65% interest in ruby licence 8245L is fair and reasonable to non-associated shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Mustang or Regius. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Mustang, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Mustang and those to be acquired.

The valuer engaged for the mineral asset valuation, Agricola Mining Consultants Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made by Agricola in arriving at their valuation are appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes
Director

Adam Myers
Director

Appendix 1 – Glossary of Terms

Reference	Definition
AAS	Australian Accounting Standards
The Act	The Corporations Act 2001 Cth
Agricola	Agricola Mining Consultants Pty Ltd
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	Mustang Resources Limited
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
IFRS	International Financial Reporting Standards
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Mustang	Mustang Resources Limited
NAV	Net Asset Value
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regius	Regius Resources Group Ltd
Regulations	Corporations Act Regulations 2001 (Cth)

Reference	Definition
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Mustang not associated with Regius
The Proposed Transaction	
Valmin Code 2015	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('**EBIT**') or earnings before interest, tax, depreciation and amortisation ('**EBITDA**'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Independent Valuation Report by Agricola Mining Consultants Pty Ltd

Malcolm Castle
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
Mobile: 61 (4) 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

4 April 2017

The Directors
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA, 6008

Dear Sirs,

Re: INDEPENDENT VALUATION OF THE MINERAL ASSETS in MOZAMBIQUE

HELD BY MUSTANG RESOURCES LIMITED

Agricola Mining Consultants Pty Ltd ("Agricola") was commissioned by the Directors of BDO Corporate Finance (WA) Pty Ltd ("the Client") to provide a Mineral Asset Valuation Report ("Report") of the existing and newly acquired exploration assets of Mustang Resources Limited (the "Company") in Mozambique. This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The present status of the tenements is based on information made available by the Company and independently verified by Agricola. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

Scope of the Valuation Report

A valuation report expresses an opinion as to monetary value of a mineral asset but specifically excludes commentary on the value of any related corporate Securities. Agricola prepared this Report utilizing information relating to operational methods and expectations provided to it by various sources. Where possible, Agricola has verified this information from independent sources. This Report has been prepared for the purpose of providing information to the Client.

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer Test* after the Australian High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its "highest and best use".

Applying the *Spencer Test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

The findings of the valuation Report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk). A range of values (high, low and preferred) has been determined and stated in the Report to reflect any uncertainties in the data and the interaction of the various assumptions made.

The main requirements of the Valuation Report are:

- Prepared in accordance with the VALMIN Code 2015
- Experience and qualifications of key personnel to be set out
- Details of valuation methodologies
- Reasoning for the selection of the valuation approach adopted
- Details of the valuation calculations
- Conclusion on value as a range with a preferred value

The Mineral Assets

- Montepuez Ruby Project
- Save River Diamond Project
- Balama Graphite Project
- Montepuez Licence 8245L newly acquired

DECLARATIONS

Relevant codes and guidelines

This Report has been prepared as a technical assessment and valuation in accordance with the *Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets* (the "VALMIN Code", 2015 Edition), which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112, March 2011).

Where exploration results and mineral resources have been referred to in this report, the information was prepared and first disclosed under the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* ("JORC Code"), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia 2012.

Under the definition provided by the VALMIN Code, the mineral projects are classified as 'exploration projects' where mineralisation may or may not have been identified, though no mineral resource estimated have yet been compiled.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. Agricola has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to the Company, along with a written request to identify any material errors or omissions in the technical information prior to lodgment.

In compiling this report, Agricola did not carry out a site visit to the project areas. Based on its professional knowledge, experience and the availability of extensive databases and technical reports made available by various Government Agencies and the early stage of exploration, Agricola considers that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. Agricola has no reason to doubt the authenticity or substance of the information provided.

This Report contains statements attributable to third persons. These statements are made in, or based on statements made in previous geological reports that are publicly available from either a government department or the ASX. The authors of these previous reports have not consented to the statements' use in this Report, and these statements are included in accordance with ASIC Corporations (Consents to Statements) Instrument 2016/72.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

Malcolm Castle has over 50 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 30 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project

discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical audits in many countries. He has completed numerous Independent Geologist's Reports and Mineral Asset Valuations over the last decade as part of his consulting business.

Mr Castle is a qualified and competent witness in a court or tribunal capable of supporting his valuation reports or to give evidence of his opinion of market value issues.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Mr Castle is the Principal Consultant for Agricola Mining Consultants Pty Ltd, an independent geological consultancy established 30 years ago. He is a Member of the Australasian Institute of Mining and Metallurgy ("MAusIMM").

Declaration – VALMIN Code: The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by Malcolm Castle, who is a Member of The Australasian Institute of Mining and Metallurgy. Malcolm Castle is not a permanent employee of the Company.'

Malcolm Castle has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'. Malcolm Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.'

Competent Persons Statement – JORC Code: The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence

Agricola or its employees and associates are not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the projects. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for

professional fees of $7,500 plus GST based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Valuation Opinion

Based on an assessment of the factors involved, the estimate of the market value for the equity in the Company's existing Projects is in the range of A$10.0 million to A$21.3 million with a preferred value of A$14.5 million.

Based on an assessment of the factors involved, the estimate of the market value for the 65% equity of Licence 8245L is in the range of A$1.4 million to A$1.7 million with a preferred value of A$1.5 million.

This valuation is effective on 4 April 2017.

Where no mineral resources have been estimated for the project, the valuation assessment is based on the proposed annual exploration expenditure ($400 to $450 per square kilometer) adjusted by an assessment of prospectivity. Changes in metal prices may be reflected in the market discount or premium if they are significant.

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the *Spencer Test).*

Yours faithfully

Malcolm Castle

B.Sc.(Hons) MAusIMM,

GCertAppFin (Sec Inst)

Agricola Mining Consultants Pty Ltd

TENEMENT SHEDULE

Project	Tenement	Ha	Current Holder	Granted	Expires	Equity
Mustang Resources Ltd						
Montepuez Ruby Project						
Rubies	4143L	1,920	Ibra Moz, SA	14-Dec-11	14-Dec-16	60%
Rubies	4258L	480	CRL Investments Lda	27-Jul-11	21-Jul-19	52.50%
Rubies	5030L	13,400	Ruby Resources SA	3-Sep-13	3-Sep-18	52.50%
Save River Diamond Project						
Diamonds	4525L	2,371	Mozvest Mining Limitada	22-Nov-11	22-Nov-16	56%
Balama Graphite Project						
Graphite	4661L	14,750	Duplo Dragao Industrial Limitado	11-Sep-13	11-Sep-18	60%
Graphite	4662L	9,478	Duplo Dragao Industrial Limitado	1-Oct-12	1-Oct-17	60%
Graphite	5873L	13,779	Cosec Lda	17-Nov-14	17-Nov-19	60%
Graphite	6636L	4,571	Jacinto Gabriel Sitoe	16-Jul-14	16-Jul-19	75%
Graphite	6678L	3,186	Tomas Frederico Mandiate	18-Mar-14	18-Mar-19	80%
Graphite	6363L	7,580	Montepuez Mineral Resources	18-Nov-15	18-Nov-20	90%
Graphite	7560L	12,892	RQL Graphite Resources SA	21-Jun-16	21-Jun-21	95%
New Licence Acquisition						
Montepuez	8245L	3,476	Real Investimentos Sociedada Anonima (Comercial) SA	30-Nov-16	30-Nov-21	65%

Licence 4143L expired in Dec 2016 and Company lodged an extension application.

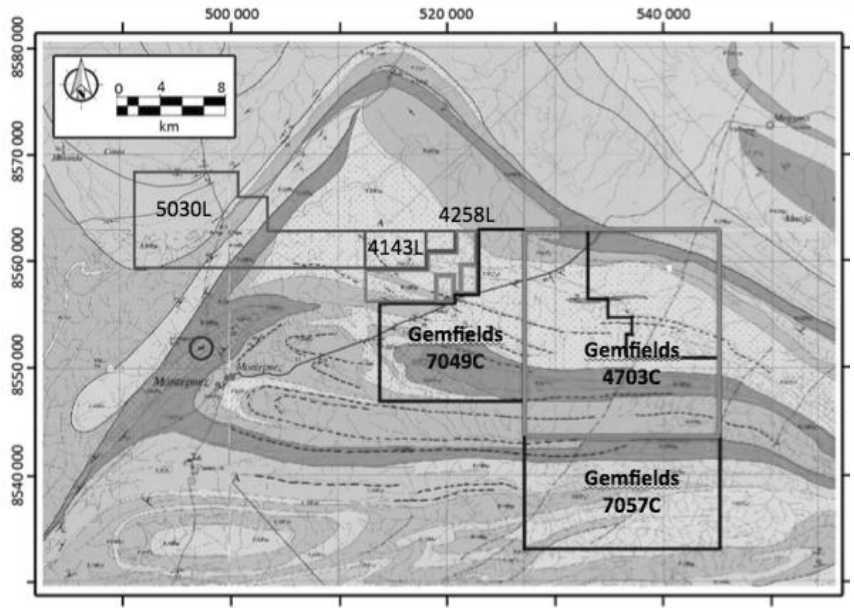
The status of the tenements has been verified based on a recent independent inquiry by Agricola at the Online database of the Government of Mozambique (http://portals.flexicadastre.com/mozambique/en/), pursuant to section 7.2 of the Valmin Code, 2015. The tenements are believed to be in good standing. Some future events such as

the grant (or otherwise) of expenditure exemptions and plaint action may impact of the valuation and may give grounds for a reassessment.

MONTEPUEZ RUBY PROJECT, MOZAMBIQUE

Montepuez Ruby Project is located in the Cabo Delgado Province of north-eastern Mozambique. It includes three exploration licences covering 158 square kilometers. The acquisition of EL 8245L will add 35 square kilometres to the project.

The Company's licences lie along the established NW-SE ruby mineralisation trend which also transects the Gemfields Plc (LSE:GEM) licences. Extensive ruby mineralisation can also be found immediately to the Southeast of the Company's licences, close to the village of Namahaka.



The Company's Licences 5030L, 4143L and 4258L in relation to the Gemfields Licences

Regional Geology

The Montepuez deposit is located in northeast Mozambique in the Numano block, which comprises accretionary, west-thrust faulted and highly metamorphosed Mesoproterozoic and Neoproterozoic rocks. This area forms part of the southernmost extent of the Mozambique Craton and is bound to the south by the Nampula block. The crystalline basement is overlain by Permo-Jurassic Karoo sedimentary rocks in the northwest and by Jurassic-Neogene sediments of the Rovuma Basin to the east, adjacent to the coastline. Where exposed, the

basement is composed of allochthonous intrusive ortho-gneissic and para-gneissic complexes, juxtaposed along thrust-fault contacts to form separate metamorphic terranes. These terranes are separated from those to the south by the northeast-southwest trending Lurio Belt.

Metamorphism occurred during two distinct tectonic events; namely the Mozambican Orogeny (between 1100 and 850 Ma) and East African Orogeny (between 800 and 650 Ma). The basement rocks were re-tectonised and emplaced at ~538 Ma by thrusts, transcurrent shear zones and folds as part of Pan-African intracontinental orogenic processes.

The Montepuez ruby deposit is hosted by the Montepuez Complex, a strongly ductile-deformed, wedge-shaped, metamorphic terrane. The Montepuez Complex is composed of orthogneisses ranging from granitic to amphibolitic in composition, and paragneisses comprising quartzite, meta-arkose, marble lenses, quartz-feldspar gneiss and biotite gneiss. These metamorphosed sedimentary rocks have been intruded by granite, granodiorite, and tonalite.

Intense deformation has resulted in a highly complex structural framework, the local units folded into tight and isoclinal folds dissected by a suite of mainly northeast to southwest trending shear zones. The current interpretation suggests that the Montepuez Complex is structurally controlled by a complex, double plunging, re-folded fold.

The Montepuez Complex is bounded by thrust faults to the north by the Nairoto Complex, the oldest rocks in the region composed of ductile-deformed metamorphosed intrusives, and to the west by volcano-sedimentary meta-suites of the Xixano Complex.

Mineralisation

Ruby mineralisation at Montepuez on the nearby Gemfields Plc licence occurs in two settings, namely the underlying primary mineralisation, which is associated with amphibolites, and the overlying secondary mineralisation, hosted by the gravel bed. The current focus for exploration and production is the secondary mineralisation, which historically has been the source of higher quality gemstones; however, exploration and production has also targeted the primary mineralisation within the amphibolite.

Secondary rubies, which are confined to the gravel bed horizon in the overburden, are typically more transparent, less included and often of a darker red colour than primary rubies in the in situ amphibolite.

The current genetic model for the secondary ruby deposit proposes initial deposition within one or more major flooding events, followed by redistribution of the rubies by alluvial processes, such as those in a braided river system. Alluvial reworking resulted in the fragmentation of the more heavily included and fractured material into particle sized grains, concentrating the more durable clean material into the gravel bed deposits. As a result, the average gem quality of the secondary rubies is typically much higher than those contained within the primary amphibolite.

Montepuez Ruby Mine, Mozambique – Gemfields Plc

The Montepuez ruby deposit is located in the northeast of Mozambique in the Cabo Delgado

Province. Covering approximately 33,600 hectares, it is believed to be the most significant recently discovered ruby deposit in the world. Gemfields Plc ('Gemfields') holds a 25 year mining concession over the area, granted by the Government of Mozambique in November 2011. In December 2015, a single new amalgamated licence 4703C (combining the two initial licences 4702 and 4703) and covering an area of 34,966 hectares was issued in favour of Gemfields by the Government of Mozambique.

Gemfields acquired controlling interests in two additional ruby licences 7049C and 7057C, which were formally issued by the Mozambican government on 22 September 2014 and 12 November 2014 respectively. The two licences each share a boundary with Gemfields' existing 75% owned Montepuez deposit (4703C) and cover 19,138 hectares and 15,505 hectares respectively.

Gemfields stated in its 2016 Annual Report:

• Production summary for 75% owned Montepuez Ruby Mining Limitada ("Montepuez"), Mozambique, for the year: – annual production of 10.3 million carats of ruby and corundum (2015: 8.4 million carats), the increase in processed volumes was primarily due to ongoing upgrades to the wash plant design;

– grade of 35 carats per tonne (2015: 26 carats per tonne); and

– unit operating costs were marginally lower at US$2.54 per carat compared with US$2.57 per carat for the previous financial year with increased production volumes delivering improved efficiencies of scale.

• Maiden JORC Resource and Reserve Statement for Montepuez announced in July 2015 by SRK (on a 100% attributable basis):

– total Indicated and Inferred Mineral Resource of 467 million carats;

– Probable Ore Reserves of 432 million carats of ruby and corundum, giving a projected 21 year LoM; and

– NPV of US$996 million (based on a 10% discount rate).

Gemfields has been undertaking ongoing exploration at Montepuez within the licence area since 2012. The main sources of exploration, following on from the completed ground and aerial magnetic studies, include auger and diamond drilling, trenching pits and bulk sampling. These programs have been supplemented by geological mapping, satellite imagery, geophysical and soil geochemistry surveys.

Ruby Characteristics

The rubies at Gemfields' Montepuez Ruby Mine are found in two mineralised styles - primary mineralisation hosted within amphibolite lithology and secondary, placer type, gravel beds.

Rubies from the primary amphibolitic source mineralisation, Maninge Nice amphibolite and gravel bed, are typically tabular hexagonal crystals, with a strong basal cleavage. The gemstones are highly fractured and included. Typically, the production from primary

mineralisation is lighter, pink colour, and is often classified as sapphires. These sources provided a large amount of stones per tonne of ore in the financial year, and so are considered as a high grade but lower quality deposit. In contrast, the rubies produced from the secondary gravel bed deposit from Mugloto and Glass pits are dark red in colour, more transparent, with fewer inclusions, and often rounded in shape. However, as these secondary deposits provide fewer gemstones per tonne of ore than the primary deposit, it is thus considered as a low grade but high quality deposit. The secondary deposit is currently interpreted to be related to a flood event, which was later reworked by a braided river system. The source of the higher quality Mugloto secondary deposit is yet to be identified.

Mining

The operations to date have primarily comprised of a number of large mining pits split between the two main operating areas, the Mugloto Block and the Maninge Nice Block. Mining is carried out as a conventional open-pit operation utilizing excavators, loaders and dump trucks. Loaded trucks haul ore to the stockpiles at the wash plant while waste is back loaded into the mined-out areas.

Montepuez's key operational parameters for the financial years 2013–16 are summarised below:

Montepuez annual production summary

	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Gemstone production (ruby and corundum) in million carats	1.9	6.5	8.4	10.3
Ore production (primary and secondary) in thousand tonnes	26.7	408.6	438.9	510.4
Ore processed (primary and secondary) in thousand tonnes	13.3	158.2	325.4	295.2
Grade (ruby and corundum/ore processed) in carats/tonne	143[a]	41[a]	26	35
Waste mined in thousand tonnes	63.0	1,192.1	2,530.5	3,018.3
Total rock handling in thousand tonnes	89.7	1,600.6	2,969.4	3,528.7
Stripping ratio	2.4	2.9	5.8	5.9

(a) The grade disclosed in the June 2014 Annual Report was calculated based on gemstone production divided by ore production. The grade is now calculated based on gemstone production divided by ore processed, providing a more accurate grade. The 2013 and 2014 grades have been restated.

Operating costs

Total operating costs, were US$26.2 million (2015: US$21.6 million) with unit operating costs of US$2.54 per carat (2015: US$2.57 per carat). Cash rock handling unit costs remained stable at US$6.06 per tonne (2015: US$6.16 per tonne).

Rough sales and auctions

Auction results (ruby and corundum)

Dates	14–18 December 2015	13–19 June 2016	Total 2015–16	Lifetime total
Location	Singapore	Singapore	Singapore	Singapore/Jaipur
Type	Higher and medium quality	Higher, medium and commercial quality	Higher, medium and commercial quality	Higher, medium and commercial quality
Carats offered	92,136	1.6 million	1.7 million	7.9 million
Carats sold	90,642	1.5 million	1.6 million	7.5 million
Number of lots offered	49	75	124	339
Number of lots sold	45	71	116	294
Percentage of lots sold	92%	95%	94%	87%
Percentage of lots sold by weight	98%	95%	95%	95%
Percentage of lots sold by market value	95%	98%	97%	94%
Total sales realised at auction	US$28.8 million	US$44.3 million	US$73.1 million	US$195.1 million
Average per carat sales value	US$317.92/carat	US$29.21/carat	US$45.50/carat	US$26.02/carat

Two auctions were held during 2015–16, with a total of 1.7 million carats of higher to commercial quality rubies and corundum placed on offer. An average 95% of the total weight offered was sold, generating total revenues of US$73.1 million for the financial year. The average per carat sales value for the financial year was US$45.50 per carat. The six auctions held since June 2014 have raised a total of US$195.3 million from the sale of 7.5 million carats.

Mustang Resources – Montepuez Ruby Project

The Mugloto deposit is the closest (geological) comparison to the Company's Alpha deposit. The Company has not compiled a Mineral Resource Estimate though it will record its first sales of rubies from a pilot plant in 2017. In parallel with the bulk sampling program at Alpha, the Company has also commenced exploration activities to open up new ore sources on its tenements with auger drilling underway targeting additional ruby-bearing gravel zones.

Auger Drilling Program

An auger drilling campaign commenced in January 2017 to map the ruby-bearing ore across the project area. The drilling has commenced at the Alpha deposit and will extend outwards. The purpose of this drilling campaign will be to map the extension of the Alpha deposit and thereafter to map all the gravel beds within all three of the Mustang license boundaries.

Processing Plant

The Company has built and commissioned a 75tph processing plant at Alpha Deposit within the Montepuez Ruby Project, with a bulk sampling program commencing in early 2017 with production ramping up to the targeted processing capacity of 1,500tpd (annualized 378,000 tonnes).

The Company 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 and auger drilling. This strategy has already proven to be highly successful in covering a lot of ground and rapidly testing new areas. To date, the prospecting team's work has resulted in the receipt of 13,314.76 carats of ruby and corundum.

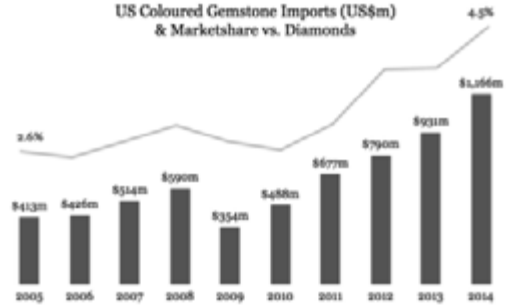
The Company sent its first parcel of rubies and corundum, totalling 6,221cts, to the USA to be further assessed and processed prior to being sold to customers.

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.

A parcel of five special stones weighing a total of 76.65cts, including two rare 24ct high quality rubies, will be cut by specialist gemstone cutter. 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 and the colour saturation.

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.

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.



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

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. 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 the Company (ruby) from 2017 onwards.

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 the Company 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.

Export of 25,000cts to Thailand & Marketing Developments

A parcel of rubies totalling 25,000cts (which includes rubies mined by the Company and those recovered by its prospecting teams) was exported 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 established 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.

Included in the parcel exported are 4 special stones weighing a total of 29.88cts, including one 11ct high quality ruby and a 7ct stone. These rubies will be cut and sold to the Company's wholesale customer base in the United States.

Montepuez Project - Future Strategy

The Company remains committed to advance its Montepuez Ruby Project towards its full-scale production. After successful completion of bulk sampling, the Company committed to achieve a maiden Mineral Resource Estimate in accordance with the JORC Code and conduct a feasibility study in the second half of 2017.

The Company focuses and currently is extracting material from secondary elluvial deposits at the Alpha deposit. Artisanal miners in Mozambique almost exclusively mine secondary deposits. Gem quality ruby percentage in secondary deposits are significantly higher than in primary deposits (>80% of ruby inventory).

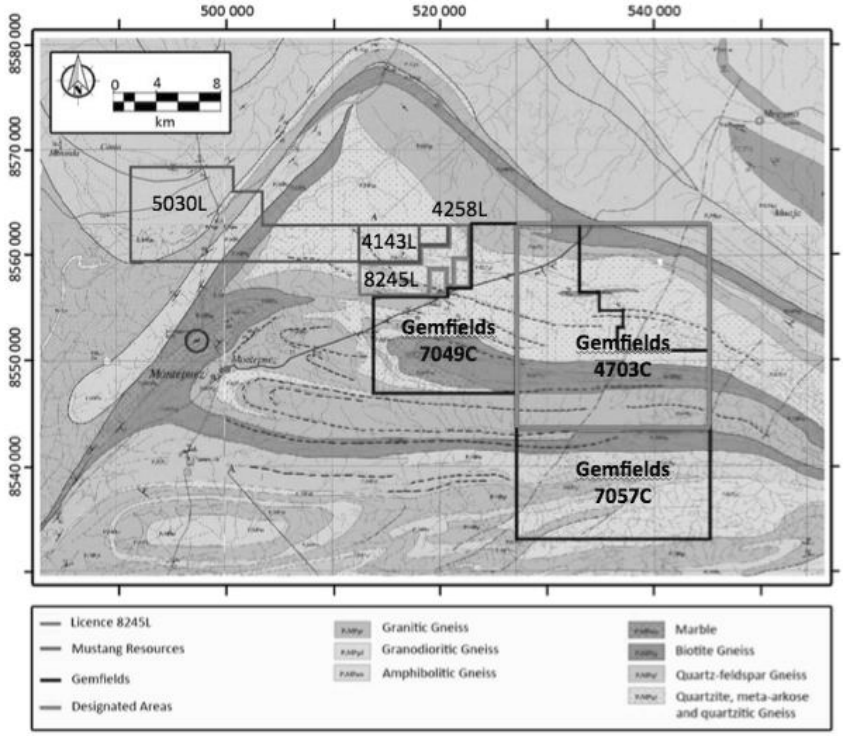
The Company intends to develop its own sales channels focusing on extracting maximum value by cutting and polishing gem quality stones larger than 1ct and then selling to wholesalers.

The inventory stands at 63,989cta boosted greatly by receipts from prospecting teams. Current processing rates are ~1,000tonnes per day. With plant upgrades this will lift to 1,500tpd (annualized 378,000 tonnes). Grade is anticipated to average 1ct/tonne and the grade risk is further mitigated by rubies received from prospecting teams.

Refer to the comments on Forward looking statements at the end of the report.

PROPOSED LICENCE ACQUISITION – MONTEPUEZ

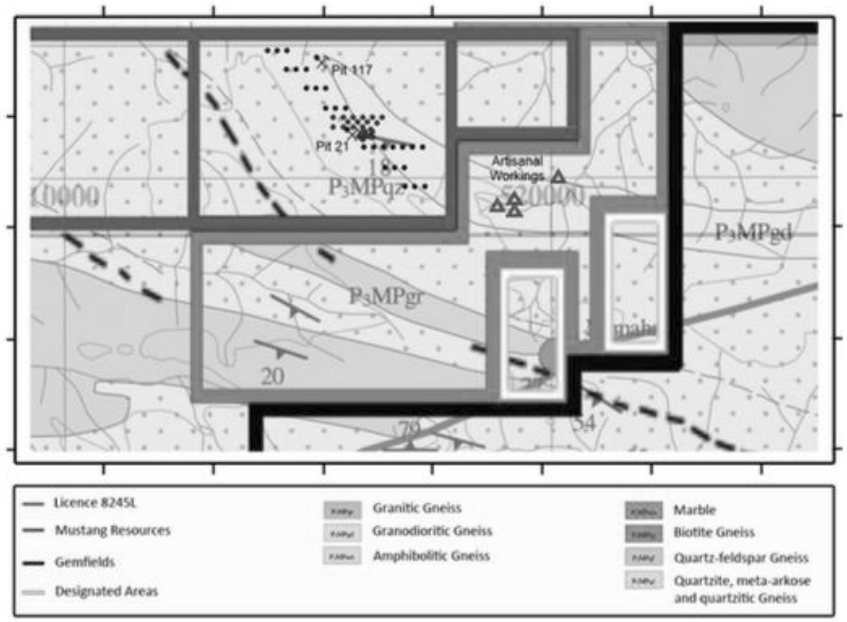
The Company has agreed to acquire a 65 per cent interest in a new ruby license (License 8245L), which borders its existing Montepuez Ruby Project in Mozambique. Artisanal miners are recovering large, high-quality rubies from this license area, which also borders one of the key ruby deposits being mined by London-listed Gemfields. The new license is 3km directly southeast of the Company's plant site and Alpha ruby deposit and lies along the south-east, north-west ruby mineralisation trend, which also transects the adjacent Gemfields licences.



Location of the Company's new acquisition Licence 8245C

Licence 8245L lies within the Montepuez Complex, an extremely geologically and structurally deformed complex defined in part by its unique geophysical signatures compared to the surrounding areas. Due to the complexities of the lithology and structure within the licence area, several factors may have contributed to the formation of corundum and, in particular, gem-grade ruby within the licence area.

The newly-acquired licence is covered by similar lithologies as those found in the Gemfields project areas and the potential exists for similar ruby mineralisation, both primary and secondary, especially given that the regional area is structurally very complex and not yet well understood. An analysis of the high resolution aeromagnetic data of the area shows several SE-NW trending lineaments which transect the licence area as well as the Gemfields licence areas to the south- east. These lineaments/faults may have played a role in the localisation of ruby associated magmas or fluids.



License 8245L has extensive artisanal activity which has proven secondary ruby mineralisation within 3km of the Company's Alpha ruby deposit.

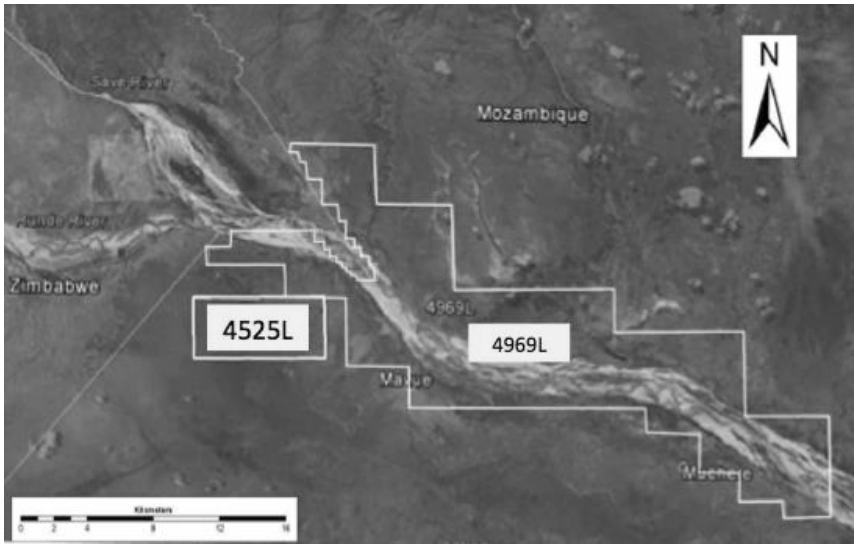
SAVE RIVER DIAMONDS PROJECT

The Save River Diamonds Project is located in southern Mozambique, along the border with Zimbabwe. The area of interest is along the Save River, after the confluence with the Runde

River. The project area is accessed through a tarred road from Maputo to Mapai (250km), Mapai to Massengeni (211km) and from Massengeni to the project area (76km).

The Save River Diamonds project consists of one concession along the Save River in Mozambique (Concessions 4525L). The concession is located immediately below the confluence of the Save and Runde Rivers. Concession 4525L is held under an agreement with Regius Exploration Pty Ltd and Save River Diamonds Pty Ltd which originally also included Concession 4969L. The Company decided to terminate the agreement with Regius Exploration Pty Ltd and Save River Diamonds Pty Ltd for the development of diamond prospecting and exploration over Concession 4969L.

The geological basis for the possible alluvial diamond occurrences is that diamonds released by weathering from the Marange diamond fields in Zimbabwe have been washed down the Save River over millions of years. A review of the age of the diamond-bearing conglomerates at Marange, and the age of the Save River system itself, shows that this is a clear possibility. A review of diamond occurrences in Zimbabwe shows that Runde River also drains areas with known diamondiferous kimberlites (Murowa and Sese), and could have also transported diamonds towards the ocean.



Location of Concessions 4525L and 4969L (agreement terminated) along Save River banks

Huge gravel terraces occur on the southern side of Save River after the confluence with Runde river. The gravels typically have clasts that are of cobble size, with clasts being well rounded, implying significant travel distances. Gravels have been deposited on sandstone and gritty sandstone bedrock. Airborne Magnetic images indicate presence of a NE trending structure cutting across concessions 4525L and 4969L. The structure is associated with outcropping sandstone topographic highs which could have acted as a barrier in the flow of

water of the Save River resulting in significant accumulation of gravels to the West and East of the cross cutting feature. Sites located West and East of the cross cutting structure are potential trap sites for gravels.

Radiometric data highlights the migration of the Save River towards the North. Thorium highlights presence of elongate channel like features, parallel to Save River. These features have been mapped in concessions 4525L and 4969L. Trenching and pitting will confirm if channel like features are associated with gravel concentration and diamonds.

The Save and Runde River drain areas with rich diamondiferous conglomerates and kimbelites (Murowa and Marange diamond fields). The profile of the Save/Runde River from Marange/Murowa to Save River project is reasonably steep. The topography suddenly changes to gentle and almost flat at the confluence of Runde and Save River resulting in massive deposition of gravels. The gravels cover an area of 40km x 10km.

The Save River diamond concession is located in an area where gravels, conglomerates and grits have been mapped on surface. The tertiary to quaternary aged sediments are potentially associated with alluvial diamonds.

Radiometrics images of the areas show channel like features cutting across the two concessions. These features which are subparallel to the Save River indicates that the river has migrated towards the north. The Thorium alteration image shows the most distinct and convincing channel like features parallel to Save River. The image also highlights an area without channel like features. Pitting and trenching will confirm the composition of material associated with these channel like features. Airborne magnetic data confirms the occurrence of a structure cutting across both concessions.

The structure trends NE and is associated with structural displacements resulting in upfaulted sandstone units across concession 4969L. The crosscutting structure hence forms a barrier and must have promoted deposition of sediments or gravels on the west and eastern portion of the feature.

TerravisionTM traverses confirm the presence of a deep (14m) and wide (1-1.5km) palaeochannel in the western and central portion of 4969L. The northern and NW portion of concession 4525L is dominated by conglomerates (approximately 8m thick) as inferred from a traverse done in a similar setting. Two GPR lines done just north of 4525L One profile went through the lower gravel terraces which have been affected by faulting and define a sandstone plateau and troughs with visible gravels on surface. Depth continuity of troughs/grabens will be confirmed during pitting and trenching.

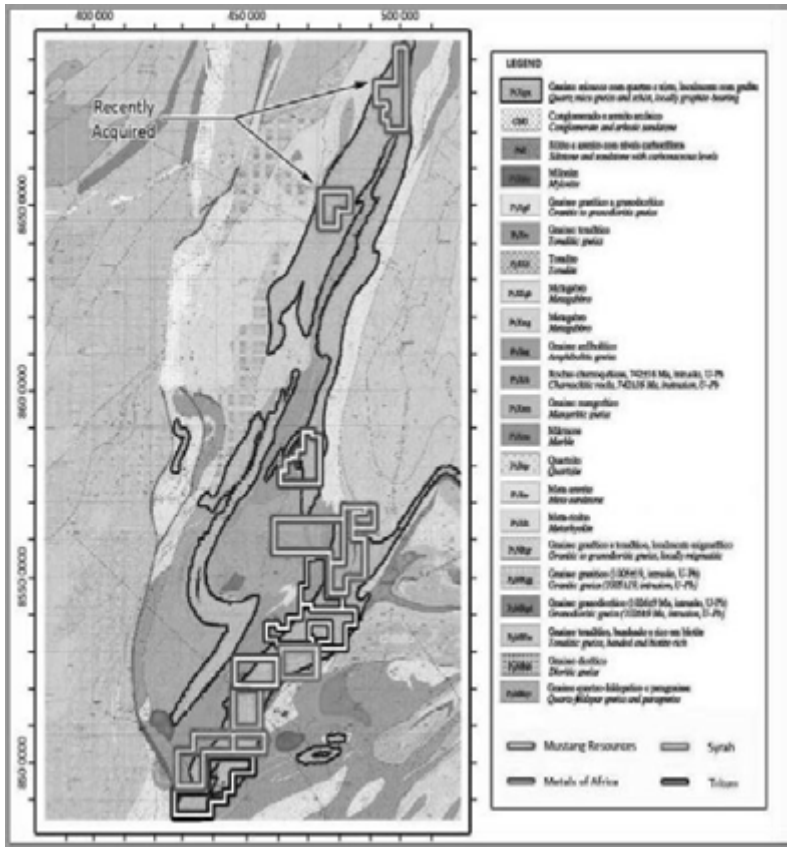
Approximately 26 000 m^3 of gravels have been treated from nine pits across the project. This bulk sampling program has yielded 43.30 carats from 70 diamonds with an average stone size of 0.62 carats. The largest individual diamond recovered to date is 2.58 carats.

The Company procured and installation of a Flow Sort optical diamond sorter. The Flow Sort recovers and concentrates diamonds securely, reducing the accumulation of unwanted material and the amount of time required by hands-on sorting.

The original plant at the Save River Diamond Project was based on traditional Bushman Jig technology that is known to be less efficient and less reliable than x-ray Flow Sort plant recovery. The upgraded recovery plant was operating at around 1,000m3 per day.

The Save River Diamond Project (4525L) was placed on care and maintenance early in 2016.

BALAMA GRAPHITE PROJECT, MOZAMBIQUE



Mustang concessions in relation to other active graphite explorers

Northeastern Mozambique is predominantly underlain by Proterzoic rocks that form a number of gneiss complexes that range from Palaeo to Neoproterozoic in age. The Balama Graphite Project site is underlain by metamorphic rocks of the Neoproterozoic Lurio Group that are included within the Xixano Complex. The graphite layer is comprised of a sequence of metamorphosed carbonaceous pelitic and psammitic (sandstone) sediments within the

Proterozoic Mozambique Belt. The sediments have been metamorphosed to graphitic schists (pelites) and graphitic sandstones (psammites). In addition to the graphite, the Balama Graphite Project site has granite outcrops in the northeast. It appears that these are intrusive into the graphite bearing schists.

A number of graphite deposits have been identified, many of which have already been explored and are currently being developed. There are a number of reports on the graphite deposits being associated with an economic vanadium potential, adding value and interest to all graphite projects in Cabo Delgado. A number of greenfield exploration programs have led to identification of more graphite deposits within the country.

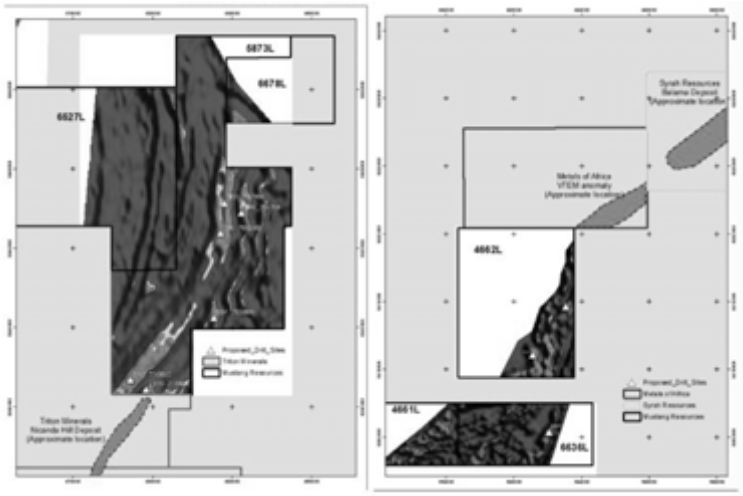
The Balama Graphite Project is located in the same region as the Montepuez Ruby Project. Extensive high-grade graphite mineralisation has already been delineated at Balama, which lies within a graphite province which is dominated by the graphite deposit being developed by Syrah Resources (ASX: SYR).

The Balama Graphite Project, includes exploration licences totalling 662.4 square kilometres, is located along strike from, amongst others, Syrah Resources Ltd. Laboratory results of samples taken from the Balama Graphite Project confirm wide (up to 74m) high-grade intervals of up to 22% Total Graphitic Carbon (TGC). Field assessment has also highlighted the potential of large flake sizes, with a 2015 sample analysis showing 57.9% Super Jumbo flakes larger than +1180µm on licence 4662L. High-grade intersections recorded to date suggest likely extensions of nearby graphite deposits.

The Balama Graphite Project is located along strike from Syrah Resources and Triton Mineral's graphite resources, and host similar geology to the graphite bearing units of these previously discovered deposits. The potential of finding graphite on both concessions is very likely and not only is the presence of the graphite almost guaranteed but the grade of the material will likely be similar to those reported by Syrah Resources due to the presence of a granite intrusion.

In August 2015, the Company commissioned SkyTEM Australia Pty Ltd (SkyTEM) to complete a highly detailed airborne electromagnetic survey across all six of the Company's graphite prospecting licences in Northern Mozambique.

The initial 2,400km line survey was focused on the lithology which has been regionally mapped as quartz mica gneiss and schist which is known to be graphite bearing. Importantly, the orientation of the line survey was designed perpendicular to the strike of the geology to ensure an accurate collection of the representative data.



SkyTEM results within tenements Mustang's Licences showing EM anomalies along strike from Triton's Nicanda Hill deposit and Syrah Resources Balama deposit

A diamond drilling program was completed focused on the Caula Project (Licence 6678L: 80% Interest), which is the most advanced prospect and is located in a closed anticline hinge. The drilling program identified graphite mineralisation along strike from world-class development projects. Previous drilling at the Balama Project intersected high-grade intersections in eight RC holes drilled over extensive SkyTEM anomalies, with intersections of up to 22% TGC.

A total of five diamond drill holes have been completed to date on the Caula Project within the tight closed anticline hinge identified by the SkyTEM data. The holes intersected significant intervals of graphite including drill hole MODD 001 on licence 6678L (Caula Project), has an average of 15.9% TGC within the mineralised graphitic mineralisation zone from 10m to 65.68m (all depths mentioned for this hole are downhole depths – based on an incline of 55°). The graphite mineralisation is shallow with high grades close to the surface, including 23.2% TGC at 11m from surface, 23.6% TGC at 12m from surface and 22.8%TGC at 13m. The highest TGC value recorded for this hole is 24.9% TGC at 24.44m – 23.44m below surface.

The company released an estimate of two Exploration Targets in accordance with the JORC Code at Balama in June and July 2016.

Exploration Target: Licence 6678L ("Balama North Project")

Based on the intersection of borehole MORC 004 within the mineralised zone an Exploration Target of 18.66 Mt (at an average grade of 13.6% Cg) to 29.84Mt (at an average grade of 9.7% Cg) of mineralised rock was estimated for a strike length of 1,957 metres.

Exploration Target: Licence 5873L ("Balama North Project")

Based on the intersection of borehole MORC 006 with the mineralised zone, an Exploration Target of 23.56 Mt (at an average grade of 6.7% Cg) to 50.33Mt (at an average grade of 5.1% Cg) of mineralised rock was estimated for a strike length of 2,250 metres.

While the Company remains optimistic that it will report mineral resources at Balama in accordance with the JORC Code 2012 in the future, any discussion in relation to exploration targetsl is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The Exploration Targets included here are as reported in ASX Announcement, 18 July 2016 - Supplementary Announcement to Presentation & Announcement Dated 27 June 2016 & Presentation Dated 4 July 2016**,** Mustang Resources Ltd

Information in the ASX Announcement that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Johan Erasmus, 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 Erasmus is a consultant of Sumsare Consulting, Witbank, South Africa who was engaged to undertake this work. Mr Erasmus 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. Mr Erasmus consents to the inclusion of the data in the form and context in which it appears.

Balama Project - Future Strategy

Natural graphite production was estimated to be 1.2Mt in 2014, of which approximately 0.8Mt was flake graphite mainly produced in China. Flake graphite is the main feedstock for spherical graphite used in battery anodes, in which market it competes with synthetic graphite. Spherical graphite production is estimated to have been about 35kt in 2015, which equates to approximately 80 kt of natural graphite flake.

Natural graphite is found in three forms: Flake, Amorphous and Vein. Recent exploration has focussed on flake graphite mainly in Mozambique, Tanzania, Canada and Australia; this activity has discovered in excess of 3.7Bt of Mineral Resources containing approximately 350Mt of graphite. The largest deposits are in Mozambique and Tanzania, an area noted for large, high purity flake. Although junior explorers have slated more than 1Btpa of flake graphite production, it is considered that the ramp-up will be slower than anticipated and that many hopefuls will fall by the wayside. *(source: http://www.csaglobal.com)*

The Company completed diamond drilling in the Caula Project site within the Balama Graphite Project and drilling was focused in this site as it has the potential to become a maiden Mineral Resource Estimate in accordance with the JORC Code in graphite in the first half of 2017.

Refer to the comments on Forward looking statements at the end of the report.

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ASX Announcements – Mustang Resources Ltd

29 January 2016, Quarterly Activities Report for the period ended 31 December 2015. ASX Announcement

27 June 2016 - Mustang Targeting High Grade Graphite Resource At Balama Project, Mozambique

18 July 2016 - Supplementary Announcement to Presentation & Announcement Dated 27 June 2016 & Presentation Dated 4 July 2016, Mustang Resources Ltd

29 July 2016Quarterly Activities Report for the period ended 30 June 2016. ASX Announcement

5 October 2016 - Full Year Statutory Accounts 30 June 2016

20 January 2017 - Plant Commissioning Completed And First Commercial Parcel Of Rubies Sent To The USA

30 January 2017 - December 2016 Quarterly Activities Report

1 February 2017 - Drilling Confirms Potential To Delineate High-Grade Graphite Resource At Balama

9 February 2017 - Mustang Triples Processing Rate After Successful Plant Ramp-Up At Mozambique Ruby Project

28 February 2017 - Mustang Acquires Highly Prospective Adjacent Ruby License Next To Gemfields

6 March 2017 - Spectacular High-Grade Graphite Discovery At Caula Project In Mozambique

March 2017 - Investor Presentation, North-American Roadshow, March 2017,

6 March 2017 - Spectacular high-grade graphite discovery at Caula project in Mozambique

9 March 2017 - Mustang to export a further 25,000cts of gem-quality rubies

AIM Announcements - Gemfields Plc

27 Feb 2012 - Issuance of Mozambique Ruby Licences

17 Feb 2015 - Market Update Quarter to 31 December 2014

Gemfields Plc Annual Report 2016

VALUATION ASSESSMENT

Three widely accepted Valuation Approaches are:

(a) Market-based, which is based primarily on the notion of substitution. In this Valuation Approach the Mineral Asset being valued is compared with the transaction value of similar Mineral Assets under similar time and circumstance on an open market (*Comparable Transactions, $ per metal unit*).

(b) Income-based, which is based on the notion of cashflow generation. In this Valuation Approach the anticipated benefits of the potential income or cash flow of a Mineral Asset are analyzed (*Discounted Cash Flow*).

(c) Cost-based, which is based on the notion of cost contribution to Value. In this Valuation Approach the costs incurred on the Mineral Asset are the basis of analysis and an assessment of prospectivity (*Prospectivity Exploration Multiplier and Geo-factor Rating, $ per sq. km.)*.

Details of the assessment criteria are included in the notes attached to the Report.

The Company is committed to advance its Montepuez Ruby Project towards its full-scale production. After successful completion of bulk sampling, the Company is committed to achieve a maiden Mineral Resource Estimate in accordance with the JORC Code and conduct a feasibility study in the second half of 2017.

The Company completed diamond drilling in the Caula Project site within the Balama Graphite Project and drilling was focused in this site as it has the potential to become a maiden Mineral Resource Estimate in accordance with the JORC Code in graphite in the first half of 2017.

The company released an estimate of two Exploration Targets in accordance with the JORC Code at Balama in June and July 2016.

When a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no full feasibility study) then a *Comparable Transactions* approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets compiled in accordance with the JORC code with appropriate discounts for risk in the different categories.

The method requires allocating a dollar value to the mineral resource in the ground and applying appropriate discounts for JORC Category, operating factors and average acquisition cost for mineral projects. This may also apply to well-established zones of mineralisation that have not formally been categorized under the JORC code in certain cases. An additional risk weighting may be appropriate in these circumstances.

The Mineral Resources and Exploration Targets are assumed to encapsulate all the value for the surrounding ground within the Licence area and a separate value for exploration potential for the tenements is not considered warranted.

While the Company remains optimistic that it will report mineral resources at Balama in accordance with the JORC Code 2012 in the future, any discussion in relation to exploration targetsl is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

In this pre-resource phase, the **Montepuez, Save River and the remaining Licences in the Balama Projects,** are classed as *'exploration projects'* and inherently speculative in nature. Several methods of valuation are available for such projects where a material Inventory has been estimated. These include the use of Cost-based valuations. The Geoscientific Rating method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. These methods may be supported by reference to Yardstick (Rule of Thumb) methods as a reasonableness check.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for "similar" projects. This method can be used with some certainty where a Mineral Resource has been estimated. The Prospectivity Exploration Multiplier (PEM) is based on past expenditure while the Kilburn Geoscience Rating (Geo-factor Rating) is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods, especially where past expenditure has been poorly documented or wasted.

The 'Geo-factor Rating' method of valuation for exploration tenements is the preferred valuation method used by Agricola for the Company's current tenements as it focuses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses four key technical attributes of a tenement to arrive at a series of factors that are multiplied together to produce a prospectivity rating. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor is then multiplied serially to the BAC. The 'Base Value' is multiplied by the prospectivity rating to establish the overall technical value of each mineral property.

COMPARABLE TRANSACTIONS – Exploration Targets

An Exploration Target of 18.7 to 29.8 million tonnes at an average grade of 9.7% to 13.6% TGC was estimated for a strike length of 1,957 metres within 6678L (Balama North Project).

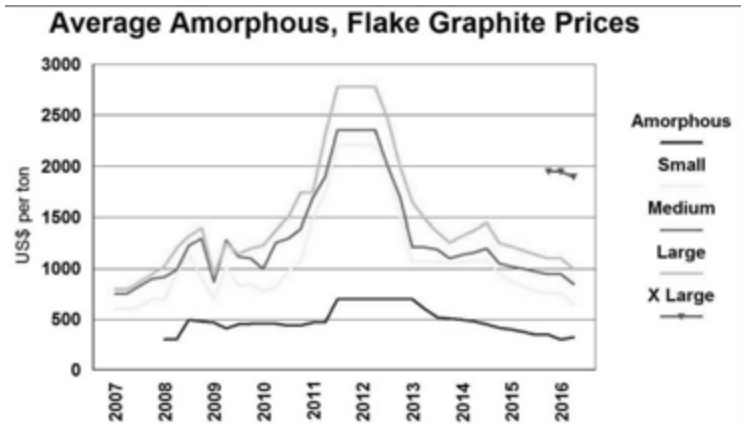
An Exploration Target of 23.6 to 50.3 million tonnes at an average grade of 5.1% to 6.7% TGC was estimated for a strike length of 2,250 metres within 5873L (Balama North Project).

Valuation Methodology

For the purpose of the current valuation the Exploration Target on Licence 6678L and 5873L is selected as shown in the following table. Contained metal is calculated from the deposit tonnes and grade in the categories of the JORC code.

Deposit	6678L	5873L
Exploration Target		
Tonnes, Mt	22 Mt	32 Mt
Grade, %Cg	12%	6%
Metal Content, Mt Cg	2.64 Mt	1.92 Mt

The contained value for the Exploration Targets is estimated based on current metal prices. Graphite demand is forecast to be strong in the next 5 years. Benchmark Mineral Intelligence forecasts "the anode market - which is nearly exclusively served by naturally sourced spherical graphite and synthetically produced graphite - to increase from 80,000 tpa in 2015 to at least 250,000 tpa by the end of 2020, while the market could be as large as 400,000 tpa in the most bullish of cases with no supply restrictions." Flake graphite is the feedstock source for spherical graphite. In December 2016, China announced they plan to stockpile graphite as one of the critical elements.



Whilst 2016 saw large increases in lithium and cobalt prices, spot flake graphite prices have not yet reacted very much and supply can ramp fairly quickly to match demand. Like uranium, there is a posted price for graphite which provides a guideline with respect to longer term trends but transactions are largely based on direct negotiations between the buyer and seller. Graphite prices are also a function of flake size and purity with large flake (+80 mesh), 94% carbon varieties commanding premium pricing.

Current graphite prices US$/tonne (94-97%C)
XL flake $1,900/t (+50 mesh)
Large flake $1,000/t (+80 mesh)
Medium flake $850/t (+100 to -80 mesh)
Fine flake $650/t (-100 mesh)
(source: http://northerngraphite.com/graphite-pricing/)

For the purpose of the valuation of the Exploration Target at Balama a graphite price of US$800 per tonne (94%Cg) in recognition of the uncertainty of the potential product.

Metal Value	
USD Ave, 94% Cg	$800
USD Ave, 100% Cg	$842
AUD:USD Exchange Rate	0.75
AUD per tonne Cg	$1,123

Base Value – Balama Exploration Targets

A discount factor is applied to the contained value to recognize the JORC category and allow for resource estimate risk.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

Allowances for modifying factors are also included in the assessment:

Modifying Factors	**Graphite**	
Recovery	75%	Assume Standard
Mining	80%	Small Scale mining
Processing	70%	Concentrate production
Rail, Road Transport	80%	Road Transport
Port	80%	Available for requirements
Capex	70%	Staged buildup
Marketing	80%	Offtake Agreement
Total Modifying Discount	15%	

The base value for the project is estimated by multiplying the contained value by the discount factors.

Base Value = [Contained Value][Resource Discount]*[Modifying Discounts]*

Base Value A$M		
Deposit	6678L	5873L
Measured	-	
Indicated	-	
Inferred		
Exploration Target	223.00	162.00

Average Acquisition Cost

A range of average acquisition cost ("AAC") percentages are estimated based on a database of Merger and Acquisitions activity for the period 2006 to 2015 The percentage represents the amount paid for deposits compared to the contained value at the current metal price.

The AAC for projects lies in the range of 2.5% to 6.6%. The data set does not differentiate between resource categories and operational factors and this has been taken into account with risk related discounts applied to the Base Value. Information on sales internationally has shown a pattern for the AAC as shown in the percentile table.

AAC Percentiles 2006 - 2015 - Exploration Assets					
Percentile	10%	25%	50%	75%	90%
AAC	1.28%	1.75%	3.10%	5.10%	5.89%
AAC Percentiles 2006 - 2015 - Producing Assets					
Percentile	10%	25%	50%	75%	90%
AAC	8.06%	9.36%	11.20%	12.40%	13.05%

For the purpose of this valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles. The Base Value is multiplied by AAC values at those percentiles to arrive at the estimated project technical value.

AVERAGE ACQUISITION COST	
Low, 25th Percentile	1.8%
High, 75th Percentile	5.1%
Preferred, 50th Percentile	3.1%

Technical Value – Balama Exploration Targets

Technical Value = [Base Value][Average Acquisition Cost%]*

Total Project Technical Value, A$M		
Deposit	6678L	5873L
Low	3.90	2.84
High	11.38	8.27
Preferred	6.92	5.03

The Technical Value is estimated for 100% equity in the projects

EXPLORATION PROJECTS - GEO-FACTOR RATING METHOD

Base Value

This represents the exploration cost for the current period of the tenement. The current Base Acquisition Cost (BAC) for exploration projects or tenements at a similar stage is considered to be the average expenditure for the first year of the licence tenure. This is considered to be a BAC of A$400 to A$450 per square kilometre.

Base Value = [Area][Grant Factor]*[Equity]*[Base Acquisition Cost]*

Mustang Resources Ltd					BAC	
Project	**Tenement**	**Km2**	**Equity**	**Grant**	**Low**	**High**
Montepuez Ruby Project						
Rubies	4143L	19.20	100%	100%	400	450
Rubies	4258L	4.80	100%	100%	400	450
Rubies	5030L	134.00	100%	100%	400	450
Total Area		158.00				
Save River Diamond Project						
Diamonds	4525L	23.71	100%	100%	400	450
Total Area		23.71				
Balama Graphite Project						
Graphite	4661L	147.50	100%	100%	400	450
Graphite	4662L	94.78	100%	100%	400	450
Graphite	5873L					
Graphite	6636L	45.71	100%	100%	400	450
Graphite	6678L					
Graphite	6363L	75.80	100%	100%	400	450
Graphite	7560L	128.92	100%	100%	400	450
Total Area		492.71				
New Licence Acquisition						
Montepuez	8245L	34.76	100%	100%	400	450

Base Value estimates are based on 100% Equity

Exploration Targets have been assessed for 5873L and 6678L

Prospectivity Assessment Factors

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

- Regional mineralisation, old and current workings and the validity of conceptual models.
- Local mineralisation within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.

- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

Assessments in each category are based on a set scale and are multiplied together to arrive at a "prospectivity index".

	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40-50%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)

Prospectivity Index = [Off Site Factor][On Site Factor]*[Anomaly Factor]*[Geology Factor]*

Mustang Resources Ltd		Off Site		On Site		Anomaly		Geology	
Project	**Tenement**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**
Montepuez Ruby Project									
Rubies	4143L	5.00	5.10	2.00	2.10	4.00	4.10	3.00	3.10
Rubies	4258L	3.00	3.10	2.00	2.10	4.00	4.10	2.25	2.35
Rubies	5030L	3.00	3.10	2.00	2.10	3.00	3.10	2.25	2.35
Save River Diamond Project									
Diamonds	4525L	1.50	1.60	2.50	2.60	2.50	2.60	2.00	2.10
Balama Graphite Project									
Graphite	4661L	2.50	2.60	2.00	2.10	1.50	1.60	2.25	2.35
Graphite	4662L	2.50	2.60	2.00	2.10	1.50	1.60	2.25	2.35
Graphite	5873L								
Graphite	6636L	2.50	2.60	2.00	2.10	1.50	1.60	2.25	2.35
Graphite	6678L								
Graphite	6363L	2.50	2.60	2.00	2.10	1.50	1.60	2.25	2.35
Graphite	7560L	2.50	2.60	2.00	2.10	1.50	1.60	2.25	2.35
New Licence Acquisition									
Montepuez	8245L	5.00	5.10	2.00	2.10	4.00	4.10	3.00	3.10

TECHNICAL VALUE

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity. For the purpose of this valuation the preferred value is selected at 40% of the difference between Low and High estimates.

Technical Value = [Base Value][Prospectivity Index]*

Montepuez Ruby Project					
Project	**Tenement**	**Technical Value A$M**			
		Low	**High**	**Preferred**	A$/km^2
Montepuez Ruby Project					
Rubies	4143L	0.92	1.18	1.02	53,300
Rubies	4258L	0.10	0.14	0.12	24,200
Rubies	5030L	2.17	2.86	2.45	18,300
Save River Diamond Project					-
Diamonds	4525L	0.18	0.24	0.20	8,600
Balama Graphite Project					-
Graphite	4661L	1.00	1.36	1.14	7,700
Graphite	4662L	0.64	0.88	0.73	7,700
Graphite	5873L	-	-	-	-
Graphite	6636L	0.31	0.42	0.35	7,700
Graphite	6678L	-	-	-	-
Graphite	6363L	0.51	0.70	0.59	7,700
Graphite	7560L	0.87	1.19	1.00	7,700
Total		**6.70**	**8.97**	**7.61**	-
New Licence Acquisition					
Montepuez	8245L	1.67	2.13	1.85	53,300

The Technical Value is estimated for 100% equity in the projects

Comparison with Yardstick (Rule of Thumb) Method

A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into four groups:

- Advanced exploration areas located in a well mineralised area near existing mineral deposits with significant potential attract values well above $2000 per square kilometre
- Exploration areas along strike or structurally related to estimated mineral resources. Such areas attract values in the range $1200 to $2000 per square kilometre.
- Exploration areas in known mineral fields. Such areas attract values in the range of $700 to $1300 per square kilometre.

- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of $400 to $800 per square kilometre.

Based on the values estimated in this report, the exploration ground is over A$20,000 per square kilometer for the Montepuez Ruby Project and over A$7,000 for the Save River and Balama Graphite Project, which is consistent with the geological setting, results and stage of exploration.

Summary of Technical Value

Mustang Resources Ltd			
Project	**Technical Value, A$M**		
	Low	**High**	**Preferred**
Montepuez Ruby Project	3.20	4.17	3.59
Save River Diamond Project	0.18	0.24	0.20
Balama Graphite Project	3.33	4.55	3.82
Balama Exploration Targets	6.74	19.65	11.95
New Licence Acquisition	1.67	2.13	1.85
Total	15.11	30.75	21.41

The Technical Value is estimated for 100% equity in the projects

MARKET VALUE

Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion. Market Value may be higher or lower than Technical Value.

In arriving at a fair market value for a particular exploration tenement, Agricola has considered the country risk and current market for exploration properties in Mozambique. Assessment of country risk and Business Climate has been provided by an independent specialist firm (source: www.coface.com). The rating for Mozambique is 'D' for country risk and 'D' for business climate, which are considered to be high risk.

Strengths include enviable geographic location: long coastline, proximity to the South African market, considerable mineral (coal), agricultural and hydroelectric wealth, major gas reserves discovered off shore in 2010, supported by foreign financial donors and investors (FDIs) with finance for mining and gas industry infrastructure. Weaknesses include limited diversification; dependence on commodity prices (aluminium, coal), inadequate transport and port infrastructure seriously limiting the ability to export commodities, highly dependent on international aid and the South African economy and poor governance.

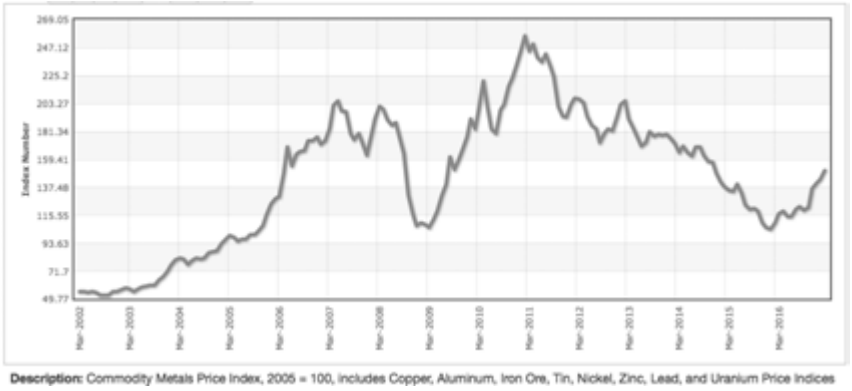
The Company's Tenements

The Company is committed to advance its Montepuez Ruby Project towards its full-scale production. After successful completion of bulk sampling, the Company is expected to record first revenue from the sale of rubies in the first half of 2017. Further, the Company is committed to achieve a maiden Mineral Resource Estimate in accordance with the JORC Code and conduct a feasibility study in the second half of 2017.

In the light of the significant exploration potential, the immanent mineral resource estimation and detailed pilot scale processing plant that has been carried out, the current ruby prices, changing economics and future market outlook a **market premium of 25%** has been applied to the technical value of the Montepuez Ruby Project.

The Company completed diamond drilling in the Caula Project site within the Balama Graphite Project and drilling was focused in this site as it has the potential to become a maiden Mineral Resource Estimate in accordance with the JORC Code in graphite in the first half of 2017.

Choice of discount rates for the Balama Graphite Project is mainly based on experience in the current resources market. Although junior explorers have slated more than 1Btpa of flake graphite production, it is considered that the ramp-up will be slower than anticipated and that many hopefuls will fall by the wayside. While there is some investment interest it is almost exclusively directed towards advanced projects with a short-term path to development. The recent change in attitude of market sentiment is apparent in the Commodity metals price index.



Source: Indexmundi.com

A combination of early stage of the project and the apparent recovery of market conditions from a low base level represented by the Commodity Metals Price Index suggest a **market premium of 5%** applied to the technical value of the Balama Graphite Project.

The Save River Diamond Project has been placed on care and maintenance and a **market premium of 5%** has been applied to the technical value based on the successful bulk sampling program that returned diamonds.

While the Company remains optimistic that it will report mineral resources at Montepuez and Balama in accordance with the JORC Code 2012 in the future, any discussion in relation to resource potential is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Market Value = [Technical Value][Adjusted Market Factor]*

Mustang Resources Ltd					
Project	**Tenement**	**Market Factor**	**Market Value A$M**		
			Low	**High**	**Preferred**
Montepuez Ruby Project					
Rubies	4143L	125%	1.15	1.47	1.28
Rubies	4258L	125%	0.13	0.17	0.15
Rubies	5030L	125%	2.71	3.58	3.06
Save River Diamond Project					
Diamonds	4525L	105%	0.19	0.25	0.21
Balama Graphite Project			-		
Graphite	4661L	105%	1.05	1.43	1.20
Graphite	4662L	105%	0.67	0.92	0.77
Exploration Target	5873L	105%	2.98	8.69	5.28
Graphite	6636L	105%	0.32	0.44	0.37
Exploration Target	6678L	105%	4.10	11.95	7.26
Graphite	6363L	105%	0.54	0.74	0.62
Graphite	7560L	105%	0.91	1.25	1.05
Total			**14.76**	**30.88**	**21.25**
New Licence Acquisition					
Montepuez	8245L	125%	2.09	2.66	2.32

The Market Value is estimated for 100% equity in the projects

Summary of Market Value

Mustang Resources Ltd				
Project		**Market Value, A$M**		
		Low	**High**	**Preferred**
Montepuez Ruby Project	125%	4.00	5.21	4.48
Save River Diamond Project	105%	0.19	0.25	0.21
Balama Graphite Preoject	105%	10.57	25.42	16.55
New Licence Acquisition	125%	2.09	2.66	2.32
Total		16.84	33.55	23.56

The Market Value is estimated for 100% equity in the projects

Gemfields Plc

Gemfields Plc holds licences and a mining operation on adjacent ground at Montepuez. During 2013, Gemfields Plc completed construction of the core infrastructure required for bulk sampling operations. Preliminary bulk sampling commenced in August 2012, with the washing of this material beginning in earnest in December 2012 following the installation and trial commissioning of, a 50 tonnes of ore per hour washing plant. The washing plant achieved its initial design capacity by the end of the financial year.

AIM Releases in 2012 and 2014 indicate the market value of the tenements at that time

Acquisition of Mozambique ruby licences

Gemfields Plc announced completion of its acquisition of a controlling interest in a ruby deposit based in the Montepuez district of the Cabo Delgado province in Mozambique (the "Project"). Licence was issued by the Mozambican government on 23 February 2012 to a new company, Montepuez Ruby Mining Limitada, in which Gemfields Plc holds a 75% interest. The Project comprises mining and exploration rights covering approximately 34,000 hectares and is believed to be potentially one of the largest ruby concessions in private hands in the world. Mining. The total consideration paid was USD 2.5 million,

Acquisition of 75% interest in an additional Mozambican ruby project

Gemfields completed the acquisition of controlling interests in two additional ruby deposits in the Montepuez district of the Cabo Delgado province in Mozambique (the "Megaruma Licences") which were formally issued by the Mozambican government on 22 September 2014 and 12 November 2014 to a new company, Megaruma Mining Limitada, in which Gemfields is a 75% shareholder. The two licences, which do not border on one another, do each share a boundary with Gemfields' existing 75% owned Montepuez deposit and cover 18,400 hectares and 14,900 hectares respectively. The total consideration paid to the Vendor under the Agreement and with respect to each of the Mining Titles was USD 1.75 million

(i.e. a combined total consideration of USD 3.5 million)

A review of the Gemfields' transactions and the current valuation suggested the following.

GEMFIELDS Montepuez Ruby Licence Acquisitions			
	4703C	7049C	7057C
Year	Feb-12	Sep-14	Nov-14
Price, USD	2,500,000	1,750,000	1,750,000
Area, km^2	350	191	155
USD/km^2	7,143	9,162	11,290
Equity	75%	75%	75%
USD 100% Equity	9,524	12,216	15,054
AUD/km^2	12,698	16,289	20,072
MUSTANG Market Value, AUD/km^2			
	Low	High	Preferred
Montepuez	25,000	33,000	28,000
New Acquisition	60,000	77,000	67,000

The area of the Montepuez Project is 158 km^2 and 35km^2 for the New Acquisition

The increased value per square kilometres for the Company's tenements over the Gemfields Plc value can be ascribed to the improved market in rubies and the established successful mining operations by Gemfields Plc. The Montepuez area is considered by some to be one of the most important ruby gem fields in the world. The New Acquisition sits between the Montepuez Ruby Projects and a key secondary deposit being mined by Gemfields Plc.

Alternative Methods

Agricola has reviewed alternative comparative valuation methods as set out in Regulatory Guide 111: Content of expert reports (RG 111) at RG 111.65, which considers that "an expert should, where possible, use more than one valuation methodology. We consider this reduces the risk that the expert's opinion is distorted by its choice of methodology. We also consider that an expert should compare the figures derived from using the different methodologies and comment of any differences".

Alternative methods such as Market Capitalization (MCap) and Enterprise Value (EV) are not prohibited by RG111 to form the basis of comparable transaction analysis. Both MCap and EV include elements relating to corporate valuation such as cash and debt levels, management skills and reputation and many others which are independent of mineral asset values.

Agricola considers that the expectation of future gain is the main driver for mineral asset valuation of exploration projects as it endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (*the*

Spencer Test). The method set out in this report is considered appropriate for valuation of mineral resources.

EQUITY

The Market Value or the Company's equity share in the various tenements is estimated at:

Mustang Resources Ltd					
Project	**Tenement**	**Equity**	**Equity Value A$m**		
			Low	**High**	**Preferred**
Montepuez Ruby Project					
Rubies	4143L	60%	0.69	0.88	0.77
Rubies	4258L	52.50%	0.07	0.09	0.08
Rubies	5030L	52.50%	1.42	1.88	1.61
Save River Diamond Project					
Diamonds	4525L	56%	0.09	0.12	0.10
Balama Graphite Project					
Graphite	4661L	60%	0.63	0.86	0.72
Graphite	4662L	60%	0.40	0.55	0.46
Exploration Target	5873L	60%	1.79	5.21	3.17
Graphite	6636L	75%	0.24	0.33	0.28
Exploration Target	6678L	80%	3.28	9.56	5.81
Graphite	6363L	90%	0.48	0.66	0.55
Graphite	7560L	95%	0.87	1.19	1.00
Total			**9.97**	**21.33**	**14.54**
New Licence Acquisition					
Montepuez	8245L	65%	1.36	1.73	1.51

Summary of Equity Value

Mustang Resources Ltd				
Project		**Equity Value, A$M**		
		Low	**High**	**Preferred**
Montepuez Ruby Project	Various	2.18	2.85	2.45
Save River Diamond Project	100%	0.09	0.12	0.10
Balama Graphite Project	Various	7.69	18.36	11.99
Subtotal		9.97	21.33	14.54
New Licence Acquisition	65%	1.36	1.73	1.51
Total		11.32	23.06	16.05

Valuation opinion

Based on an assessment of the factors involved, the estimate of the market value for the equity in the Company's existing Projects is in the range of A$10.0 million to A$21.3 million with a preferred value of A$14.5 million.

Based on an assessment of the factors involved, the estimate of the market value for the 65% equity of Licence 8245L is in the range of A$1.4 million to A$1.7 million with a preferred value of A$1.5 million.

This valuation is effective on 4 April 2017.

Forward looking statements: are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies; involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward looking statements; and may include, among other things, statements regarding estimates and assumptions in respect of prices, costs, results and capital expenditure, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). *It applies to the direct sale of existing equity in the projects at the time of the time of this Report.*

MINERAL ASSETS VALUATION FOR EXPLORATION TENEMENTS

M. Castle – Updated 1 April 2017

Agricola Mining Consultants Pty Ltd ("Agricola") has prepared these notes as background to the Independent Valuation Report. The notes are general in nature and references to Western Australia are an example of exploration expenditures. They are appropriate for other states and other countries based on Agricola's experience in many areas of Australia and elsewhere. Parts of these notes may be repeated for clarity in the main report.

Table of Contents – Background Notes

The Meaning of Value – Scope of the Report

A Mineral asset valuation should endeavour to ascertain the price that a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

The test for determining the market value is based on the consideration of a hypothetical negotiation, namely, what is the price that a willing but not anxious purchaser would have to offer to induce a willing but not anxious vendor to sell the property rather than the price which an anxious vendor would obtain upon a forced sale. This is the price that a

hypothetical prudent purchaser would entertain, if he desired to purchase it for the most advantageous purpose for which the property was adapted.

This test contemplates a prudent purchaser who has informed himself or herself of all of the relevant attributes and advantages that the property enjoyed which means not just being conversant with the property in its existing state but also any profitable uses to which it might be put. This embodies the concept of the highest and best use of the property.

Judicial interpretation

The High Court cast light on the ordinary meaning of 'market value' in 1907 in Spencer v. The Commonwealth of Australia. In this case, the Commonwealth had compulsorily acquired land for a fort at North Fremantle in Western Australia.

In discussing the concept of market value, Griffith CJ commented (page 432) that:

… the test of value of land is to be determined, not by inquiring what price a man desiring to sell could have obtained for it on a given day, i.e. whether there was, in fact, on that day a willing buyer, but by inquiring: What would a man desiring to buy the land have had to pay for it on that day to a vendor willing to sell it for a fair price but not desirous to sell?

Isaacs J subsequently expanded on the concept (page 441):

… to arrive at the value of the land at that date, we have … to suppose it sold then, not by means of a forced sale, but by voluntary bargaining between the plaintiff and a purchaser willing to trade, but neither of them so anxious to do so that he would overlook any ordinary business consideration. We must further suppose both to be perfectly acquainted with the land and cognisant of all circumstances which might affect its value, either advantageously or prejudicially, including its situation, character, quality, proximity to conveniences or inconveniences, its surrounding features, the then present demand for land, and the likelihood as then appearing to persons best capable of forming an opinion, of a rise or fall for what reasons so ever in the amount which one would otherwise be willing to fix as to the value of the property.

In this case, the High Court recognised the principles of:

- the willing but not anxious vendor and purchaser
- a hypothetical market
- the parties being fully informed of the advantages and disadvantages associated with the asset being valued (in the specific case, land)
- both parties being aware of current market conditions.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value or property. (*Spencer v Commonwealth* (1907) 5 CLR 418 at 432 per Griffiths CJ and 441 per Isaacs J.).

Although the *Spencer test* is based on both a hypothetical vendor and a hypothetical purchaser and therefore the market value from either hypothetical party's point of view should be the same, in some cases emphasis has been placed on what would be the best price which the vendor could hope to obtain.

The question as of "special value" of particular property has often been raised in cases. However in reality this is only part of the *Spencer* test that in attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is to be assumed that the property will be put to its "highest and best use".

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with market conditions.

The *Spencer test* has been applied in stamp duty cases in determining the value of the dutiable property.

These principles apply equally to mineral assets

Regulatory Authorities

Mineral asset valuations are prepared in accordance with the *Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets (the "VALMIN Code"*, 2015 Edition), which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111, 2011 and RG112, 2011*).

Where exploration results or mineral resources have been referred to in this report, the classifications are consistent with the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"),* prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2012.

The main requirements of the *Valuation Report* are

- *Prepared in accordance with the VALMIN code.*

- *Details of valuation methodologies*

- *Reasoning for the selection of the valuation approach adopted*

- *Details of the valuation calculations*

- *Conclusion on value*

- *Experience and qualifications of key personnel to be set out*

Competence - Competence or being Competent requires that the Public Report is based on work that is the responsibility of a suitably qualified and experienced person who is subject to an enforceable professional Code of Ethics. The Expert or Specialist must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity.

Materiality - Materiality or being Material requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report. Materiality and Material refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those, which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

Transparency - Transparency or being Transparent requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information. The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer. Transparency and Transparent means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods,

and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the expert or specialist.

Reasonableness – Reasonableness requires that an assessment that is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation. A Reasonableness test serves to identify Valuations, which may be out of step with industry standards and industry norms. It is not sufficient for a expert or specialist to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof.

Independence - Independence or being Independent requires that there is no present or contingent interest in the Mineral Asset(s), nor is there any association with the Commissioning Entity or related parties that is likely to lead to bias.

The Expert or Specialist must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the Expert or Specialist must not receive any special benefit from doing the study. This subject is addressed fully in RG112 (112.42). Independence or Independent means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuer or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of the Valuation, which is likely to create an apprehension of bias. The concepts of "Independence" and "Independent" are questions of fact. For example, where an Expert's or Specialist's fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Expert or Specialist is not Independent.

Methodology - The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets under consideration. Selection of the appropriate valuation method will depend on, inter alia:

(a) the purpose of the Valuation;

(b) the development status of the Mineral or Petroleum Assets;

(c) the amount and reliability of relevant information;

(d) the risks involved in the venture; and

(e) the relevant market conditions for commodities.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral Assets under consideration in the Report, stating the reasons why the particular valuation methods have been selected in relation to those factors and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation methods used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reasons for selecting the Value adopted.

Regulatory Guides RG111 and RG112, March 2011

It is not the Australian Securities and Investments Commission – ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

(a) the discounted cash flow method;
(b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the values derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis.

If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

(a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
(b) the current market value differs materially from that derived by the chosen method.

The JORC Code, 2012

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The JORC Code was first published in 1989, with the most recent revision being published late in 2012. Since 1989 and 1992 respectively, it has been incorporated in the Listing Rules of the Australian and New Zealand Stock Exchanges, making compliance mandatory for listing public companies in Australia and New Zealand.

The current edition of the JORC Code was published in 2012 and after a transition period the 2012 Edition came into mandatory operation from 1 December 2013.

Changes to the JORC Code 2012

- Table 1 reporting on an 'if not, why not?' basis.
- Competent Person Attributions – Clause 9
- Exploration Targets – Clause 17
- Pre-Feasibility required for Ore Reserves – Clause 29
- Technical Studies definitions – Clause 37-40
- Annual Reporting – Clause 15
- Metal Equivalents – Clause 50
- *In situ* values – Clause 51
- Additional guidance on reporting in Table 1

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Fair Market Value of Mineral Assets

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from

those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification	
Early stage exploration areas	Mineralisation may or may not have been identified, but where a mineral resource has not been defined. Available information includes exploration results such as outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results. *Valuation Methods: **Geoscience Factor**, Prospectivity Enhancement Multiplier, Yardstick (Rule of Thumb)*.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. Available information includes estimates of Exploration Targets, Inferred Resources, Indicated Resources, Measured Resources in accordance with the JORC Code 2012 and the exploration results from the surrounding area or prospect used to compile the estimates. Additional value for exploration potential in the immediate area is not considered to be warranted. *Valuation Methods: **Comparable Transactions**. Yardstick (Rule of Thumb)*
Pre-development projects	A positive development decision has not yet been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. Available information includes Mineral Resource estimates in accordance with the JORC Code and a scoping study. If a recent and valid Pre Feasibility Study has been prepared an Ore Reserve may have been estimated with due regard to modifying factors. *Valuation Methods: Comparable Transactions*, ***Discounted Cash Flow** (if Ore Reserves have been estimated)*
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels. Available information includes a Feasibility Study with supporting technical studies. *Valuation Methods: **Discounted Cash Flow**.*
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production. *Valuation Methods: **Discounted Cash Flow**.*

Agricola's preferred valuation method is shown in bold type.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value (or stand alone value) which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently.

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or possibly lower. Alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Valuer based on his experience.

The Independent Expert or Specialist, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties
- appropriate geological models

- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a "market factor" unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified Ore Reserves it is appropriate to use financial analysis methods to estimate the net present value ("NPV") of the properties. This technique (the DCF Method) has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified Ore Reserves it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier ("PEM") is heavily based on the expenditure; while the Geoscience Factor is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Geoscience Factor assessment is high and the PEM is low it indicates effective well focused exploration, if the Geoscience Factor is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

Methodologies commonly used for the valuation of early stage or exploration assets in order of the evidentiary value provided by each include:

Contemporaneous transactions in the asset

Where a transaction has taken place around the valuation date in the mineral asset in question, this provides the best evidence of value. This may occur when a body of mineralisation or confined geological domain is split by a tenement boundary and one part is sold.

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today's market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

DCF value

Where a financial model has been prepared which considers the exploration results to date, the costs involved in taking the project to production and the probability-weighted returns expected from the project, in the absence of a contemporaneous transaction in the actual exploration interest, this provides the best evidence as to the value of the exploration interest. This method requires that a reasonable estimate can be made of expected cash flows. In accordance with the JORC Code 2012, the estimation of an Ore Reserve must be based on a Pre Feasibility Study or a Feasibility Study. The DCF Method, therefore, is only possible then these studies are available and an Ore Reserve has been estimated. ***(DCF Method – see below)***

Contemporaneous transactions in comparable assets

Where a transaction has taken place recently in an Asset of similar prospectivity in a similar or comparable mineral market, this provides evidence of value in the absence of an actual transaction or a financial model for the exploration interest. The comparison is typically made on the basis of a value per unit of contained resource. ***(Comparable Transactions Method – see below)***

Potential for Further Discoveries

The Geoscience Factor method provides the most appropriate approach to utilise in the technical valuation of the *exploration potential* of mineral properties on which there are no defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach that essentially requires the valuer to justify the key aspects of the valuation process in a systematic and defendable manner. The valuer must specify the key aspects of the valuation process and must specify and rank aspects that enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC"), which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC and its use with respect to different tenement types.

The Geoscience Factor method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. ***(Geoscientific Factor Method – see below)***

Past Expenditure

Where the other methods cannot be used, a valuer could also consider *previous exploration expenditure*, and apply a multiple to this based on its effectiveness and the valuer's judgment as to the prospectivity of the project based on the results as at the valuation date. The application of this method is very subjective, and is best used for very early stage exploration interests without resources or significant drilling results. ***(Prospectivity Enhancement Method – see below)***

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km^2 or per ha). It is probably the most difficult comparative tool to justify.

Share market trading in companies holding comparable exploration interests

Where information on the exploration tenements is not directly observable, valuers sometimes consider the recent share market trading in companies holding comparable exploration interests. This method may require the valuer to apportion the value of the

company between its various assets, to determine the proportion of the enterprise value of the company that should be attributed to the comparable exploration interest. Once the valuer has estimated the proportion of the market capitalization or enterprise value of the company that should be attributed to the comparable exploration interest, the value per unit of contained resource or the value per km^2 of tenement approaches can be applied. This typically provides weak evidence of the value of specific exploration interests due to the difficulty in apportioning the enterprise value of a listed company to specific exploration interests, and the likelihood that the share price may include other 'noise' unrelated to the exploration interest.

Market Capitalisation (MCap) and Enterprise Value (EV: Mcap + Debt – Cash) are often used in comparable transaction valuations, often quoted as EV per unit of Resource or reserve. These measures say *nothing* about the technical value of individual mineral assets and are usually influenced by many commercial and emotional factors both within and external to the Company.

It is fair to assume that a company's share price is a reflection of the market value of the company and this is strongly influenced by the market value of mineral assets in the light of current market conditions. If a 'willing but not anxious buyer' were to make an offer for the company based on share price, appropriate due diligence has been completed and the offer may also include a premium for control.

MCap per unit and EV per unit for peer group companies may be a satisfactory measure of 'reasonableness' of the market value of the bundle of assets and should be viewed in that light and not as a direct measure of technical value.

Valuation of Development Projects by Discounted Cash Flow Methods

Agricola believes that the Discounted Cash Flow/Net Present Value method should never be applied to the valuation of a Mineral Property that is only at an exploration stage, based on the hypothetical cash flows from a postulated exploitation scenario. Valuers tend to consider before or after tax values only in the context of the DCF/NPV Method, with a general preference for determinations of after-tax value.

Of course, some owners can use tax losses and structure their affairs to minimise the impact of corporate taxes, but others cannot do so. Hence, it should be clearly stated on what taxation basis the fair market value is determined. This is another reason why care must be taken when using project sales data as a comparable basis for assessing value. The 'comparable' projects may be in different places subject to different taxation regimes, in any event.

Discounted cash flow analysis

A discounted cash flow ("DCF") analysis determines the Technical Value of a project by

approximating the value if it were developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

In terms of cash flow analysis, the DCF valuation technique is the most commonly used valuation tool. The technique has specific strengths over the methods considered in the market and cost approaches. These include its ability to consider the effects of royalties, leases, taxation and financial gearing on the resulting cash flow. In addition, the beneficial impact of unredeemed capital balances, assessed losses, depreciation and amortization on free cash flows can also be modelled.

Compiling cash flows on resources categorized as inferred, or those with even less geoscientific confidence (which in some cases are referred to as inventory), is prohibited by some international codes. It is only under exceptional circumstances that many securities exchanges will accept such cash flows and the effect of cash flow contributions from inferred resources on project performance should be demonstrated separately from those derived from other resource and reserve categories.

The DCF method is used to produce numerous quantitative results. On its own and as an investment tool, it is based on the principle that for any initial investment, the investor will look to the future cash flows of that entity to provide a minimum return. This return will be at least a predetermined return over the investor's hurdle rate for that investment. The hurdle rate represents the minimum return of a project, below which the decision to invest or develop a new project will be negative, and above which the project will be developed. The hurdle rate should always be greater than the cost of capital for the investor.

For a mining project, in a macroeconomic environment that is sufficiently favourable and stable for this method to be applied, the critical input data will generally be incorporated in a life of mine (LoM) plan. The LoM plan, such as that accompanying a pre-feasibility, feasibility or a bankable feasibility study, will include:

➢reserve and resource estimates in accordance with the JORC Code

➢forecast mining schedules of tonnage on a daily, monthly or annual basis

➢forecast grade profiles and associated recoveries from a processing facility. This, together with the tonnage profile, allows the valuer to calculate the volume of saleable product

➢ estimated working costs, preferably unitized to either an amount per tonne mined or milled or an amount per unit of metal or product sold

➢forecast capital expenditure profiles over the life of the operation, including ongoing or sustainable capital expenditure amounts and

➢rehabilitation liabilities or trust fund contributions, retrenchment costs, plant metal lock-up and any other specific factor that will impact on costs or revenue.

Changes in working capital balances are generally calculated based on historical balance ratios, applied to forecast revenues and working costs. They impact on short term cash flows and therefore must be modelled into the cash flows. Naturally, any working capital locked up during the life of the operation will be released at the end of this life.

Once the economic inputs have been assumed, the DCF can be determined. This is often stated as EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) and is frequently taken as the technical value of the project, subject to a consideration of sensitivity to the assumptions.

The resultant cash flow is then used to derive the net present value (NPV) of the operation at a predetermined discount rate or a range of discount rates. The derived NPV, on which the return on investment can be calculated, is used as a proxy for the operation's implicit value. This is often compared with the value or returns the market attributes to the operation, if it is a listed entity, or compared with other investment opportunities in order to optimize investment or development schedules.

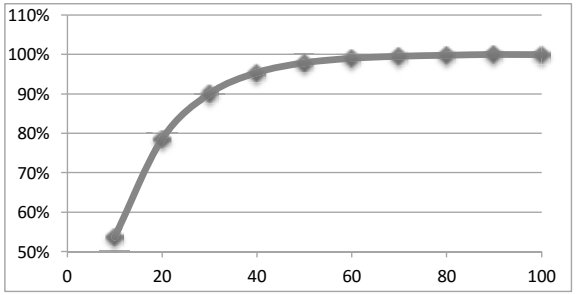
In any cash flow determination, the impact of inflation on the final result cannot be overstated. One only has to consider the effect of taxation as applied to real taxable income as opposed to being levied against nominal taxable income. Converting the final cash flows to real money terms, the values derived from two similar cash flows will be quite different. The unredeemed capital balance will last longer in the real terms case, incorrectly enhancing the value of the same project. The real cash flow lines in Table X must be compared to recognize the impact of taxation on real and nominal cash flows.

As a result of the difficulty in obtaining agreement on appropriate inflation forecasts to use in the specific valuation of a project, valuers often exclude a forecast on inflation rates. This in itself may be construed as an inflation assumption, in that inflation is taken to be zero per cent per year. However, this reflects an ideal world, which is unrealistic.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, assumption into the

future which cannot be verified with any confidence and limited mine life. However the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

As example of the shortcomings of the DCF Method a conceptual cash flow was modeled and NPV estimated at 8% over different time periods with the following outcome over 100 years:



Percent of maximum *NPV from 10 to 100 years.*

The estimated NPV reached a maximum value in 60 years and no amount of future income adds to this value.

Valuation of Resources by Comparable Transactions

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different Mineral Resource categories and operational factors to differentiate between deposits.

Agricola Mining Consultants prefers the comparable transactions approach where mineral resources have been estimated. The DCF method is inappropriate because there is no Pre Feasiblity or Feasibility Study available and no Ore Reserves has been (or can be) estimated under the JORC Code. The Geoscientific Factor method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola is not aware of a method to cross check the valuation for the technical value (as opposed to the Market value) under these circumstances except by comparison with earlier valuations.

With metal projects the Comparable Transactions method requires allocating a dollar value to resource tonnes or ounces in the ground. The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the JORC Category)
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of infrastructure, development and capital expenditure aspects

This approach can be taken with metals or bulk commodities sold on the spot market and where current price can be estimated with appropriate adjustments for impurities if required. Value is estimated as a percentage of contained value by applying appropriate discounts for uncertainty relating to resource categorisation and operational issues (modifying factors) discount factors to the contained value. This is consistent with the JOC Code relating to contained values

JORC Code clause 51, page 24

The publication of in situ or 'in ground' financial valuations breaches the principles of the Code (as set out in Clause 4) as the use of these terms is not transparent and lacks material information. It is also contrary to the intent of Clause 28 of the Code. Such in situ or in ground financial valuations must not be reported by companies in relation to Exploration Results, Mineral Resources or deposit size.

The use of such financial valuations (usually quoted in dollars) has little or no relationship to economic viability, value or potential returns to investors.

These financial valuations can imply economic viability without the apparent consideration of the application of the Modifying Factors, (Clause 12 and Clauses 29 to 36), in particular, the mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social, and governmental factors.

The contained value is modified for the JORC resource category on the basis the Measured Resources will command a higher price than Inferred Resources or Exploration targets. Different operational issues have been considered to do with the individual projects. This might include higher discounts for stranded iron ore deposits, underground versus open cut mining for gold and base metals, processing difficulty, high operating and capital costs transport issues and marketing.

There is a wide variety of things to consider but to bring this down to something manageable and this has been condensed this into a single table. These discounts or modifying factors can be combined with the spread of values from the gold sales database (the AAC) to give an indication of what a purchaser would be prepared to pay for a particular mineral asset.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	45%

An example of appropriate discounts for operational factors is included below but these must be considered on a case-by-case basis.

Modifying Factors	Base Metals	Iron Ore	Coal	Gold	Rare Earths
Recovery	75%	75%	70%	95%	60%
Mining	75%	90%	75%	90%	100%
Processing	80%	70%	70%	95%	50%
Rail	80%	90%	70%	95%	75%
Port	80%	90%	50%	100%	90%
Capex	80%	70%	75%	90%	50%
Marketing	75%	80%	75%	100%	75%
Total Operating Discount	17%	21%	7%	69%	7%

These modifying factors will vary on a case by case basis

Mergers and Acquisitions Activity

A recent review of Mergers and Acquisitions over the last eight years covering the mining boom, the GFC and the recovery phase of the Mining Market indicates the price paid for gold assets.

Merger and Acquisitions Activity (CAD)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gold Price	$700	$785	$1,021	$1,081	$1,311	$1,488	$1,552	$1,195	$1,290	$1,387
Producing Assets*	$74	$94	$115	$89	$207	$202	$200	$121	$120	$138
Percent of Price	10.57%	11.98%	11.26%	8.23%	15.78%	13.57%	12.88%	10.12%	9.30%	9.95%
Exploration Assets*	$54	$28	$31	$29	$71	$90	$47	$23	$17	$16
Percent of Price	7.71%	3.57%	3.04%	2.68%	5.41%	6.05%	3.03%	1.92%	1.32%	1.15%

*Estimated price paid per ounce of gold in the ground, updated December 31, 2015

Source: http://www.ibkcapital.com/capital-market-highlights/merger-acquisition-activity/

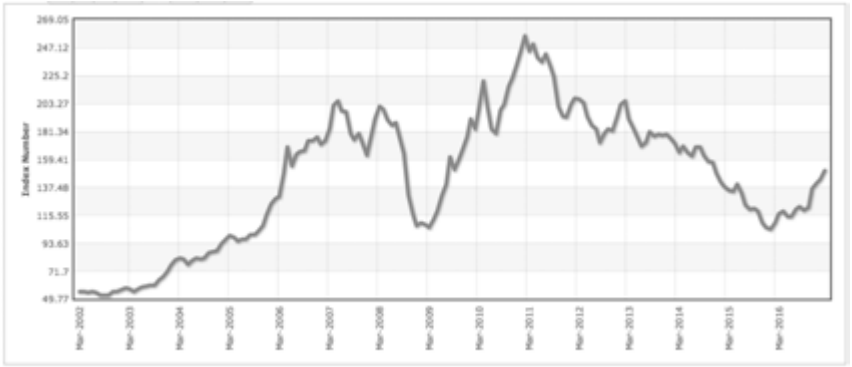
The information is based on Canadian experience and closely replicates values reported in Australia and similar metal markets elsewhere. The 'Apparent Acquisition Cost' ("AAC") for gold projects lies in the range of 1.5% to 7.6% of the gold price at the time. The data set does not differentiate between resource categories or variations in deposits type and individual assessment. It is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles of the spread of values.

AAC Percentiles 2006 - 2015 - Exploration Assets					
Percentile	10%	25%	50%	75%	90%
AAC	1.28%	1.75%	3.10%	5.10%	5.89%
AAC Percentiles 2006 - 2015 - Producing Assets					
Percentile	10%	25%	50%	75%	90%
AAC	8.06%	9.36%	11.20%	12.40%	13.05%

The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided $/ounce values for producing and non-producing asset sales for a period of years and Agricola has recalculated this as a percentage of metal value so it can be related to current metal prices in other metals. The quoted prices are based on enterprise value (EV - Market Capitalisation plus debt minus cash) so they cannot be directly compared to technical value. A "top-down" approach is often taken to determine technical vale (for example for stamp duty assessment) where company specific elements such as cash, debt, goodwill, database value etc are deducted from the EV. Agricola prefers a "bottom-up" approach in this Report where discount factors for resource category and operating factors are assessed for each deposit.

This, of course, is a subjective decision and AAC percentiles are used in conjunction with the resource category discounts and operational factors to "normalise' the rates for gold acquisitions to other metals. In the absence of a useful database of project sales for other metals this is considered to be a reasonable proxy for sales in most metal projects (the combination of AAC, discounts and Operational factors). Mineral asset sales are related to the current mineral price (or contained value) which is provided by the M & A database over the period 2006 - 2013 through a period of boom and bust and the valuation method is realistic when adjusted by factors that relate specifically to the metal involved and more specifically to the individual deposits.

Sensitivity to Metal Price



Source: Indexmundi.com

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).

The chart represent the Commodity Metal Price index over the last fifteen years and shows a marked decline in 2008/09 (GFC) and a similar decline in recent years.

There is an obvious need for reassessment of value if there is a significant change in metal/oxide prices.

Geoscience Factor Method

The Geoscience Factor method attempts to convert a series of scientific opinions about a subject property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity.

Agricola Mining Consultants prefers the Geoscientific Factor method (potential for further discoveries) for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola uses Past Expenditure and yardstick (Rule of Thumb) methods as an appropriate way of cross checking the reasonableness of the valuation.

The Geoscience Factor method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off - property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;
- geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;
- geological patterns and models appropriate to the property being valued.

It is recognised that application of this method can be highly subjective, and that it relies almost exclusively on the geoscience ratings adopted by the valuer. As such, it is good practice for valuers using this method to provide sufficient discussion supporting their selection of the various multiplying factors to allow another suitably qualified geoscientist to assess the appropriateness of the factors selected.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. Agricola Mining Consultants prefers the Geoscience Factor approach because it endeavours to implement a system that is systematic and defendable. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC, which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

It may be argued that on occasions an EL may be converted to a ML expediently for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a ML starting at a relatively high BAC compared to that of an EL.

It has also been argued that the method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the valuer.

Area

The area of a tenement is usually stated in terms of square kilometres as a matter of convenience and consistency. A graticular boundary (or block) system was introduced for exploration licences in mid 1991 in W.A. and a block is defined as one minute of latitude by one minute of longitude. The square kilometres contained within a block varies from place to place. For instance, at Kunnanurra (Latitude 15 deg. S) one block equals 3.31 square kilometres, at Mt Isa (Latitude 20 deg. S) one block equals 3.22 square kilometres. at Carnarvon or Bundaberg (Latitude 25 deg. S) one block equals 3.11 square kilometres and at Albany or Adelaide (Latitude 35 deg. S) one block equals 2.81 square kilometres.

Prospecting Licences and Mining Leases are granted in Hectares (100 hectares equals one square kilometre.

Basic Acquisition Cost

The Basic Acquisition Cost ("BAC") is the important input to the Geoscience Factor Method and it is estimated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees for a first stage exploration tenement such as an Exploration Licence(the first year holding cost).

The notes are general in nature and references to Western Australia are an example of exploration expenditures. They are appropriate for other states and other countries based on Agricola's experience in many areas of Australia and elsewhere.

The current holding cost for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of $300 per square kilometre per year with a minimum of $20,000 and annual rent of $46.80. A 15% administration fee is taken into account to imply a holding cost of $400 per square kilometre. A similar approach based on expenditure commitments could be taken for Prospecting Licences and Mining Leases (effective 1 July 2014). The Benchmark minimum expenditure for Exploration Licences in the Northern Territory is $10,000 plus $150 per block.

The BAC was originally based on calculations of exploration expenditures and other costs for Western Australia. Agricola's experience has confirmed this range to be appropriate for other parts of the world where exploration or valuations have been carried out.

Many overseas jurisdictions do not specify a minimum expenditure commitment but require that sufficient work be completed in the first year to allow granting of the tenement into the second year. This usually requires preparation of a report with results of exploration carried out. For example with a grass roots portfolio 500 square kilometres in the first year the expenditure (BAC) would be $200,000 to $225,000 which is appropriate for early work of desktop studies, field visits rock chip sampling and general research. Agricola believes an Australian company would consider this reasonable for the first phase of work in any country.

A company may well choose to spend more than that and budgets of $0.5 to $1.0 million are not uncommon but these budgets are usually based on significant previous encouragement such as scout drilling, aeromagnetic targets etc. The BAC is designed for grass roots projects where no earlier work is available and only regional selection information is available.

Where the Company in earlier work programs has received encouragement from earlier work then that aspect is addressed in the geofactors, which tend to upgrade the BAC based on earlier results and perceived prospectivity.

In Western Australia (from February 2006), an application for a Mining Lease required either a mining proposal or a statement describing when mining is likely to commence; the most likely method of mining; and the location, and the area, of land that is likely to be required for the operation of plant, machinery and equipment and for other activities associated with those mining operations. A mineralisation report is also required that has been prepared by a qualified person.

The mineralisation report must be completed by a qualified person and shall contain information of sufficient standard and detail to substantiate, to the satisfaction of the Director Geological Survey, that significant mineralisation exists within the ground applied for. A 'qualified person' means a person who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG). Significant mineralisation means a deposit of minerals located during exploration activities and that there is a reasonable expectation that those minerals will be extracted by mining operations.

The implication of the mineralisation report suggests that Mining leases should be valued on the body of significant mineralisation (usually a Mineral Resource estimated in accordance with the JORC Code) and not on the basis of prospectivity. The preferred method for valuing resources is by comparable transactions (Market Based).

The Mineral Resources are assumed to encapsulate all the value for the tenements or prospects on which they occur and the exploration results considered for the estimate. A separate value for exploration potential for this tenement is not considered warranted.

It is recognised that further exploration potential may exist within the tenement boundaries but when a mineral resource has already been estimated in accordance with the JORC Code a hypothetical willing but not too anxious purchaser would be unlikely to consider additional value for surrounding untested ground. The possibility of undrilled extensions to mineral resources may be considered in the market factor assessment.

Mining Leases granted prior to 2006 and Prospecting Licences may not have a mineralisation report available and may cover old workings or simply an expedient or strategic method of securing ground at the expiry of an Exploration Licence rather than based on exploration success. While these Licences carry all the obligations set out in the Mining Act, from a valuation point of view they are equivalent to Exploration Licences and it is unreasonable to value such these MLs (or PLs) starting at a relatively high holding cost compared to that of an EL where only exploration results are available. These tenements should be considered on the basis of a **BAC of A$400 to A$450**. To value these areas at the higher levels may not be considered to be reasonable under the VALMIN Code.

Tenement Status

Uncertainty may exist where a tenement is in the application stage. Competing applications may be present where a ballot is required to determine the successful applicant or Native Title issues and negotiations may add to the risk of timely grant. Other issues may also be present such as state parks or forestry and wildlife reserves, competing land use and compensation agreements. There is an inherent risk that the tenement may not be granted and this needs to be recognised in the base value assessment. A 'grant factor' of zero may be applied where there is no realistic chance of approval (e.g. sacred sites) and where no significant impediments are known the factor may increase to about 60% to reflect delays and compliance with regulations.

Equity

The equity a Company may hold in a tenement through joint venture arrangements or royalty commitments may be addressed in assessing base Value but it is often considered at the end of a valuations report.

Geoscience Factors

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

GEO-FACTOR RATING CRITERIA - GUIDELINES

	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
	0.75				Unfavourable lithology over >50% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40-50%)
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered favourable geology (50-60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)
	3.5	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	

The selection of factors from the table must be tempered with an eye to the reasonableness of the outcome and an awareness of the inherent exploration risks in achieving progress to the next level. Some exploration licences are overly large and may cover several domains of prospective (or entirely unprospective) ground and this should be recognised in the Geology Factor. A conservative approach is considered mandatory.

Estimate of project value is carried out on a tenement-by-tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

Base Value = [Area][Grant Factor]*[Equity]*[Base Acquisition Cost]*
Prospectivity Index = [Off Site Factor][On Site Factor]*[Anomaly Factor]*[Geology Factor]*
Technical Value = [Base Value][Prospectivity Index]*
Market Value = [Technical Value][Market Premium/Discount Factor]*

Prospectivity Enhancement Multiplier ("PEM")

Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of this method relies on the valuer assessing the extent to which past exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

Another such method is the 'appraised value method'. When adopting this approach, the valuer should only account for meaningful past exploration expenditure plus warranted future expenditures. Warranted future expenditures reflect a reasonable and justifiable exploration budget to test the identified potential of the target.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

When historical expenditure approaches are adopted, it is good practice for valuers to provide full transparency in relation to all historical exploration expenditure on the subject property, details of those expenditures selected for use in the method (including details in relation to warranted future expenditures), and justification for any multiples applied.

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement.

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km^2 or per ha). It is probably the most difficult comparative tool to justify. This Method has found greater acceptance in North America, where tenement sizes appear to be smaller and where there are many more transactions forming a deep and liquid market than elsewhere. In addition, dealing in tenements is not discouraged by the mining legislation, especially in the US with its historic focus on property rights. It is used in Canada and Australia, though to a much lesser extent.

In Australia, many State jurisdictions grant large exploration tenements (say 300km2 maximum) on a graticular block system. This means a tenement is usually larger than geometrically necessary to cover the specific geologically prospective terrane. Also, most jurisdictions here require periodic significant reductions in the tenement's size, so it is common to apply for more area than is actually needed to provide for this obligatory reduction. The sale of exploration tenements to third parties is discouraged (although sales, particularly if interests, certainly occur) because the basis of grant is that the applicants will carry out the granted tenement's exploration obligations themselves. The State sees itself as the centralised, timely distributor of exploration rights, not the free market.

That said, some valuers still attempt to use this Rule-of-Thumb (based upon area) in Australia with an emphasis on market value. A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into four groups:

- Advanced exploration areas located in a well mineralised area near existing mineral deposits with significant potential attract values well above $2000 per square kilometre

- Exploration areas along strike or structurally related to estimated mineral resources. Such areas attract values in the range $1200 to $2000 per square kilometre.
- Exploration areas in known mineral fields. Such areas attract values in the range of $700 to $1300 per square kilometre.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of $400 to $800 per square kilometre.

Adjustments to the Technical Value – Market Value

Mineral Assets are often bought and sold at a price that is different than their technical value or stand-alone value. To the extent that it exists, the amount of the transacted value differs from the technical value is often described as the 'acquisition premium or discount'.

The concept of market value implies the construction of a hypothetical transaction between willing, knowledgeable, but not anxious buyers and sellers. Therefore, when assessing the market value of resource projects, it is likely that valuers will consider whether it is appropriate to make an adjustment to the technical value of the project to reflect any observed 'acquisition premium or discount', or other adjustments. Such adjustments can either be implicit or explicit in the valuation method chosen. However, care should be taken not to treat as acquisition premium or discount something that is properly part of technical value, such as where assumed forward values for commodity prices are reflected in the technical value.

Particularly when valuing early stage exploration and development projects the technical value may be assessed for a project with reference to parameters that may be above or below those present in the financial markets as at the valuation date. Consequently, when applying these exploration valuation methods, it may be appropriate to reflect a series of high level adjustments to the technical value to account for differences in market conditions relative to those embedded within the method itself.

However, other valuation methods (particularly the DCF valuation method) are able to explicitly reflect a series of parameters that may apply to future financial market expectations. This is particularly the case if valuers adopt commodity price, exchange rate, inflation rate, and discount rate parameters, which are forecast with reasonable confidence, and resource to reserve conversion, cost structure and capital expenditure parameters which are consistent with the expectations in the market. Doing so will limit the need to make further adjustments to the resulting stand alone value to account for such factors as 'market considerations'.

To the extent that valuers choose to apply further adjustments to their assessed stand alone value, it is good practice to clearly identify how they have applied the adjustments are applied, and the rationale for doing so.

Agricola has reviewed alternative comparative valuation methods as set out in Regulatory Guide 111: Content of expert reports (RG 111) at RG 111.65, which considers that "an expert should, where possible, use more than one valuation methodology. We consider this reduces the risk that the expert's opinion is distorted by its choice of methodology. We also consider that an expert should compare the figures derived from using the different methodologies and comment of any differences".

Agricola considers that the expectation of future gain is the main driver for mineral asset valuation of exploration projects as it endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). The method set out in this report is considered appropriate for valuation of mineral resources.

The acquisition may include many commercial aspects, which do not directly relate to the mineral asset and may not be the same for another independent purchaser

Alternative methods such as Market Capitalisation (MCap) and Enterprise Value (EV) are not prohibited by RG111 to form the basis of comparable transaction analysis both MCap and EV include elements relating to corporate valuation such as cash and debt levels, management skills and reputation and many others which are independent of mineral asset values.

In conclusion, given the state of the market at the valuation date and current events, the best and appropriate method to determine a market value of the mineral assets was in accordance with the recommendations. “Observable market values” currently reflect many distortions that make it difficult to apply a reasonable or appropriate valuation to the relevant assets.

Boom and Bust Markets

Investment in the mining sector is cyclical, and sector valuation fluctuations between boom and bust are evident over time in share prices and index prices for miners. Mining is a capital intensive business, so the cycle is driven by liquidity – the availability of investment funding. Liquidity is the product of sentiment, which swings between greed and fear. While the shape of historic cycles reflected in share prices of miners differs from cycle to cycle, indicators of liquidity follow a similar pattern of evolution through each cycle.

Most recently, the mining sector has experienced a bust that produced sustained share price declines across most of the sector, starting in mid-2011. All busts end, and since mid-2013 there has been strengthening signals that a change in sentiment towards miners is underway.

In 2011, 2012 and most of 2013, miners fell whilst the rest of the equity market was positive. 2014 saw stabilisation in miners' equity performance and in 2015 miners have remained weak, but for the first time this has been against a falling broader market. The correlation between miners and the rest of the market for Australia's ASX200 index (i.e. Resources vs Industrials) was negative during calendar years 2011-14. Year to date in 2015 the correlation is strongly positive (r2 = 0.72), signifying that miners are no longer 'falling out of bed'. Combined with signals from liquidity indicators, there is a very strong sense that the sentiment of a bust is now passed. Although it is too early yet to call the next boom, this shift in sentiment strongly suggests the mining sector is now passing through the base of the cycle.

GLOSSARY OF TERMS

'Minerals Industry' (also Extractive Industry) – Defined as encompassing those engaged in exploring for, extracting, processing and marketing **'Minerals'**.

'Price' – The amount paid for a good or service and it is a historical fact. It has no real relationship with 'Value', because of the financial motives, capabilities or special interests of the purchaser; and the state of the market at the time.

'Personal Property' – Covers all items other than **'Real Estate'** and may be tangible (like a chattel or goods) or intangible (like a patent or debt). It has a moveable character.

'Real Property' – A non-physical, legal concept and it includes all the rights, interests and benefits related to the ownership of **'Real Estate'** and normally recorded in a formal document (e.g. deed or lease). The rights are to sell, lease, enter, bequeath, gift, etc. There may be absolute single or partial ownership (subject to limitations imposed by Government, like taxation, planning powers, appropriation, etc). These rights may be affected by restrictive covenants or easements affecting title; or by security or financial interests, say conveyed by mortgages.

'Real Estate' – A physical concept, including land and all things that are a natural part of the land (e.g. trees and Minerals). In addition it includes all things effectively permanently attached by people (e.g. buildings, site improvements, and permanent physical attachments, like cooling systems and lifts) on, above or below the ground.

VALUATION AND VALUE

'Value' (also Valuation which is the result of determining 'Value') - The estimated likely future 'Price' of a good or service at a specific time, but it depends upon the particular qualified type of value (e.g. 'Market Value', 'Salvage Value', 'Scrap Value', 'Special Value', etc). There is also a particular value for tax and rating, or insurance purposes.

'Market Value' (IVS Definition) – The result of an objective Valuation of specific identified ownership rights to a specific asset as at a given date. It is the value in exchange not

'Value-in-Use' set by the market place. It is the *"estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion"*.

'Fair Value' (IVS definition) – An accountancy term used for values envisaged to be derived under any and all conditions, not just those prevailing in an open market for the normal orderly disposal of assets. Being a transaction price it reflects both existing and alternative uses, too. It is also a legal term for values involved in dispute settlements which may not also meet the strict **'Market Value'** definition. Commonly, it reflects the service potential of an asset i.e. value derived by DCF/NPV analysis, not merely the result of comparable sales analysis. It is still the *"amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction"*.

'Highest-and-Best-Use' – for physical property, it is the reasonably probable and legal use of property, which is physically possible, appropriately supported and financially feasible, that results in the highest value. In the case of personal property, it is the same with the additional qualification that the highest value must be in the appropriate market place, consistent with the purpose of the appraisal. It may be, in volatile markets, the holding for a future use.

'Value-in-Use' – in contrast to '**Highest-and-Best-Use**', it is the specific value of a specific tangible asset that has a specific use to a specific user. It is not market-related. The focus is on the value that a specific property contributes to the enterprise of which it is a part (being part of a **'Going Concern Valuation'**). It measures the contributory value of a specified asset(s) used within that specific enterprise, although it is not the **'Market Value'** for that individual asset. It is the Value-to-the-Owner/Entity/Business in accountancy terms and may be the lower of net current replacement cost and its recoverable amount. It is also the net present value of the expected future net cash flows from the continued use of that asset, plus its disposal value at the end of its useful life (**'Scrap Value'**). At the **'Valuation Date'**, there must be recognition of its existing use by a particular user. This is in contrast to the alternative reasonable use to which an asset might be put by unspecified owner(s).

'Going Concern Value' – A business valuation concept rather than one relating to individual property valuation. It is the value of an operating business/enterprise (i.e. one that is expected to continue operating) as a whole and it includes goodwill, special rights, unique patents or licences, special reserves, etc. Apportionment of this total value may be made to constituent parts, but none of these components constitute a basis for **'Market Value'**.

'Forced Sale Value' (Liquidated Value) – The amount reasonably expected to be received from the sale of an asset within a short time frame for completion that is too short to meet the 'Market Value' definition. This definition requires a reasonable marketing time, having taken into account the asset's nature, location and the state of the market).

Usually it also involves an unwilling seller and buyers who have knowledge to the disadvantage of the seller.

'Market Capitalization' - The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures. Frequently referred to as "market Cap" or MCap.

'Enterprise Value - EV' - A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. In the event of a buyout, an acquirer would have to take on the company's debt, but would pocket its cash. EV differs significantly from simple market capitalization in several ways, and many consider it to be a more accurate representation of a firm's value.

'Market Premium' - A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company. The reason the buyer of a controlling interest is willing to offer a premium over the price currently established by other market participants is the additional prerogatives of control, including electing the company directors, firing and hiring key employees, declaring and distributing dividends, divesting or acquiring additional business assets, and entering into merger and acquisition transactions. The opposite of control premium is the minority discount.

'**Investment Value' (Worth)** – this is the value of a specific asset to a specific investor(s) for identified investment objectives or criteria. It may be higher or lower than 'Market Value' and is associated with 'Special Value'.

'**Property-with-Trading-Potential'** – refers to the valuation of specialised property (e.g. hotel, petrol station, restaurant, etc) that is sold on an operating or going concern basis. It recognises that assets other than land and buildings are to be included in the 'Market Value' and it is often difficult to separate the component values for land and property.

'Special Value' – An extraordinary premium over and above the 'Market Value', related to the specific circumstances that a particular prospective owner or user of the property attributes to the asset. It may be a physical, functional or economic aspect or interest that attracts this premium. It is associated with elements of 'Going Concern Value' or 'Investment Value' since it also represents synergistic benefits. In a strict sense it could apply to very specialised or special purpose assets which are rarely sold on the open market, except as part of a business, because their utility is restricted to particular users. In some circumstances, it may be the lower value given by 'Value –in–Use'.

'Salvage Value' – The expected value of an asset at the end of its economic life (i.e. being valued for salvage disposal purposes rather than for its originally intended purpose). Hence, it is the value of property, excluding land, as if disposed of for the materials it

contains, rather than for its continued use, without special repairs or adaptation.

'Scrap Value' (Residual Value) – The remaining value (usually a net value after disposal costs) of a wasting asset at the end of a prescribed or predictable period of time (usually the end of its effective life) that was ascertained upon acquisition.

'Valuation Date' - Means the reference date to which a Valuation applies. Depending on the circumstances, it could be different to the date of completion or signing of the Valuation Report or the cut-off date of the available data (VALMIN Code).

'Valuer' (also Valuer [Canada] or Appraiser [USA]) – Either the 'Expert' or 'Specialist' (Qualified Person in Canada) who is the natural person responsible for the Valuation to determine the 'Fair Market Value' after consideration of the technical assessment of the 'Mineral Asset' and other relevant issues. They must have demonstrable 'Competence' (and 'Independence', when required).

JORC CODE

'Competent Person - A 'Competent Person' is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Professional Organisation' (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. If the Competent Person is preparing documentation on Exploration Results, the relevant experience must be in exploration. If the Competent Person is estimating, or supervising the estimation of Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the Competent Person is estimating, or supervising the estimation of Ore Reserves, the relevant experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves. (*JORC 2012*)

'Independent/Independence' – Means that the person(s) making the Valuation have no '**Material'** pecuniary or beneficial (present or contingent) interest in any of the **'Mineral Assets'** being assessed or valued, other than professional fees and reimbursement of disbursements paid in connection with the assessment or Valuation concerned; or any association with the commissioning entity, or with the owners or promoters (or parties associated with them) likely to create an apprehension of bias. Hence, they must have no beneficial interest in the outcome of the transaction or purpose of the technical assessment/Valuation of the **'Mineral Asset'** (VALMIN Code). ASIC RG112, which deals with the Independence of Expert Reports, provides more detail on this concept. (*JORC 2012*)

'Exploration results' - Exploration Results include data and information generated by mineral exploration programmes that might be of use to investors but which do not form

part of a declaration of Mineral Resources or Ore Reserves. The reporting of such information is common in the early stages of exploration when the quantity of data available is generally not sufficient to allow any reasonable estimates of Mineral Resources. Examples of Exploration Results include results of outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results. *(JORC 2012)*

'Exploration Target' - An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. Any such information relating to an Exploration Target must be expressed so that it cannot be misrepresented or misconstrued as an estimate of a Mineral Resource or Ore Reserve. The terms Resource or Reserve must not be used in this context. (*JORC 2012*)

'Inferred Mineral Resource' - An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration**.** (*JORC 2012*)

'Indicated Mineral Resource' - An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve. (*JORC 2012*)

'Measured Mineral Resource' - A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable

exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve. (*JORC 2012*)

'Modifying Factors' - are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors**.** (*JORC 2012*)

'Scoping Study' - A Scoping Study is an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified. A Scoping Study must not be used as the basis for estimation of Ore Reserves. (*JORC 2012*)

'Pre Feasibility Study' - A Preliminary Feasibility Study (Pre-Feasibility Study) is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre- Feasibility Study is at a lower confidence level than a Feasibility Study. (*JORC 2012*)

'Feasibility Study' - A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre- Feasibility Study. (*JORC 2012*)

VALMIN CODE

'Mineral(s)' – Any naturally occurring material found in or on the Earth's crust, that is useful to and/or has a value placed on it by mankind. The term specifically includes coal, shale

and materials used in building and construction, but excludes crude oil and natural gas (*VALMIN Code*).

'Mineral Asset(s)' (Resource Assets or Mineral Properties) - All property including, but not limited to 'Real Property', intellectual property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements; together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with those tenements. Most can be classified as 'Exploration Areas', 'Advanced Exploration Areas', 'Pre-Development Projects', 'Development Projects' or 'Operating Mines' (VALMIN Code).

'**Operating Mines'** – Mineral Properties, particularly mines and processing plants, which have been fully commissioned and are in production (VALMIN Code).

'**Development Projects'** – Mineral Properties which have been committed to production, but which are not yet commissioned or not operating at design levels (VALMIN Code).

'Advanced Exploration Areas' and 'Pre-development Projects' – Mineral Properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a positive development decision has not been made. Mineral Properties at the early assessment stage, those for which a development decision has been negative, those on care and maintenance and those held on retention titles are all included in this category if Mineral Resources have been identified. This is even if no further valuation or technical assessment work, delineation or advanced exploration is being undertaken (VALMIN Code).

'**Exploration Areas'** – Mineral Properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified (VALMIN Code).

'**Fair Market Value'** (Market Value or Value) – The object and result of the Valuation. It is the estimated amount of money (or the cash equivalent of some other consideration) for which the 'Mineral Asset' should change hands on the 'Valuation Date'. It must be between a willing buyer and a willing seller in an 'arm's length' transaction in which each party has acted knowledgeably, prudently and without compulsion. It is usually comprised of two components, the underlying or 'Technical Value' and a premium or discount, relating to market, strategic or other considerations (VALMIN Code,).

'Technical Value' – An assessment of a **'Mineral Asset's'** future net economic benefit at the **'Valuation Date'** under a set of assumptions deemed most appropriate by the **'Valuer'**, excluding any premium or discount to account for market, strategic or other considerations (*VALMIN Code*,).

'Expert' – Means a **'Competent' (**and **'Independent',** where relevant) natural person who prepares and has overall responsibility for the Valuation Report. He/she must have at least 10 years of relevant '**Minerals Industry'** experience, using a relevant **'Specialist'** for specific tasks in which he/she is not **'Competent'**. An **'Expert'** must be a corporate

member of an appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).

'Specialist' – Means a **'Competent' (**and **'Independent',** where relevant) natural person who is retained by the 'Expert' to provide subsidiary reports (or sections of the Valuation Report) on matters on which the 'Expert' is not personally expert. He/she must have at least 5 years of suitable and preferably recent '**Minerals Industry'** experience relevant to the subject matter on which he/she contributes. A **'Specialist'** must be corporate member of appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).

'Material/Materiality' - with respect to the contents and conclusions of a relevant Report, it means data and information of such importance that the inclusion or omission of the data or information concerned might result in a reader of the Report reaching a different conclusion than might otherwise be the case. **'Material'** data (or information) is that which would reasonably be required in order to make an informed assessment of the subject of the Report. The Australian Society of Accountants' Standard AAS5 indicates that **'Material'** data (or information) is such that the omission or inclusion of it could lead to changes in total value of greater than 10% (between 5% and 10% it is discretionary). Also the Supreme Court of New South Wales has stated that something is **'Material'** if it is significant in formulating a decision about whether or not to make an investment or accept an offer (*VALMIN Code*).

'Transparent/Transparency' - as applied to a valuation it means, as in the Concise Oxford Dictionary, *"easily seen through, of motive, quality, etc"*. It applies to the factual information used, the assumptions made and the methodologies applied, all of which must be made plain in the Report (*VALMIN Code*).

'Competence' – it means having relevant expertise, qualifications and experience (technical or commercial), as well as, by implication, the professional reputation so as to give authority to statements made in relation to particular matters. (*VALMIN Code*).

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Proxy Form

XX

Vote online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 2:00pm (Sydney time) Saturday, 20 May 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Mustang Resources Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Mustang Resources Limited to be held at the Offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, New South Wales on Monday, 22 May 2017 at 2:00pm (Sydney time) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ruby Acquisition	☐	☐	☐
Resolution 2	Ratification of Prior Issue of Tranche 1 Shares	☐	☐	☐
Resolution 3	Placement of Tranche 2 Shares	☐	☐	☐
Resolution 4	Approval under Section 195 of the Corporations Act	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

Contact Name _____ **Contact Daytime Telephone** _____ **Date** / /