



24 July 2017

Company Announcements Platform
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

NOTICE UNDER SECTION 708A(12C)(e) OF THE CORPORATIONS ACT 2001

This cleansing notice (**Cleansing Notice**) is given by Mustang Resources Limited (ACN 090 074 785) (**Company**) under Section 708A(12C)(e) of the Corporations Act 2001 (Cth) (**Corporations Act**) as amended by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82.

The Company hereby confirms that:

- (a) the convertible notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act;

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the convertible notes issued by the Company on the terms described below, to be on-sold to retail investors without further disclosure.

1. BACKGROUND

As announced on 20 July 2017, the Company has entered into a convertible note facility with Arena Structured Private Investments (Cayman) LLC (**Noteholder**) with a face value of \$10,000,000 (**Facility**).

The Facility is available to the Company from the date of this Cleansing Notice and the Company expects to draw down under the Facility an amount of \$1,700,000 on or before 21 July 2017 in consideration for the issue of a Convertible Note with a face value of \$2,000,000 and 38,709,677 Tranche A Options. The Company will be convening a meeting of shareholders shortly to seek approval for the Facility and the issue and convertibility of each tranche of Convertible Notes and all Options under the Facility. No Convertible Notes can be converted before shareholder approval. The Convertible Notes are to be issued in four tranches in which the Company will receive:

- (a) First Tranche – \$1,700,000 on or before 21 July 2017;

MUSTANG RESOURCES LIMITED

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- (b) Second Tranche – \$1,700,000 within 5 business days of shareholder approval;
- (c) Third Tranche – \$2,550,000 within 5 business days after receipt by the Noteholder of an issue notice given by the Company which can be given at any time on or after the date of shareholder approval but not before 1 September 2017 and on or before 1 December 2017, unless otherwise as determined by mutual agreement; and
- (d) Fourth Tranche – \$2,550,000 within 5 business days after receipt by the Noteholder of an issue notice given by the Company which can be given at any time on or after the date of shareholder approval but not before 1 September 2017 and on or before 1 April 2018, unless otherwise as determined by mutual agreement.

The notice of meeting will be dispatched shortly.

A summary of the rights, privileges and restrictions attaching to the Convertible Notes is set out in Section 4 of this Cleansing Notice.

The Directors consider that the Facility is in the best interests of Shareholders as it provides funding through the first closed-bid tender of the Company's rubies expected in October 2017 and provides the Company flexibility to scale up processing rates to maximize the volume of rubies tendered for sale in October.

2. CONTENTS OF THIS CLEANSING NOTICE

This Cleansing Notice sets out the following:

- (a) in relation to the Convertible Notes:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Convertible Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Notes; and
 - (b) any information that:
 - (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and
 - (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to Shares; and
 - (iii) other information relating to the Company's status as a disclosing entity.
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3. THE EFFECT OF THE ISSUE ON THE STRUCTURE OF THE COMPANY**3.1 Effect of the issue on the Company**

The principal effect of the issue of the Convertible Notes on the Company will be to:

- (a) increase the Company's cash reserves by \$8,500,000 (before costs associated with the Convertible Note issue);
- (b) increase the number of unlisted unsecured Convertible Notes on issue from nil to 4, assuming the full draw down under the Facility;
- (c) give rise to the Company having a liability for the amount of the face value of the Facility;
- (d) if the Convertible Notes are converted, either whole or in part, increase the number of Shares on issue as a consequence of the issue of Shares on the conversion of the Convertible Notes; and
- (e) increase the number of Options on issue as a consequence of the requirement to issue new Tranche A Options with the First Tranche of Convertible Notes (38,709,677), and Tranche B Options with the Third Tranche and Fourth Tranche of Convertible Notes. The quantity of Tranche B Options to be issued for each of the Third Tranche and Fourth Tranche will be equal to \$1,200,000 divided by the last closing price of Shares before the date of issue of the Convertible Notes of the respective tranche.

3.2 Pro Forma Consolidated Statement of Financial Position As at 31 May 2017 taking into account the issue of Convertible Note

- (a) Set out below is a pro forma consolidated Statement of Financial Position as at 31 May 2017 for the Company based on the unaudited May 2017 Management Accounts adjusted to reflect the proposed Convertible Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company.
 - (b) The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.
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MUSTANG RESOURCES LIMITED
ACN 090 074 785

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017

	Note	Management Accounts 31 May 2017 \$	Unaudited Pro forma adjustments \$	Unaudited Pro forma 31 May 2017 \$
ASSETS				
Current assets				
Cash and cash equivalents	1	1,395,825	8,500,000	9,895,825
Trade and other receivables		307,563	-	307,563
Financial assets held at fair value		219,948	-	219,948
Inventory		0	-	0
Prepayments		640	-	640
Total current assets		1,923,976	8,500,000	10,423,976
Non-current assets				
Trade and other receivables		5,428	-	5,428
Intercompany Loans		0	-	0
Investment in Subsidiaries		0	-	0
Plant and equipment		1,085,283	-	1,085,283
Exploration & evaluation assets		35,983,393	-	35,983,393
Total non-current assets		37,074,104	-	37,074,104
TOTAL ASSETS		38,998,080	8,500,000	47,498,080
LIABILITIES				
Current liabilities				
Trade and other payables		462,983	-	462,983
Interest bearing loans & borrowings		0	-	-
Provisions		195,020	-	195,020
Total current liabilities		658,003	-	658,003
Non-current liabilities				
Interest bearing loans & borrowings	2	0	10,000,000	10,000,000
Total non-current liabilities		0	-	10,000,000
TOTAL LIABILITIES		658,003	10,000,000	10,658,003
NET ASSETS		38,340,077	(1,500,000)	36,840,077
EQUITY				
Contributed Equity		154,836,222	-	154,836,222
Reserves		12,650,184	-	12,650,184
Current Year PAT		(3,417,881)	-	(3,417,881)
Accumulated losses		(130,056,614)	(1,500,000)	(131,556,614)
Parent Interests		34,011,911		32,511,911
Fx on conversion of foreign entities		785,700		785,700

Non-controlling interests	3,542,466		3,542,466
TOTAL EQUITY	38,340,077	(1,500,000)	36,840,077
Non-controlling interests			
Contributed Equity	1,833,333	-	1,833,333
Current Year PAT	(329)	-	(329)
Retained Profits	1,709,462	-	1,709,462
	3,542,466	-	3,542,466

**Unaudited Pro forma 31
May 2017
\$**

NOTE 1: CASH AND CASH EQUIVALENTS

Management balance 31 May 2017	1,395,825
Funds received from Convertible Note Facility	8,500,000
Unaudited Proforma 31 May 2017	<u>9,895,825</u>

NOTE 2: INTEREST BEARING LOANS AND BORROWINGS

Management balance 31 May 2017	-
Convertible Note Facility with Arena Structured Private Investments (Cayman) LLC with a face value of \$10 million with a 15% discount on issue.	10,000,000
Unaudited Proforma 31 May 2017	<u>10,000,000</u>

3.3 Potential effect on capital structure

- (a) As at the date of this Cleansing Notice, the total number of issued shares of the Company is 565,618,436.
- (b) The capital structure of the Company will be affected by the conversion of the Convertible Notes by the Noteholder which will result in additional Shares being issued.
- (c) Subject to limits on the conversion under the Convertible Note Deed, the Convertible Notes can be converted at any time after shareholder approval and prior to the date of maturity (being 18 months from the date of the issue of the First Tranche Note (**Maturity Date**)) at the request of the Noteholder, or they will automatically be redeemed on the Maturity Date.
- (d) If the full amount of the Facility is drawn down and the Noteholder converts the entire Facility, then based on an average conversion price of \$0.055 per new Share (this was the last closing price prior to entering into the Facility) and assuming the full face value of \$10,000,000 is converted (**Assumptions**), 181,818,182 new Shares would be issued. The actual effect of the share capital of the Company will depend on what percentage of the Convertible Notes are actually converted and the price which the conversion occurs.

- (e) 38,709,677 Tranche A Options will be issued at the time of issue of the Convertible Note in the First Tranche.
- (f) Tranche B Options will also be issued for each of the Third Tranche and Fourth Tranche. The quantity will be equal to \$1,200,000 (40% of the face value of the tranche) divided by the last closing price of Shares before the date of issue of the Convertible Notes of the respective tranche. Assuming a closing price of Shares of \$0.055 at the date of issue of these Convertible Notes a total of 43,636,364 Tranche B Options will be issued.
- (g) The effect on the issued share capital of the Company on conversion of all the Convertible Notes and the issue and exercise of all Options issued under the Facility is set out in the table below based on the Assumptions. This does not account for any interest payable under the Facility being converted into Shares.

Shares	Number
Shares on issue prior to the issue of the Facility	565,618,436
Shares issued upon conversion of the entire Facility ¹	181,818,182
Shares issued assuming the exercise of all Options issued under the Facility ¹	82,346,041
Total Shares on issue following conversion of the entire Facility	829,782,659

Options	Number
Options on issue prior to the issue of the Facility	113,510,153
Options issued under the Facility	82,346,041
Total Options on issue following conversion of the entire Facility	195,856,194

Notes:

- ¹ The Noteholder has agreed not to convert any Convertible Notes, exercise any Options or make an election to receive Shares, which would result in the Noteholder holding a relevant interest in more than 19.9% of the issued Shares (or such other limit prescribed by section 606(1)(c)(i) of the Corporations Act from time to time), except to the extent permitted under section 611 of the Corporations Act. Based on the Shares on issue prior to the issue of the Facility the maximum number of Shares the Noteholder can have a relevant interest in is 140,521,933 Shares.

4. RIGHTS AND LIABILITIES ATTACHING TO THE CONVERTIBLE NOTES UNDER THE FACILITY

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Noteholder.

- (a) **Term**
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The Convertible Notes have a term of 18 months from the date the First Tranche Note is issued.

(b) **Face Value**

The Facility has a total face value of \$10,000,000

(c) **Purchase Price**

Is 85% of Face Value and is therefore as follows;

- (i) The First Tranche Note has an aggregate face value of \$2,000,000 and therefore a purchase price of \$1,700,000;
- (ii) The Second Tranche Note has an aggregate face value of \$2,000,000 and therefore a purchase price of \$1,700,000;
- (iii) The Third Tranche Note has an aggregate face value of \$3,000,000 and therefore a purchase price of \$2,550,000; and
- (iv) The Fourth Tranche Note has an aggregate face value of \$3,000,000 and therefore a purchase price of \$2,550,000.

Total purchase price being \$8,500,000 (**Purchase Price**).

(d) **Issue dates**

The Convertible Notes will be issued as follows:

- (i) First Tranche – on or before 21 July 2017;
- (ii) Second Tranche – within 5 business days of shareholder approval;
- (iii) Third Tranche – within 5 business days after receipt by the Noteholder of an issue notice given by the Company which can be given at any time on or after the date of shareholder approval but not before 1 September 2017 and on or before 1 December 2017, unless otherwise as determined by mutual agreement; and
- (iv) Fourth Tranche – within 5 business days after receipt by the Noteholder of an issue notice given by the Company which can be given at any time on or after the date of shareholder approval but not before 1 September 2017 and on or before 1 April 2018, unless otherwise as determined by mutual agreement.

The Noteholder is not required to subscribe to the Fourth Tranche if the conversion of all Convertible Notes then held plus any additional Convertible Notes that would but for this provision be issued under the Fourth Tranche would result in the Noteholder and its associates holding a relevant interest in more than 19.9% of the issued Shares (or such other limit prescribed by section 606(1)(c)(i) of the Corporations Act from time to time), except to the extent permitted under section 611 of the Corporations Act.

If the Company does not satisfy any applicable conditions or deliver an issue notice within the relevant periods, the Noteholder's obligation to

subscribe for further Convertible Notes lapses and, in addition to any other obligation of the Company under the Convertible Note Deed, the Company must pay the Noteholder the relevant Termination Payment (defined below).

(e) **Tranche A Options**

- (i) Upon issue of the First Tranche Convertible Note, the Company must issue to the Noteholder 38,709,677 Tranche A Options.
- (ii) The exercise price of the First Tranche Options will be \$0.062.
- (iii) The expiry date of the First Tranche Options will be 20 July 2020.

(f) **Tranche B Options**

- (i) Upon issue of each of the Third and Fourth Convertible Note the Noteholder is entitled to an issue of Tranche B Options calculated as follows:

$$\frac{\text{Principal Amount of Convertible Notes issued} \times 40\%}{\text{Last Closing Price before the date of issue of the Convertible Notes}}$$

- (ii) The exercise price of the Tranche B Options will be 130% of the closing price prior to the issuance of the Facility Options.
- (iii) The expiry date of the Tranche B Options will be 20 July 2020.

(g) **Interest**

The Company must pay interest at a rate equal to 1% per annum on accruing daily balances on 30 June and 31 December in each year and on the Maturity Date. The interest can be in cash or at the election of the Company by issuing shares to the Noteholder.

The Company must pay 2% interest per annum on amounts payable to the Noteholder which are not paid in full when due, accruing on daily balances of the outstanding amount.

(h) **Security**

The Convertible Notes are unsecured.

(i) **Conversion**

The Noteholder may convert a Convertible Note into shares of the Company at the conversion price, being the higher of:

- (i) the lowest 1 day Volume Weighted Average Price (**VWAP**) during the 20 trading day period ending on the last Trading Day before the applicable Conversion Date; and
- (ii) the floor price of \$0.005,

(Conversion Price).

The number of Shares issued will be equal to the aggregate principal amount of the relevant Convertible Notes divided by the Conversion Price.

No Convertible Notes are convertible prior to shareholder approval.

The Noteholder also agrees, without limiting the paragraph above, not, before 20 September 2017, to convert more than 50% of the First Tranche and Second Tranche Convertible Notes issued to it provided that if one or more of the following has occurred at any time before that date, the Noteholder is free to convert any number of those Convertible Notes without restriction:

- (i) over a 15 day period, the average daily trading value of Shares on the ASX is less than \$10,000 AUD;
- (ii) the closing share price on the ASX is below \$0.03AUD;
- (iii) The closing share price falls 25% or more over a two day trading period from the highest Closing Price per Share which occurred on or after the date of the Convertible Note Deed;
- (iv) a "material adverse change" has occurred;
- (v) the Company fails to file annual or quarterly reports;
- (vi) the Company fails to comply with any ASX Listing Rules.

The Noteholder also agrees not to convert any Convertible Notes, exercise any Options or make an election to receive Shares, which would result in the Noteholder holding a relevant interest in more than 19.9% of the issued Shares (or such other limit prescribed by section 606(1)(c)(i) of the Corporations Act from time to time), except to the extent permitted under section 611 of the Corporations Act.

(j) **Protective Provisions**

Upon the occurrence of certain events, including a consolidation of capital, capitalisation of profits, a capital distribution, a rights issue, or issues of securities of less than market price the Conversion Price may be altered.

(k) **Redemption and Repayment**

A Convertible Note must be redeemed on the Maturity Date if the note has not been converted into shares before the Maturity Date.

The Company will pay to a Noteholder an amount equal to the outstanding principal amount plus accrued but unpaid interest.

The payment will be made in immediately available funds, without deduction, in Australian dollars.

The Company is unable to voluntarily redeem a Convertible Note before the Maturity Date.

(l) **Events of Default**

The Events of Default are as set out in the Annexure to this Cleansing Notice.

If an Event of Default occurs and continues unremedied for a period of 5 business days, the Noteholder may declare at any time by notice to the Company that:

- (i) the entire outstanding principal amount, together with accrued interest, and all other amounts accrued or outstanding under the Convertible Note Deed or the Convertible Notes, is either:
 - (A) payable on demand; or
 - (B) immediately due for payment and payable,

and the Company is required to redeem all the Convertible Notes and be required to pay the Termination Payment to the Noteholder;

- (ii) the Noteholder's obligations specified in the notice are terminated; and/or
- (iii) the Noteholder may exercise any or all of its rights, remedies, powers or discretions under the Convertible Note Deed.

Termination Payment means an amount equal to 25% of the principal Amount of all Convertible Notes which have not been issued or any amount prepaid under the Convertible Note Deed, as the case may be.

(m) **Transferability**

The Convertible Notes are transferable, subject at all times to the Corporations Act and any applicable law.

5. RIGHTS AND LIABILITIES ATTACHING TO OPTIONS ISSUED UNDER THE FACILITY

Tranche A Options

1. Subject to section 7, each Option entitles the holder to one fully paid ordinary share (**Share**) in the capital of Mustang Resources Limited (**Company**).
 2. The Options may be exercised at any time prior to 5.00pm (Australian WST) on 20 July 2020.
 3. Subject to section 8, the exercise price of the Options is \$0.062 (**Exercise Price**).
 4. To exercise the Options, the Option holder must duly complete, execute and deliver to the Company an exercise notice in the form attached as Exhibit A (**Notice of Exercise**). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must, among other things, state the number of Options exercised and the consequent number of Shares to be issued. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
 5. All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares.
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6. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Options. The Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised other than in relation to a Bonus Issue.
7. If there is a bonus issue (**Bonus Issue**) to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
8. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
9. The Options are transferable, subject at all times to any transfer restrictions imposed by ASX or under applicable securities laws, including the Corporations Act 2001 (Cwlth) (**Act**).
10. The Options will not be listed.
11. The Company will, within 7 days of the exercise of the Options, apply for official quotation by the ASX of all Shares issued upon the exercise of the Options. If required, the Company will give ASX a notice that complies with section 708A(5)(e) of the Act, or, if the Company is unable to issue such a notice, lodge a prospectus prepared in accordance with the Act and do all such things necessary to satisfy section 708A(11) of the Act to ensure that an offer for sale of the Shares does not require disclosure to investor.
12. The Options may not be exercised by or on behalf of a person in the United States unless the Options and the underlying Shares have been registered under the United State Securities Act of 1933, as amended, and applicable state securities laws, or exemptions from such registration requirements are available.

Tranche B Options

1. Subject to section 7, each Option entitles the holder to one fully paid ordinary share (**Share**) in the capital of Mustang Resources Limited (**Company**).
 2. The Options may be exercised at any time prior to 5.00pm (Australian WST) on 20 July 2020.
 3. Subject to section 8, the exercise price of the Options is an amount in Australian dollars equal to 130% of the closing price of the Shares on the Australian Securities Exchange on the trading day immediately prior to the date of the issue of the Options (**Exercise Price**).
 4. To exercise the Options, the Option holder must duly complete, execute and deliver to the Company an exercise notice in the form attached as Exhibit A (**Notice of Exercise**). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must, among other things, state the number of
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Options exercised and the consequent number of Shares to be issued. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.

5. All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares.
6. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Options. The Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised other than in relation to a Bonus Issue.
7. If there is a bonus issue (**Bonus Issue**) to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
8. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
9. The Options are transferable, subject at all times to any transfer restrictions imposed by ASX or under applicable securities laws, including the Corporations Act 2001 (Cwlth) (**Act**).
10. The Options will not be listed.
11. The Company will, within 7 days of the exercise of the Options, apply for official quotation by the ASX of all Shares issued upon the exercise of the Options. If required, the Company will give ASX a notice that complies with section 708A(5)(e) of the Act, or, if the Company is unable to issue such a notice, lodge a prospectus prepared in accordance with the Act and do all such things necessary to satisfy section 708A(11) of the Act to ensure that an offer for sale of the Shares does not require disclosure to Investor.
12. The Options may not be exercised by or on behalf of a person in the United States unless the Options and the underlying Shares have been registered under the United State Securities Act of 1933, as amended, and applicable state securities laws, or exemptions from such registration requirements are available.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED UNDER THE CONVERTIBLE NOTES

The Shares issued to the Noteholder on the conversion of the Convertible Notes and upon the exercise of the Options issued under the Facility will rank equally in all respects with all of the Company's existing Shares. The rights attaching to the Shares, including new Shares to be issued to the Noteholder on the conversion of the Convertible Notes under the Facility, are set out in the Company's Constitution, and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

The Company intends to apply to ASX Limited for quotation of the shares issued on conversion of any Convertible Notes.

Full details of the rights and liabilities attaching to shares are set out in the Constitution, a copy of which can be inspected free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders of the Company (**Shareholders**).

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to the Constitution and to any rights or restrictions attached to any shares or class of shares, at a general meeting:

- (i) on a show of hands, every member present has one vote;
- (ii) on a poll, every member present has:
 - (A) one vote for each fully paid share held by the member and in respect of which the member is entitled to vote; and
 - (B) a fraction of a vote for each partly paid share held by the member and in respect of which the member is entitled to vote, equivalent to the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share.

(c) **Dividend rights**

Subject to the Corporations Act and the Company's Constitution, the directors may pay any interim, special or final dividends as, in their judgment, the financial position of the Company justifies.

The directors may rescind a decision to pay a dividend if they decide, before the payment date, that the Company's financial position no longer justifies the payment.

Subject to any rights or restrictions attached to a share or class of shares:

- (i) all dividends in respect of a share must be paid in the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share;

- (ii) all dividends must be apportioned and paid proportionately to the amount paid during any portion or portions of the period in respect of which the dividend is paid;
- (iii) an amount paid on a share in advance of a call is to be ignored; and
- (iv) interest is not payable by the Company in respect of any dividend.

Subject to the Company Constitution, the directors may set aside out of the profits of the Company reserves or provisions for any purpose as they think fit.

The directors may implement a dividend reinvestment plan on the terms they think fit under which the whole or any part of a dividend due to members who participate in the plan on their shares or any class of shares may be applied in subscribing for securities of the Company or of a related body corporate. The directors may amend, suspend or terminate a dividend reinvestment plan implemented by them.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- (i) divide among the members the whole or any part of the property of the Company; and
- (ii) determine how the division is to be carried out as between the members or different classes of members.

A division under paragraph 5(d)(i) may be otherwise than in accordance with the legal rights of the members and, in particular, any class may be given preferential or special rights or may be excluded altogether or in part.

If any of the property to be divided under paragraph 5(d)(i) includes securities with a liability to calls, a person entitled under the division to any of the securities may within 10 days after the passing of the special resolution referred to in that rule, by notice in writing direct the liquidator to sell the person's proportion of the securities and to account for the net proceeds and the liquidator must, if practicable, act accordingly.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, ASX Settlement Operating Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions they think fit.

Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as the directors think fit.

(h) **Variation of rights**

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- (i) with the written consent of the holders of 75% of the shares of the class; or
- (ii) by a special resolution passed at a separate meeting of the holders of shares of the class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. COMPLIANCE WITH DISCLOSURE OBLIGATIONS

The Company is a “**disclosing entity**” under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the value of the Company's Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2016;
 - (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX; and
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- (c) any continuous disclosure documents given by the Company to ASX after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX is set out below in the table.

Date	Announcement
5 October 2016	Appendix 4G
5 October 2016	Reinstatement to Official Quotation – 6 October 2016
12 October 2016	Investor Presentation
12 October 2016	RBMG Research Report
18 October 2016	Unmarketable Parcels Process Update
20 October 2016	Notice of Annual General Meeting / Proxy Form
26 October 2016	Mustang Resources recovers 460cts from Plant Startup
28 October 2016	Activity and cashflow reports for September 2016 quarter
7 November 2016	Investor Presentation
21 November 2016	Result of meeting
22 November 2016	Resignation of Director
22 November 2016	Final Director's interest notice – F Petruzzelli
23 November 2016	Ceasing to be a substantial holder
23 November 2016	Becoming a substantial holder
24 November 2016	Mustang recovers further gem quality rubies
9 December 2016	Mustang Ruby and Graphite Project Update
12 December 2016	Trading halt
15 December 2016	Mustangs raises \$2.8 million in oversubscribed placement
21 December 2016	Notice of general meeting / proxy form
22 December 2016	Appendix 3B
22 December 2016	Cleansing Statement
29 December 2016	Ceasing to be a substantial holder
29 December 2016	Becoming a substantial holder
19 January 2017	Change of Director's Interest Notice - Amendment Jordaan
19 January 2017	Change of Director's Interest Notice - Amendment Van Wyk
20 January 2017	Plant commissioned and rubies delivered to USA
20 January 2017	Results of Meeting
24 January 2017	Appendix 3B
24 January 2017	Cleansing Statement

27 January 2017	Change in substantial holding
27 January 2017	Becoming a substantial holder
27 January 2017	Cleansing Prospectus - Options
30 January 2017	Change in substantial holding
30 January 2017	Quarterly activities report
30 January 2017	Quarterly cashflow report
2 February 2017	Investor Presentation – February 2017
2 February 2017	Balama Graphite Project – Update
8 February 2017	Mustang processing ramp up nearing first sales
9 February 2017	Ceasing to be a substantial holder- Elba
23 February 2017	Baker Young Updated Research Report
23 February 2017	Trading Halt
28 February 2017	Mustang acquires ruby bearing license
1 March 2017	North American Roadshow Presentation
1 March 2017	Investor Presentation – March 2017
2 March 2017	Release from escrow
3 March 2017	Research Report by RB Milestone Group
6 March 2017	Spectacular high grade graphite discovery
6 March 2017	Appendix 3B
9 March 2017	Mustang to export a further 25,000ct of gem quality rubies
9 March 2017	Appendix 3B
9 March 2017	Cleansing Notice
14 March 2017	Change in substantial holding
14 March 2017	Half yearly report and accounts
15 March 2017	Change in substantial holding – Regius
15 March 2017	Change in substantial holding
17 March 2017	Appendix 3B
17 March 2017	Cleansing Notice
21 March 2017	Investor Presentation
21 March 2017	Investor Presentation Summary
27 March 2017	Mustang ruby inventory continues to grow
21 April 2017	Notice of General Meeting/ Proxy Form
28 April 2017	First cashflow from planned ruby auction
1 May 2017	Quarterly Report and Appendix 5B
1 May 2017	Investor Presentation May 2017
22 May 2017	Results of meeting
23 May 2017	Mustang appoints senior resource executive Peter Spiers
23 May 2017	Initial Director's Interest Notice –P Spiers

24 May 2017	Research Report- May 2017
29 May 2017	Resources Rising Stars Investor Presentation May 2017
29 May 2017	Release from escrow
30 May 2017	ASX Waiver from sending out Option Exercise Notices
31 May 2017	Commissioning of upgraded ruby plant processing well
31 May 2017	Appendix 3B
1 June 2017	Videos of Montepuez Ruby Project
6 June 2017	Investor Presentation 121 – June 2017
6 June 2017	Appendix 3B
7 June 2017	Bulk sampling starts on new highly strategic ruby license
7 June 2017	Change in substantial holding
13 June 2017	Appendix 3B – Release from Escrow
21 June 2017	Appendix 3B
28 June 2017	Ruby inventory hits 120,000cts quality deposit discovered
30 June 2017	Change of Director's Interest Notice – Jordaan and Van Wyk
4 July 2017	Investor Presentation – July 2017
5 July 2017	Appendix 3B – expiry of options
10 July 2017	Appendix 3B - Amendment
17 July 2017	Hartleys Initiates Research Coverage
20 July 2017	Mustang Secures \$8.5m Mezzanine Finance from Major Investor

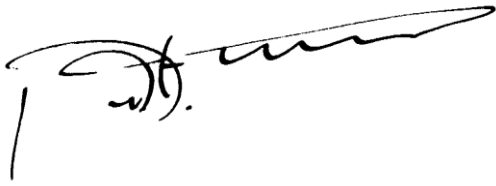
8. INFORMATION EXCLUDED FROM CONTINUOUS DISCLOSURE NOTICES

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Convertible Notes under the Facility and the Shares.

For more information please contact the undersigned on +61 8 9217 2400.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Marusco', is enclosed within a thin black rectangular border.

**ROBERT MARUSCO
COMPANY SECRETARY
MUSTANG RESOURCES LIMITED**

ANNEXURE – EVENTS OF DEFAULT

Defined terms in this annexure are as used in the Convertible Note Deed.

The following are Events of Default:

- (a) **(ASX)**: the ASX makes a determination that the terms of the Convertible Notes do not comply with the Listing Rules, including, for the avoidance of doubt, Listing Rules 6.1 and 6.12;
 - (b) **(shareholder approval)**: the Company fails to call a meeting of its shareholders in accordance with the Convertible Note Deed or to obtain the approval of its shareholders at that meeting;
 - (c) **(failure to issue Shares on conversion)**: the Company has not issued any Shares to the Noteholder within 5 Business Days of receipt of a Conversion Notice;
 - (d) **(payment)**: the Company fails to pay any amount due under the Convertible Note Deed on its due date or within 5 Business Days after its due date;
 - (e) **(performance default)**: failure by the Company to perform any other material obligation, covenant or undertaking under the Convertible Note Deed, excluding payment default, and, in relation to any rectifiable failure, within 14 days following notice by the Noteholder requiring rectification;
 - (f) **(Company warranties)**: the Company is breach of any of the Company Warranties;
 - (g) **(subsidiaries)**: an entity that is a subsidiary of the Company at the date of the Convertible Note Deed ceases to be a subsidiary of the Company;
 - (h) **(merger)**: the Company consolidates with, merges or amalgamates into or transfers all or substantially all of its assets to any person (the consummation of any such event, a '**Merger**'), unless:
 - (i) the entity formed by such Merger or the person that acquired such properties and assets expressly assumes, by a supplemental agreement, all obligations of the Company under the Convertible Note Deed and the performance of every covenant and agreement applicable to it contained therein;
 - (ii) immediately after giving effect to any such Merger, no Event of Default is continuing unremedied or would result from the Merger; and
 - (iii) the entity formed by such Merger, or the person that acquired such properties and assets, expressly agrees, among other things, to indemnify the Noteholder against any Tax payable by withholding or deduction imposed on the Noteholder solely as a consequence of such Merger with respect to the payment of principal, premium and interest on the Convertible Notes;
 - (i) **(insolvency)**: an Insolvency Event occurs in relation to the Company;
 - (j) **(cross default)**: any indebtedness of the Company or any of its subsidiaries is not paid when due (or within any applicable grace period) or is or becomes due and payable prior to its stated maturity date for any reason;
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- (k) **(attachment)**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its subsidiaries;
 - (l) **(enforcement)**: a mortgagee, chargee or other encumbrancer takes possession of, exercises rights under any security in relation to, or a receiver, receiver and manager, administrator, liquidator, provisional liquidator or officer of the Court is appointed in relation to, the whole or any substantial part of the property, assets or revenues of the Company or any of its subsidiaries (as the case may be);
 - (m) **(Authorisations)**: any authorisation, approval or consent (including any governmental, regulatory or corporate approval or consent) required for the issue redemption or conversion of the Convertible Notes **(Authorisation)** is not obtained or is suspended, terminated, revoked, withdrawn or expires, modified, restricted or otherwise fails to remain in full force and effect (in whole or in part) in any way unacceptable to the ;
 - (n) **(winding up)**: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its subsidiaries, or the Company or any of its subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations;
 - (o) **(unlawful)**: it is or becomes unlawful for:
 - (i) the Company to perform or comply with any one or more of its obligations under any of the Convertible Notes or the Convertible Note Deed;
 - (ii) the Noteholder to convert any Convertible Notes or hold any Shares, other than because of the operation of the terms of the Convertible Note Deed; or
 - (iii) the Company or any of its subsidiaries to carry on all or substantially all of its business or operations;
 - (p) **(disposal)**: the Company or any of subsidiaries transfers or otherwise disposes of all or substantially all of its assets to any person;
 - (q) **(expropriation)**: any Governmental agency:
 - (iv) condemns, nationalises, seizes, compulsorily acquires or otherwise expropriates any material assets of any of the Company, any of its subsidiaries or of the Montepuez Ruby Project;
 - (v) nationalises, seizes, compulsorily acquires or otherwise expropriates all or any part of the share capital of any of the Company or any of its subsidiaries;
 - (vi) assumes custody or control of all or any part of the material assets or business operation of any of the Company, any of its subsidiaries or of the Montepuez Ruby Project; or
 - (vii) takes any action that would result in the dissolution or disestablishment of any of the Company, any of its subsidiaries or of the Montepuez Ruby Project;
 - (viii) otherwise takes any other action which:
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- (A) prevents the Company or any of its subsidiaries or their respective management from conducting all or a substantial part of its business or operations;
 - (B) deprives the Company or any of its subsidiaries of the use of any material asset;
- (r) **(Project)**: all or any material part of the Montepuez Ruby Project is abandoned, is placed on care and maintenance or is subject to an unscheduled stoppage for more than 60 consecutive days;
- (s) **(audit)**: a material qualification is made by any auditor appointed by the Company or any of its subsidiaries to audit its financial statements;
- (t) **(non-Listing)** Shares cease to be listed on the ASX or are suspended from trading for more than 5 Trading Days;
- (u) **(Material Adverse Change)**: a Material Adverse Change occurs or is reasonably likely to occur in relation to or affects the Company; or
- (v) **(Change of Control)**: a Change of Control of the Company occurs, is agreed or is reasonably likely to occur.
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