



16 August 2017

RUBY INVENTORY GROWS TO 147,000CTS AS OCTOBER AUCTION DATES ARE CONFIRMED

Major buyers register to attend Mustang's maiden auction of 200,000cts

Highlights

- **Ruby inventory hits 147,000cts - on track to reach 200,000cts target in time for planned October 2017 auction**
- **Plant working at full capacity of ~1,500tpd with consistent daily recoveries of high-quality rubies totalling up to 760cts/day**
- **Mustang's inaugural rough ruby auction has been scheduled for 27 - 30 October 2017 in Port Louis, Republic of Mauritius**
- **Leading global ruby buyers have confirmed their attendance at the auction**
- **Numerous bulk sampling pits opened on recently discovered ruby-bearing gravels**
- **Started process of converting exploration and prospecting licences to mining concessions with tenure of 25 years (renewable)**

Mustang Resources (**ASX: MUS**) is pleased to announce that its ruby inventory at the Montepuez project in Mozambique continues to grow, reaching 147,052 carats.

The increase in the ruby inventory comes as previously-reported water shortages have been overcome, enabling the ramp up of the upgraded processing plant to reach its full target rate of ~1,500tpd.

COMPANY INFORMATION

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

Current Shares on Issue:
565,618,436
Market Capitalisation:
\$28M as at 15 August 2017

COMPANY DIRECTORS

Ian Daymond
Chairman

Christiaan Jordaan
Managing Director

Cobus van Wyk
Director

Peter Spiers
Director

Twitter: @Mustang_Res
mustangresources.com.au

This has resulted in the plant delivering consistent daily recoveries of high-quality rubies totalling 500 to 760cts/day. The Company is well on track to reach its target of 200,000cts in time for its planned auction in October 2017.

Inaugural Rough Ruby Auction

Mustang's inaugural rough ruby auction/tender has been scheduled for 27 - 30 October 2017 in Port Louis, Republic of Mauritius, within the zero-tax/free trade zone. Mauritius was selected above other short-listed global locations as the most suitable jurisdiction for the Mustang ruby auctions owing to its proximity to both the Montepuez Project in Northern Mozambique as well as key customer locations in Asia, its favourable taxation regime and the excellent natural lighting conditions in the conference centre where the auction will be hosted and the rubies inspected by the buyers.

Mustang has also leased a 100m² safehouse and sorting facility adjacent to the conference centre where final grading and parcelling of the stones will take place prior to the auction ensuring simple and efficient logistics.

The Company's management is encouraged by the overall quality of the rubies recovered to date and the prices paid at the auctions held by Mustang's neighbour Gemfields. The Company has received strong expressions of interest in the Mustang auction from ruby buyers.

Notably, the latest June 2017 Gemfields ruby auction netted a record US\$54.5 million for 895,848cts of commercial, medium and high-quality rubies (no corundum) for an average of US\$61.13/ct.

Mustang's planned auction will define the value range for rubies within each of its grading categories and be a key indicator of the long-term commercial viability of the Montepuez Ruby Project. It is expected to produce significant cashflow to assist in funding the project's future working capital requirements and potential expansion plans.

Discussions with key rough ruby buyers based predominantly in Thailand, India and Hong Kong are well advanced with many of the largest buyers already confirming their support and attendance at the auction.

Mustang Managing Director Christiaan Jordaan said that all project work streams were going well and are on track for the auction.

"We are highly encouraged by the positive responses and support received from customers to date," Mr Jordaan said. "Mustang's management team is confident of delivering a strong inaugural auction and continuing to advance towards our goal of establishing the Company as a globally significant ruby supplier.

"We are very pleased with the current performance of our processing plant after solving the remaining water challenges and now achieving good daily recoveries of high quality rubies".



Figure 1. Mustang Ruby August 2017

Processing Plant Update, Gravel Stockpile & Ruby Inventory

The ramp-up of the recently upgraded bulk sample plant was delayed due to lack of sufficient process water to run a full eight-hour shift. This bottleneck has now been removed by a combination of increased water supply (five new water bore holes have been drilled and commissioned) and increased water recycling (via an expanded settling dam).

As all the operational issues have now been resolved the plant is now running at ~1,500tonnes per day, driving the monthly processing target up to 34,500 tonnes.

The upgraded plant has achieved a consistent feed/throughput rate and Mustang intends to operate the plant initially for one shift a day. This will enable the Company to achieve its daily total processing target. It also means there is scope for further substantial increases in processing rates by operating additional shifts in the future.

Mustang has now accumulated a 70,000-tonne gravel stockpile sourced from nine different pits. With a large supply of gravel in the stockpile, sample processing activities can now focus on optimising plant throughput and maximising ruby recoveries in the lead-up to the October auction.



Figure 2. Bulk sampling of ruby bearing gravels through the processing plant at Mustang's Montepuez Ruby Project



Figure 3. Ruby bearing stockpile at Montepuez Project

The ruby inventory from the bulk sample and the artisanal development program has grown consistently, with the growth rate increasing with the plant now running at its expanded capacity and the artisanal development program achieving excellent results (see below **Figure 4**).

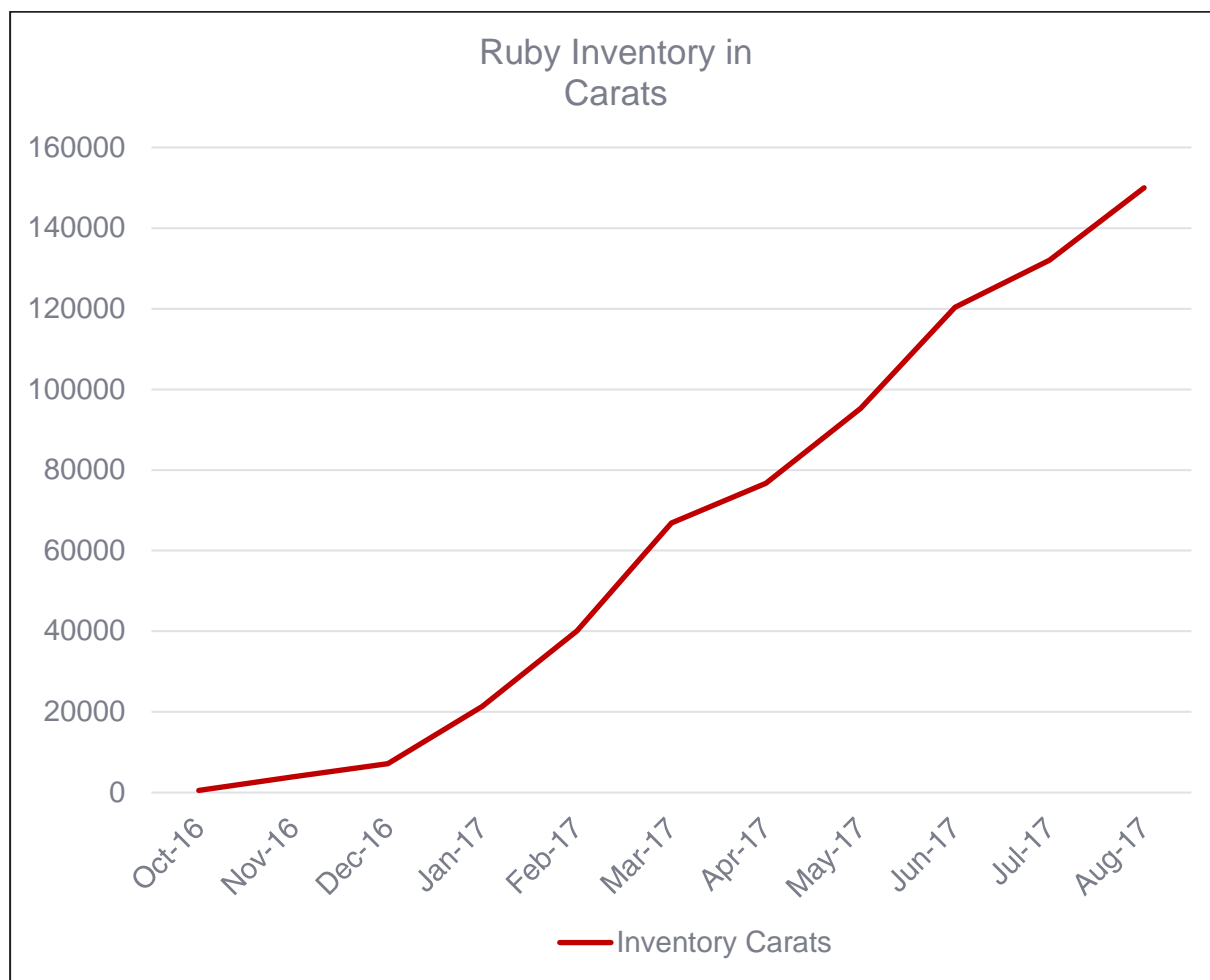


Figure 4. Mustang Ruby Inventory, Aug 2017

Exploration & Prospecting Update

Mustang continues to advance exploration activities to define ruby mineralisation within the highly prospective Montepuez Project area. During the recent auger drilling and pitting programs multiple gravel beds were discovered. The systematic process to define all the gravel beds and determine the average grade of the different gravel beds will continue through the bulk sampling phase and subsequent project phases to define the potential life of mine and the potential Mineral Resource inventory.

Encouragingly the colluvial/elluvial gravels are delivering very high-quality rubies (desirable colour and clean stones with limited cracks/fractures (see **Figure 5** below), augmented by mixed ruby qualities from the artisanal development program. This will make it possible to provide rubies across a wide range of qualities to the market and will assist in the likely success of the Company's future ruby auctions.

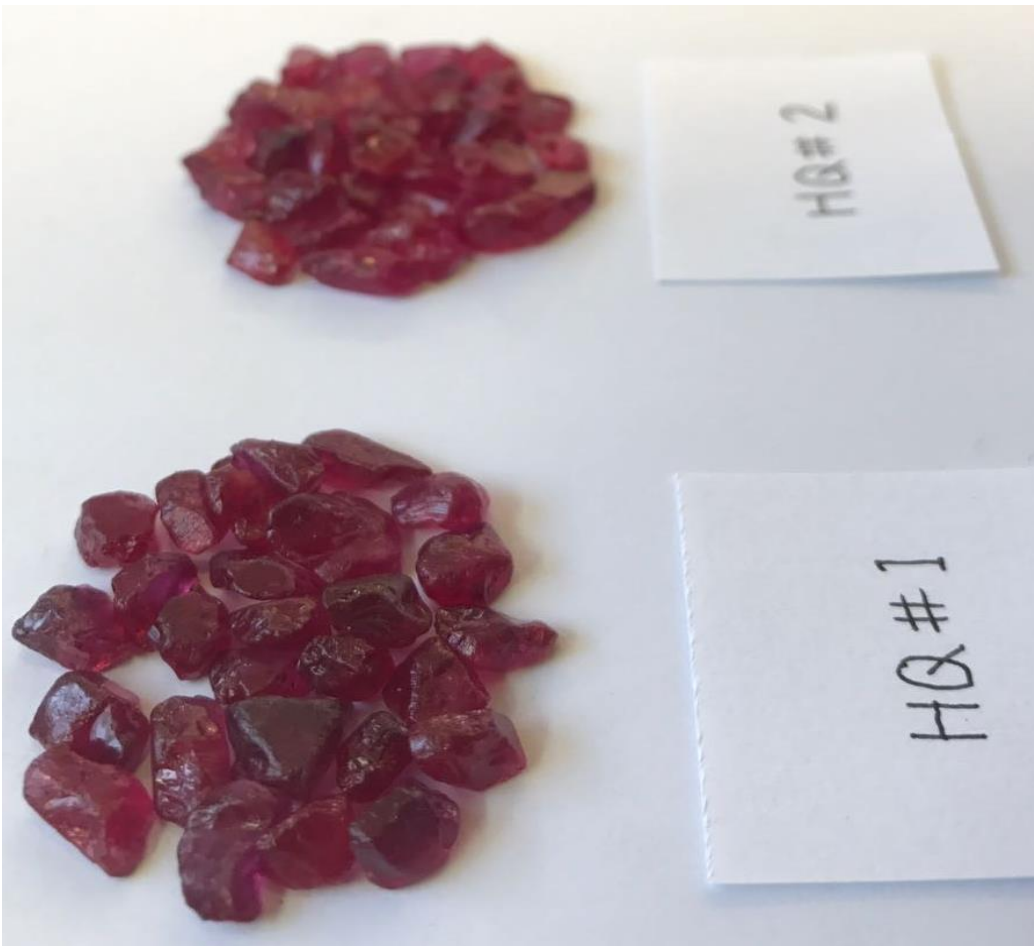


Figure 5. High Quality Rubies from Montepuez Project, August 2017

Processing of gravels excavated from the bulk sample pits is a key focus leading to the October auction. The new secondary deposits located to the South East of the plant are proving to be lucrative in yielding high-quality secondary rubies from the near-surface colluvial/elluvial gravels.

Manual test pitting along strike from the LM01 bulk sample pit has confirmed that gravel-hosted secondary ruby mineralisation is extensive with ruby-bearing gravels recorded over 3.3km (open ended) and additional bulk sampling pits (LM 02 to LM 06) excavated.

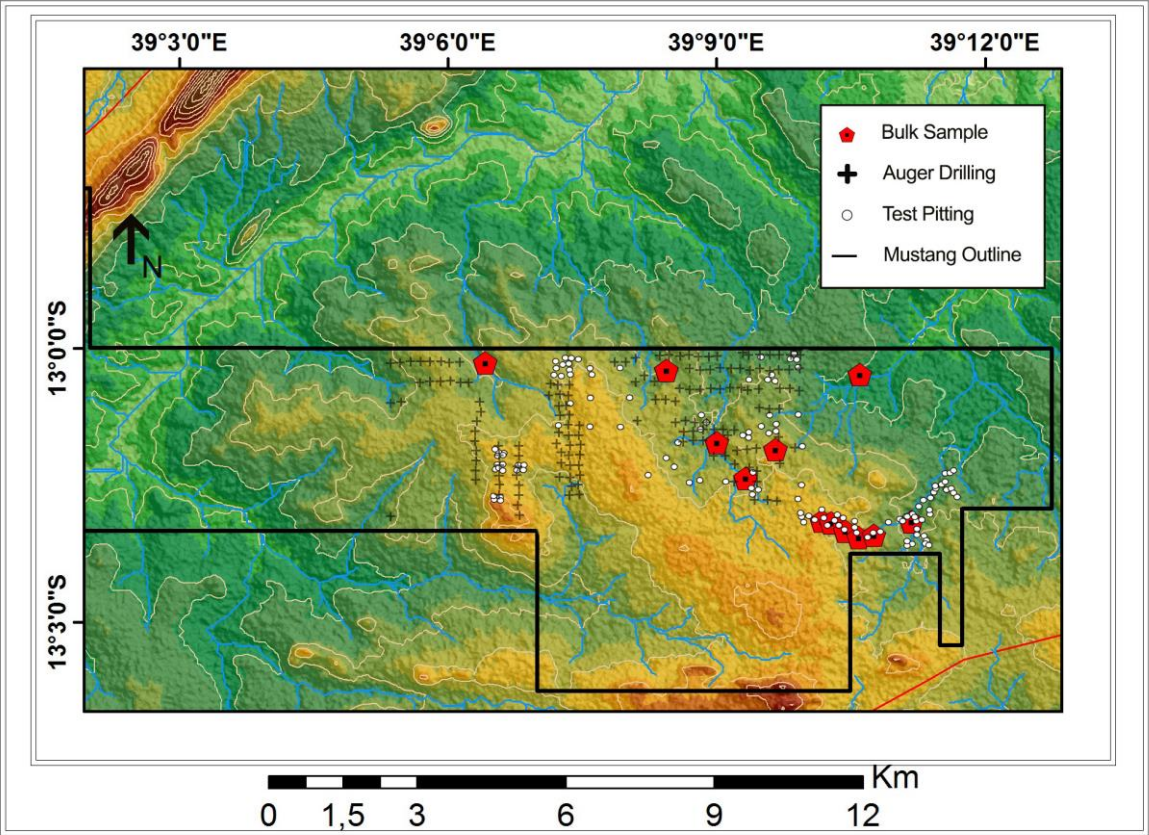


Figure 6. Map of all bulk sampling activity & manual test pits

Application for Mining Concession

Another key milestone in the continued rapid development of the Montepuez Project has been achieved with the submission of an application for a Mining Concession over the area previously covered by Prospecting and Exploration Licence 4143L. The application was submitted by the registered holder IbraMoz S.A., a Mozambican public company in which Mustang Resources Ltd holds a 60% interest through its 75% owned Australian subsidiary Montepuez Minerals Pty Ltd, which holds 80% of the issued shares in IbraMoz S.A.

Under article 42, paragraph 4 of the New Mozambican Mining Law, where a Mining Concession request emerges from a Prospecting and Exploration Licence, the holder of the Prospecting and Exploration Licence has the preferential right to acquire the Mining Concession over the subject area ahead of any third party. This is in line with most good mining title regimes around the world. Mustang has taken the step of commencing the process to convert its Prospecting and Exploration Licences to Mining Concessions, thereby exercising its preferential rights in order to secure the long-term tenure of the Montepuez Ruby Project.

Pursuant to article 42, paragraph 2 of the New Mining Law, Mining Concessions are granted for a period equivalent to the economic life of the mine (or mining operation) up to a maximum of 25 years and may be extended for further periods not exceeding 25 years.

The salient rights and obligations of a Mining Concession holder in Mozambique are detailed in Appendix A hereto.

For and on behalf of the Company.

Christiaan Jordaan
Managing Director

FOR FURTHER INFORMATION, PLEASE CONTACT:

Managing Director:
Christiaan Jordaan
info@mustangresources.com.au
+61 (0) 2 9239 3119

Media & Investor Relations:
Paul Armstrong
paul@readcorporate.com.au
+61 (0) 8 9388 1474

About Mustang Resources Ltd (ASX:MUS)

Listed on the Australian Securities Exchange, Mustang Resources Limited (ASX: MUS) is an emerging gemstone developer and producer focused on the near-term development of the highly prospective Montepuez Ruby Project in northern Mozambique.

The Montepuez Ruby Project consists of four licences covering 19,300 hectares directly adjacent to the world's largest ruby deposit discovered by Gemfields PLC (AIM:GEM) in 2012. Since supply of rubies from sources outside Mozambique has become fractured and unreliable, Mustang stands to capitalise on the current demand around the world for ethically produced rubies by becoming a reliable, consistent supplier of high-quality rubies.

The Company is currently fast-tracking its work program on the Montepuez Ruby Project with high priority targets being identified and low-cost bulk sampling well underway. First rough ruby sales are scheduled for October 2017 under a closed bid tender of an estimated 200,000 cts gem quality rubies. Website: www.mustangresources.com.au

COMPETENT PERSON'S STATEMENT:

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

FORWARD-LOOKING STATEMENTS:

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

Appendix A: Rights and Obligations of a Mining Concession Holder in Mozambique

Rights of Mining Concession Holder

In terms of article 43 of the Mining Law No. 20/2014 of 18 August, a Mining Concession permits the holder to:

- Use and occupy the land and carry out, on an exclusive basis, the mining of the mineral resources identified during the Prospecting and Exploration phase and conduct the necessary operations and works;
- Use the land and erect any installation, structures or buildings necessary for carrying out the operation related to the mining activities;
- Utilise water, timber and other materials in the licensed area for mining activities, subject to the applicable laws;
- Use portions of the land that are necessary for agriculture and cattle-breeding in a ratio that is adequate for self-consumption;
- Store, transport and process mineral resources and manage waste; and
- Sell or dispose of the mineral products resulting for the mining operations

Obligations of Mining Concession Holder:

Pursuant to article 44 of the Mining Law and articles 50 and 55 of the Mining Regulations, holders of Mining Concessions are subject to the following obligations:

- Initiate the development of the mine within 24 months from the issuance of the last licence or authorisation required (i.e. Environmental Licence and the Right of Use and Exploitation of Land - "DUAT");
- Initiate production within 48 months from the issuance of the Mining Concession;
- Maintain the level of production proposed in the mining plan (*plano de lavra*) and approved by the Ministry of Mineral Resources;
- Maintain balance sheets of the mining activity and other businesses carried out within the mining industry and of the sale or disposal of mineral resources extracted or obtained, as well as maintain all records required by law;
- Allow the performance of scientific studies by educational and government bodies;
- Maintain the area and the mining operations in a safe state, in compliance with the requirements for mining management & health;
- Comply with the obligations imposed by the environmental regulations;
- Allow access, through the licensed area, to any adjacent land, provided that such access does not interfere with the mining activities;
- Allow the construction and utilisation of public infrastructure in the licensed area, provided that such activities/infrastructure do not interfere with the mining activities;
- Compensate the holders of the rights of use and enjoyment of land and owners of properties for any damage caused as a result of the mining activities;
- Demarcate the licence area with concrete beacons on its corners that can be easily identifiable, within 90 days from issuance of the Mining Concession;
- Perform the activities related to the mining operation in compliance with the mining plan;
- Pay the taxes and fees that are due;
- Submit by the 5th day of every month, monthly information on production and commercialisation of mineral products;
- Submit by the 15th day after the end of any civil quarter a report on the activities carried out during that period;
- Submit by the 31st of January a report on the mining activities undertaken during the previous year;
- Submit by the 31st of May a work program and minimum expenses schedule for the following year;
- Maintain workman's compensation insurance and insurance covering third party liability and damage to the mining equipment; and
- Submit by the 31st of January an environmental management report detailing the social, economic, cultural and biophysics aspects of the environmental monitoring made in the previous year.

Environmental Licence and Land Rights

The Mining Concession can be obtained in advance of the Environmental Licence. Unlike many other countries, the Mining Concession, the Right of Use and Enjoyment of Land ("DUAT") and the Environmental Licence are not absolutely inter-dependent. From the date of obtaining a Mining Concession, the licence holder has 3 years to obtain an Environmental Licence and the DUAT. Development must commence within 24 months after the grant of the Environmental Licence or the DUAT, whichever occurs last. Nevertheless, production must commence within 48 months after the grant of the Mining Concession.

JORC CODE, 2012 EDITION – TABLE 1

Appendix to Ruby Announcement

Section 1: Sampling Techniques and Data.

Criteria	JORC Code Explanation	MUS Commentary
<p><i>Sampling techniques</i></p>	<ul style="list-style-type: none"> • <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> • <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> • <i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<p>A number of (industry standard) issues peculiar to alluvial sampling of precious stones have been identified, which impact directly on the number and size of the samples and the complexity of Resource estimations.</p> <p><u>Depositional environments</u></p> <p>Alluvial streams are highly transient environments. The braided channels are unstable through time and gravel bars are formed and destroyed continuously. Shifting bars and channels cause wide variations in local flow conditions resulting in varied depositional assemblages. Common features in braided stream deposits include irregular bed thicknesses, restricted lateral and vertical variations within the sediments, and abundant evidence of erosion and re-deposition. On a broad scale, most deposits are complex with units of no great lateral extent. Locally, bedrock features play an important role in precious stones concentration of the alluvial deposits, with rubies occurring preferentially in natural traps such as gullies, potholes and gravel bars and, typically, reworked through one or more post-depositional colluvial or elluvial environments.</p> <p><u>Grade variation</u></p> <p>In a single gravel unit (even within a few metres), ruby grades may vary from barren to over many carats per tonne, due to the development of localised trap-sites under favourable bedrock conditions, or hydraulic fractionation within a channel or bar. Consequently, the ruby distribution pattern (grade) of alluvial deposits is such that there is no repeatability of small sample results, even from adjacent samples.</p> <p>In order to account for all of these issues and ensure representivity, alluvial deposits can only be sampled through bulk-samples comprising tens to hundreds of thousands of cubic metres of gravel. Ruby deposits, especially alluvial deposits, cannot be sampled by means of drilling.</p>

Criteria	JORC Code Explanation	MUS Commentary
		<p>Drilling is used for stratigraphic information and to estimate thickness of overburden, gravel and the depth and nature of the bedrock.</p> <p>Bulk-sampling is completed in much the same manner as the production mining would be, except on a smaller scale. With positive results, bulk-sampling naturally progresses to trial-mining (and advanced technical studies), during which all of the modifying parameters are determined to allow a decision of whether to proceed to full production.</p> <p>Ruby recovery is dependent on mechanical recovery through standard heavy mineral separation techniques.</p> <p>All drilling has been completed using an Auger drill. All auger holes have been sampled for rubies and the presence of gravels noted. The composite samples size may vary depending on the length of the geological unit within the hole. The hole was logged, samples were collected in situ at the drill site and then washed and tested in the Bushman Jigs on site.</p> <p>Stratigraphic information has largely been obtained from limited pitting</p>
<i>Drilling techniques</i>	<ul style="list-style-type: none"> • <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<p>Auger drilling was carried out by Major Drilling Mozambique S.A. using a track mounted Hanjin, DB36 multi purpose drill.</p> <p>Standard auger flights, capable of 1-2 metres of penetration and standard auger drill bits were utilized for the program.</p>
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> • <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<p>Composite soil samples over 1m intervals are collected with maximum sample recovery.</p> <p>Samples are collected and lifted from the auger flights. Care is taken to ensure that the material lifted is not due to the material falling back into the hole.</p> <p>Details regarding bulk-sampling is presented in Section 5.</p>
<i>Logging</i>	<ul style="list-style-type: none"> • <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to</i> 	<p>All excavated faces of the pits (stratigraphic pits and sample trenches) are logged and photographed.</p>

Criteria	JORC Code Explanation	MUS Commentary
	<p><i>support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></p> <ul style="list-style-type: none"> <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> <i>The total length and percentage of the relevant intersections logged.</i> 	<p>Logging is semi-quantitative with stratigraphic and lithological units described and thicknesses noted.</p>
<p><i>Sub-sampling techniques and sample preparation</i></p>	<ul style="list-style-type: none"> <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i> <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<p>All the auger holes are logged geologically by Mustang's geologists</p> <p>The bulk sampling programme is industry standard for low-grade alluvial/elluvial deposits.</p> <p>As a result, of generally all low grades associated with alluvial and elluvial systems, representative bulk-sample sizes must be large – in the range of tens- to hundreds of thousands of cubic metres.</p> <p>As of 14 August 2017, the total bulk-sample size that has been processed and washed on site is 61,310.50 m³. This sample size is not considered to be sufficient to estimate Mineral Resources but is appropriate to report Exploration Results, simply to identify the presence of rubies.</p>
<p><i>Quality of assay data and laboratory tests</i></p>	<ul style="list-style-type: none"> <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i> 	<p>All holes are logged geologically. All gravel samples are collected and washed through the Bushman Jigs on site.</p> <p>Due to the nature of precious stones in an alluvial/elluvial deposit, samples are not taken for assay as would be normal for precious or base metal prospects. Consequently, no samples are dispatched to any analytical or testing laboratories. Further, sample splitting and reduction methods were not employed.</p> <p>All the geological exploration samples are processed through the Bushman Jigs on site.</p> <p>The bulk-sampling conducted up until 24 March 2017 was processed through a plant on site whereby the material is fed into a scrubber and two</p>

Criteria	JORC Code Explanation	MUS Commentary
		<p>16-foot pans with the concentrate being fed into the glove boxes for the picking of the rubies.</p> <p>As of May 2017, a new plant was commissioned which is described in detail in Section 5 below.</p> <p>Since the samples were processed through the Company plant, Mustang personnel (and independent Competent Persons) were involved from the excavation of the gravels through to the final recovery of the rubies.</p>
<p><i>Verification of sampling and assaying</i></p>	<ul style="list-style-type: none"> • <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i> 	<p>All drill holes are logged on paper at the drill site and then entered onto the site's office computer.</p> <p>No twinning of holes has been undertaken in this program</p> <p>The ruby distribution pattern (grade) of alluvial deposits is such that there is limited repeatability of bulk-sample results, even from adjacent samples of tens of thousand cubic metres in size. Consequently "check-samples" such as are standard in the precious and base-metal industries, are not possible.</p> <p>All exploration data is entered into a sampling database which is QA/QC'd by the Project Geologist (the database is currently GIS based). Data is stored both on-site as well as at the Company's office in Pretoria, RSA.</p>
<p><i>Location of data points</i></p>	<ul style="list-style-type: none"> • <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<p>Pitting sites and auger hole collars were recorded and subsequently located using a hand held Garmin GPS (GPSMap64S). These handsets have an inherent accuracy variance of 7m in the X and Y dimension. The vertical/elevation dimension (Z) of handheld instruments is not reliable and is hence not reported.</p> <p>The Company is using to UTM WGS 84 – Zone 37s grid system.</p> <p>Currently, topographic control is based on available 1:250,000 topographic maps. As the programme progresses, elevation data will be provided by professional survey.</p>
<p><i>Data spacing and distribution</i></p>	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity</i> 	<p>The tight spaced auger holes were spaced on a 50m x 50m grid around the bulk-sampling pits. Moving away from the pits, the sampling lines moved to a 200m by 400mspacing, on 4143L and 5030L towards the SE of the concession.</p>

Criteria	JORC Code Explanation	MUS Commentary
	<p><i>appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <ul style="list-style-type: none"> <i>Whether sample compositing has been applied.</i> 	<p>Bulk-samples are not taken along a systematic grid, neither are they sited to intersect specific areas of high or low grade. The key reasons for this are:</p> <ul style="list-style-type: none"> The large size of the individual samples. The anticipated mining plan for the gravels is based on high volumes and, therefore, the samples have to address average recoveries. Consequently, samples are not sited so as to intersect areas of anticipated higher (or lower) grade. <p>The sampling to date is not considered representative of the deposit and significantly more (and larger) samples will need to be taken before a Mineral Resource can be estimated.</p> <p>The reconnaissance sample results have not been composited, but are presented on a pit by pit basis.</p>
<p><i>Orientation of data in relation to geological structure</i></p>	<ul style="list-style-type: none"> <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<p>The stratigraphic pitting completed to date and all drilling is considered as reconnaissance exploration data which will assist in determining the extent and orientation of the gravel units.</p> <p>Insufficient data currently exists to determine whether sample bias is present.</p>
<p><i>Sample security</i></p>	<ul style="list-style-type: none"> <i>The measures taken to ensure sample security.</i> 	<p>Since the grades expected on alluvial/elluvial deposits are so low and the sampling is all mechanised, it is extremely improbable that rubies will be picked up during the excavation process or at the plant stockpile. However, security has been employed at the sample pit to prevent the presence of artisanal miners.</p> <p>At the plant site, security is limited due to caging around the processing pans; as the operation progresses and volumes are increased, cages will also be installed around conveyor feeder belts.</p> <p>It is only at the final-recovery glove-box house that sample security becomes a significant issue, where operations are monitored by Company security personnel.</p>

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

Section 2. Reporting of Exploration Results

Criteria	Explanation	MUS Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<p>Ownership of land and mineral rights in Mozambique is vested in the State. Companies may apply for Prospecting and Exploration or Mining Licences from the Minister of Mineral Resources and Energy. The issue of any licence is contingent on compliance with environmental regulations and risk management as well as the provision of a socio-economic upliftment program.</p> <p>Obligations for holders of Prospecting and Exploration Licences include the submission of an annual report, an investment plan, a work plan and a proposed budget.</p> <p>Mustang's Montepuez Ruby Project covers four Prospecting and Exploration Licences; 5030L (14,047.4 ha), 4258L (503.08 ha) and 4143L (2,012.27 ha) as measured on the Company's GIS System, and 8245L which has recently been acquired.</p> <p>An Exploration Licence allows for the exploration and prospecting (including bulk-sampling) of mineral resources but not exploitation. Licences are valid for up to five years but can be extended for up to three further years on application to the Minister of Mineral Resources. After eight years (or sooner), the Prospecting and Exploration Licence can be converted into a Mining Licence or a new licence must be applied for.</p> <p>All the licences within the Montepuez Ruby Project are either in their first term or applications for their renewal submitted for a further 3 years upon expiry of the initial term.</p> <p>Mustang has submitted an application for a Mining Concession over the area previously covered by exploration and prospecting licence 4143L.</p>

Criteria	Explanation	MUS Commentary
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<p>No prior exploration work has been done by other parties on the licence areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country-wide airborne magnetic and radiometric geophysical surveys flown over the region by the Government of Mozambique.</p>
<i>Geology</i>	<ul style="list-style-type: none"> <i>Deposit type, geological setting and style of mineralisation.</i> 	<p>The Project Area lies within the structurally deformed and metamorphic terrane known as the Mozambique Belt or East African Orogen (EAO, mountain building event). The EAO represents a belt of sedimentary and volcanic rocks formed around 2.5Ga and younger in age that were deposited in a series of depositional basins and or seas between a sequence of ancient sialic (granitic/ Si and Al rich) crustal nuclei of Archean age (around 3.5Ga) old primordial crust.</p> <p>The Montepuez Complex forms a wedge-shaped unit of strongly deformed para- and orthogneisses between Montepuez, Chiúre and Namuno. The Montepuez Complex comprises orthogneisses, ranging from granitic to amphibolitic in composition, and paragneisses, comprising mainly quartzites, meta-arkoses, marbles, quartz-feldspar, gneisses and biotite gneisses.</p>
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <i>easting and northing of the drill hole collar</i> <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> <i>dip and azimuth of the hole</i> <i>down hole length and interception depth</i> <i>hole length.</i> <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i> 	<p>Auger results are used, primarily, to define the presence of gravel units and to estimate their thicknesses, which data will, in conjunction with localised pitting and bulk sampling, eventually be used in the estimation of Resource volumes. The extent of the pitting to date is such that the true dips of the secondary horizons cannot be determined at this stage.</p> <p>No details are provided for the reconnaissance pits as they have not been used for the purposes of volume estimation. At this stage, the pits have been excavated simply as a means of understanding the local geology.</p>

Criteria	Explanation	MUS Commentary
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> • <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i> • <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> • <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<p>Data aggregation methods are not, typically, applicable to alluvial/elluvial ruby deposits. All results are shown as obtained.</p> <p>Insufficient data has been obtained to estimate grade and/or ruby value at present.</p>
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> • <i>These relationships are particularly important in the reporting of Exploration Results.</i> • <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> • <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i> 	<p>Pitting results are used, primarily, to define the presence of gravel units and to estimate their thicknesses, which data will, in conjunction with auger drilling and bulk sampling. Eventually this information will be used in the estimation of Resource volumes. The extent of the pitting to date is such that the true dips of the secondary horizons cannot be determined at this stage.</p>
<i>Diagrams</i>	<ul style="list-style-type: none"> • <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<p>Appropriate scale map and plans with scale and north points are included in the announcement.</p>

Criteria	Explanation	MUS Commentary
<i>Balanced reporting</i>	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	All available exploration results have been reported.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<p>Regional geological mapping and regional airborne geophysics (magnetics and radiometrics) have been obtained from the Mozambican Government.</p> <p>The geophysics datasets are continually being used to aid in interpretations and plan drill hole program collar locations.</p> <p>Bulk-sampling is described in Section 5.</p>
<i>Further work</i>	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<p>The results to date simply identify the presence of ruby in the alluvial gravel intercepts on licence 4143L, 5030L& 8245L</p> <p>A prospecting program has been drawn up, which is planned to culminate in the estimation of Mineral Resources present on the property. The program is planned to include both drilling and representative bulk-sampling.</p> <p><u>Drilling</u></p> <p>Currently, Phase 2A comprises plans for some 2,400m of auger drilling to identify bedrock variation, gravel distribution and Resource estimation.</p> <p>Further, the gravel from the pits will be characterised to determine what additional exploration techniques might be applied.</p> <p><u>Bulk-sampling</u></p> <p>As of 14 August 2017, the sixth cut of Alpha deposit had been excavated to identify the presence of ruby/corundum. Four cuts of Pit 224 and one cut of Pit 117 has been excavated. Pit LM01 to LM06 has been excavated. The material being sampled to date consists of shallow gravels, between 0.2 and 1.7m in depth. Each cut has sampled the colluvial gravels including at least 1m above</p>

Criteria	Explanation	MUS Commentary
		the gravel layer and 0.5m of the underlying bedrock. Material from the first cuts still needs to be processed before a representative grade and ruby value can be obtained.

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

Criteria	Explanation	MUS Commentary
<i>Indicator minerals</i>	<i>Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.</i>	Indicator minerals have not been sampled for and no reports have been prepared as such minerals are not applicable to alluvial ruby deposits.
<i>Source of diamonds/gemstones</i>	<i>Details of the form, shape, size and colour of the diamonds/gemstones and the nature of the source of diamonds/gemstones (primary or secondary) including the rock type and geological environment.</i>	<p>As of 14 August 2017 a total of 20,624 carats have been recovered from the bulk sample pits, no official ruby studies have been undertaken yet, however, studies are currently underway.</p> <p>The rubies have been recovered from a sheet flow environment. The gravel horizon being sampled at the Alpha Deposit is not typically alluvial in nature but more of a colluvium. The colluvial gravels consist of loose unconsolidated material.</p> <p>The current (conceptual) geological model anticipates that the primary source to the rubies will be amphibolites located in the Montepuez area. The nature and exact location of the primary source(s) of the alluvial rubies is not entirely germane to the project and will not form the focus of current investigations.</p>
<i>Sample collection</i>	<ul style="list-style-type: none"> <i>Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (e.g. large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).</i> <p><i>Sample size, distribution and representivity.</i></p>	<p>The reconnaissance samples have been small samples designed simply to establish the presence of rubies in the different gravel units. These will be expanded (in size and number) in order to estimate grade, value and stone size distribution and relevant confidence levels.</p> <p>As of 14 August 2017, the total bulk-sample size that has been processed and washed on site is 61,310.50 m³. This material has been processed from the bulk sampling pits, namely Alpha Deposit (also known as Pit 21), EXPIT 117ET, Pit 224 and Pit LM01, LM04 and LM06 and, as such, the results are not considered representative.</p>

Criteria	Explanation	MUS Commentary
<p><i>Sample treatment</i></p>	<ul style="list-style-type: none"> • <i>Type of facility, treatment rate, and accreditation.</i> • <i>Sample size reduction. Bottom screen size, top screen size and re-crush.</i> • <i>Processes (dense media separation, grease, X-ray, hand-sorting, etc.).</i> • <i>Process efficiency, tailings auditing and granulometry.</i> <p><i>Laboratory used, type of process for micro diamonds and accreditation.</i></p>	<p>Gravel samples intercepted during drilling have been washed and sorted separately. These samples have all been derived from the gravel layers intercepted while auger drilling.</p> <p>Bulk-samples cannot be processed at a laboratory – but are processed on site, through the Mustang plant, by Mustang personnel.</p> <p>The gravel is excavated using a hydraulic excavator and transported to site by a dump-truck. The sample area visually inspected and all gravels are excavated to bedrock (where the bedrock is friable, the sample includes some 10-15cm of bedrock to ensure collection of gravel and rubies that may have penetrated the bedrock).</p> <p>Excavation of the bulk sample area was carried out utilizing a 45 ton Hitachi Zaxis 470 excavator and two to three 27 ton ADT7. All of the overburden for cut 1 and the cut 1 extension was dumped immediately adjacent to the pit.</p> <p>Sample pits are measured and logged (with measuring tape by the geological staff) to estimate volumes and keep records of the material intercepted.</p> <p>The material is fed into Bushman Jigs. The action of the Bushman Jigs results in the lighter material being suspended and the denser material settling into the centre of the jig sieves. The sieve fractions are +14mm, -14+10mm, -10+8mm, -8+6mm, -6+4mm, -4+2mm. Each sieve is hand-sorted separately by two sorters in the presence of a security guard.</p> <p>Processing plant currently, before commission of the new plant:</p> <ul style="list-style-type: none"> 1 x Grizzly screen, 1 x Double decker sizing screen 2 x 16-foot rotary pan plant 1 x Classifier 2 x De-watering screens 1 x Glove box <p>The entire gravel sample (-20+2mm fraction) is processed. Rubies smaller than 2mm have very little commercial potential and their loss is not an issue.</p>

Criteria	Explanation	MUS Commentary
Carat	<i>One fifth (0.2) of a gram (often defined as a metric carat or MC).</i>	Metric carats (“ct”) have been used throughout this document.
Sample grade	<ul style="list-style-type: none"> • <i>Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.</i> • <i>The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.</i> <p><i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).</i></p>	Insufficient data has been recovered to estimate sample grades or ruby size frequency distribution, as yet.
Reporting of Exploration Results	<ul style="list-style-type: none"> • <i>Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.</i> • <i>Sample density determination.</i> • <i>Per cent concentrate and undersize per sample.</i> 	<p>As of 14 August 2017 20,624.55 carats had been recovered (with a bottom cut-off size of 2mm). All the rubies have, thus far, been recovered from the colluvial gravel unit.</p> <p>The current sample is considered too small to complete any sort of analysis. This will be reported when an appropriate size ruby sample has been recovered in the near future.</p>

Criteria	Explanation	MUS Commentary
	<ul style="list-style-type: none"> • <i>Sample grade with change in bottom cut-off screen size.</i> • <i>Adjustments made to size distribution for sample plant performance and performance on a commercial scale.</i> • <i>If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond/gemstone samples.</i> <p><i>The weight of diamonds/gemstones may only be omitted from the report when the diamonds/gemstones are considered too small to be of commercial significance. This lower cut-off size should be stated.</i></p>	
<p><i>Grade estimation for reporting Mineral Resources and Ore Reserves</i></p>	<ul style="list-style-type: none"> • <i>Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.</i> • <i>The sample crush size and its relationship to that achievable in a commercial treatment plant.</i> • <i>Total number of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.</i> • <i>Total weight of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.</i> <p><i>The sample grade above the specified lower cut-off sieve size.</i></p>	<p>Mineral Resources and/or Ore Reserves have not yet been estimated for this project.</p>
<p><i>Value estimation</i></p>	<ul style="list-style-type: none"> • <i>Valuations should not be reported for samples of diamonds/gemstones processed using total liberation method, which is commonly used for processing exploration samples.</i> 	<p>The ruby sample recovered to date is considered too small to be representative in terms of value and no such valuations have yet been undertaken.</p>

Criteria	Explanation	MUS Commentary
	<ul style="list-style-type: none"> • <i>To the extent that such information is not deemed commercially sensitive, Public Reports should include:</i> <ul style="list-style-type: none"> ○ <i>Diamonds/gemstones quantities by appropriate screen size per facies or depth.</i> ○ <i>details of parcel valued.</i> ○ <i>number of stones, carats, lower size cut-off per facies or depth.</i> • <i>The average \$/carat and \$/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.</i> • <i>The basis for the price (e.g. dealer buying price, dealer selling price, etc.).</i> <p><i>An assessment of diamond/gemstone breakage.</i></p>	
<p><i>Security and integrity</i></p>	<ul style="list-style-type: none"> • <i>Accredited process audit.</i> • <i>Whether samples were sealed after excavation.</i> • <i>Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.</i> • <i>Core samples washed prior to treatment for micro diamonds/gemstones</i> • <i>Audit samples treated at alternative facility.</i> • <i>Results of tailings checks.</i> • <i>Recovery of tracer monitors used in sampling and treatment.</i> • <i>Geophysical (logged) density and particle density.</i> 	<p>All rubies are weighed, sealed and stored in a Category 4 safe on site. The site is secured by electric fencing and security guards are present 24/7. When transported from site to other locations (e.g. Thailand) it is done in sealed parcels with documented parcel numbers. Receipt of a parcel is signed form by the recipient and cross-checked with the source records that are meticulously kept.</p> <p>Bulk-samples are not processed at an alternative facility. No audit of tailings has yet taken place – concentrated tailings are returned to the pit for rehabilitation.</p> <p>The Bushman Jig and processing plant efficiencies are monitored using industry standard tracer tests.</p>

Criteria	Explanation	MUS Commentary
	<ul style="list-style-type: none"> • <i>Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.</i> 	
Classification	<ul style="list-style-type: none"> • <i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.</i> 	The uncertainty of the project is such that only Exploration Results are presented as conceptual Exploration Targets.