MUSTANG
RESOURCES LTD

COMPANY INFORMATION

Mustang Resources Ltd

ABN 34 090 074 785

ASX Code: MUS

Current Shares on Issue:
729,227,647

Market Capitalisation:
$107.56M as at 26 October 2017

COMPANY DIRECTORS

Ian Daymond
Chairman

Christiaan Jordaan
Managing Director

Cobus van Wyk
Director

Peter Spiers
Director

27 October 2017

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2017

Rapid ruby inventory growth; taking ~405,000cts to initial tender in October; Mustang secures 25-year tenure with award of first mining concession

Highlights

MONTEPUEZ RUBY PROJECT, MOZAMBIQUE

- **Inventory soars from 120,000cts at end of June quarter, 2017 to 352,000cts (as at 10 October 2017)**
- **Mustang to take ~405,000cts to its maiden public tender in October – more than double its original target**
- **More than 120 people from 42 leading global ruby buyers attending the inaugural tender in Mauritius (to take place, 27-30 October)**
- **Award of first mining concession (upgraded from the previous prospecting & exploration licence) gives Mustang security of tenure to undertake its planned processing plant extensions after the maiden tender**
- **Outstanding quarter means Mustang is firmly on track to achieve its key objective of becoming a leading global supplier of high-quality rubies through regular closed-bid tenders**
- **Mustang plans to grow its ruby inventory rapidly to hold at least two tenders totalling one million carats in CY2018 and three tenders per year from CY2019**

BALAMA GRAPHITE PROJECT, MOZAMBIQUE

- **Caula confirmed as a Tier-1 project with more than half its graphite classed as jumbo and large flake**
- **Results show Caula's potential to be a low-cost supplier to the expandable graphite and lithium battery industries**

CORPORATE

- **Mustang secured $8.5m funding package from leading institutional investor, ensuring it is fully-funded through to first ruby tender**
- **Updated broker research issued by Baker Young Stockbrokers (12 October 2017), with share price target of 21.5c**
- **$0.736m cash on hand at 30 September excluding undrawn convertible note facility at end of quarter**

Mustang Resources (ASX: MUS) is pleased to provide the following report on its activities during the September quarter 2017.

MONTEPUEZ RUBY PROJECT, MOZAMBIQUE

Mustang continued to ramp up production at its Montepuez Ruby Project in Mozambique during the quarter, increasing its ruby inventory from 120,000 carats to 352,000 carats (as at 10 October 2017). This sharp growth was due to the recent success of the upgraded processing plant at Montepuez and to the mobile processing equipment given to the artisanal miners, increasing the quantity of rubies that are supplied to Mustang.

Mustang achieved a new production record in the month of September, recovering 27,131 carats from 47,160 tonnes processed with consistent head feed grades of 0.5 to 0.6 carats per tonne and retained a plant stockpile of 55,815 tonnes at 5 October 2017.

Mustang is now on track to take ~405,000 carats to its maiden tender 27-30 October. This is double the number of carats Mustang targeted when it set the auction date and is an outstanding result.

At the time of writing, 42 leading global ruby buyers from Thailand, India, Sri Lanka, United States, Hong Kong and Europe had officially registered to take part in the tender and had signed tender access agreements. In addition to the ruby buyers, representatives from the Mozambican Government have also been invited to attend the tender.

Mustang's strategy to establish strong, sustainable production and cashflow has also been underpinned by the grant of Mining Concession 8921C by the Ministry of Minerals & Energy to Ibra Moz S.A (in which Company Mustang holds a 60% indirect shareholding). This concession is the first Mining Concession granted to the Company at Montepuez and is valid until 13 September 2042. It replaces exploration and prospecting licence 4143L and secures a 25-year tenure, thereby paving the way for planned processing capacity increases following the maiden tender.

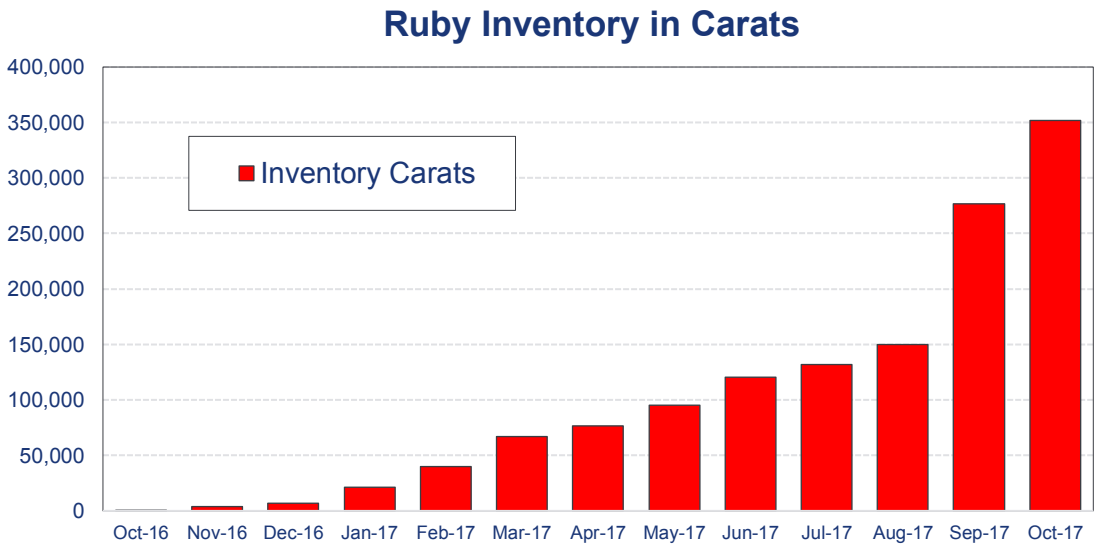

Figure 1. Mustang Ruby Inventory Growth

BALAMA GRAPHITE PROJECT, MOZAMBIQUE

During the quarter, Mustang announced it had received strong results from initial beneficiation testwork conducted on both oxide and fresh samples taken from its 80 per cent owned Caula Graphite Project (Licence 6678L).

The Caula project is located along strike from Syrah Resources' (ASX:SYR) world-class Balama graphite project in Mozambique.

These results are based on non-optimised process testwork with scope for further optimisation through a coarser initial grind size and increased preservation of large and jumbo flakes in the intermediate processing stages.

Samples were compiled from quarter diamond drill core samples collected during the recent resource drilling campaign. The testwork flowsheet utilised on the fresh sample comprised an initial coarse grind to 0.71 mm, followed by a series of flotation and regrind stages, and achieved an excellent TGC recovery of 96%. The oxide sample achieved a TGC recovery of 87%.

The TGC recoveries of both samples are expected to improve with:

- Further flowsheet optimisation.
- Recycling of intermediate tailings streams during locked cycle testing. Current testwork was carried out under open circuit conditions with reported recoveries excluding graphite from intermediate tailings streams.

High recovery of jumbo and large flake (>180 µm or +80 mesh) was achieved for both the fresh (56%) and oxide (38%) material. Fresh and oxide overall concentrate grades were 95.7% and 95.9% respectively with the Jumbo flake product achieving a 98% concentrate grade.

CORPORATE

Mustang secured an A$8.5 million funding facility under an 18-month term convertible note facility (Convertible Note Deed) with leading US institutional investor Arena Investors LP, ensuring that it is fully funded through to its upcoming maiden rough ruby tender in October 2017.

Under the terms of the Convertible Note Deed, Arena agreed to invest net A$8.5 million ($10million face value) through an unsecured convertible note facility, now fully drawn-down in four tranches.

At the time of publishing this report the Arena funding facility has been fully repaid (through the issue of Mustang ordinary shares).

Updated broker research

An updated research report on Mustang was issued by Baker Young Stockbrokers (target price of 21.5 cents). A copy of the report is available from the Company's website, www.mustangresources.com.au > Investor Information > Research Reports.

Cash Position

Mustang finished the quarter with cash on hand of $0.736 million (excluding undrawn convertible note facility from Arena Investors, which was fully drawn following the quarter end). During the quarter the Company expenditures were focused on rapidly expanding the inventory through increased plant throughput and investing into the artisanal miner development program as well as ongoing customer/buyer marketing activities in Asia during major gem tradeshows. Furthermore, once-off expenditure was incurred in setting up the Mauritius safe house and tender facilities in time for the upcoming rough ruby tender.

In the coming quarter work will focus on maintaining a high plant throughput rate at the existing plant, planning for near term production expansion of ruby production, and ongoing exploration on both the Montepuez Ruby Project as well as the Caula Graphite Project.

For and on behalf of the Company.

Christiaan Jordaan
Managing Director

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COMPETENT PERSON'S STATEMENT:

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

FORWARD-LOOKING STATEMENTS:

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

JORC CODE, 2012 EDITION – TABLE 1

Appendix to Ruby Announcement, 10 October 2017

Section 1: Sampling Techniques and Data.

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

Criteria	JORC Code Explanation	MUS Commentary
		Drilling is used for stratigraphic information and to estimate thickness of overburden, gravel and the depth and nature of the bedrock. Bulk-sampling is completed in much the same manner as the production mining would be, except on a smaller scale. With positive results, bulk-sampling naturally progresses to trial-mining (and advanced technical studies), during which all of the modifying parameters are determined to allow a decision of whether to proceed to full production. Ruby recovery is dependent on mechanical recovery through standard heavy mineral separation techniques. 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. Stratigraphic information has largely been obtained from limited pitting
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	Auger drilling was carried out by Major Drilling Mozambique S.A. using a track mounted Hanjin, DB36 multipurpose drill. Standard auger flights, capable of 1-2 metres of penetration and standard auger drill bits were utilised for the program.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	Composite soil samples over 1m intervals are collected with maximum sample recovery. 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. Details regarding bulk-sampling is presented in Section 5.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to*	All excavated faces of the pits (stratigraphic pits and sample trenches) are logged and photographed.

Criteria	JORC Code Explanation	MUS Commentary
	support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	Logging is semi-quantitative with stratigraphic and lithological units described and thicknesses noted.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	All the auger holes are logged geologically by Mustang's geologists The bulk sampling program is industry standard for low-grade alluvial/elluvial deposits. 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. As of 5 October 2017, the total bulk-sample size that has been processed and washed on site is 108,913 m^3. 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.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	All holes are logged geologically. All gravel samples are collected and washed through the Bushman Jigs on site. Due to the nature of precious stones in an alluvial/elluvial deposit, samples are not taken for assay as would be normal for precious or base metal prospects. Consequently, no samples are dispatched to any analytical or testing laboratories. Further, sample splitting and reduction methods were not employed. All the geological exploration samples are processed through the Bushman Jigs on site. The initial bulk-sampling conducted up until 24 March 2017 and was processed through the first plant on site whereby the material was fed into

Criteria	JORC Code Explanation	MUS Commentary
		a scrubber and two 16-foot pans with the concentrate being fed into the glove boxes for the picking of the rubies. As of May 2017, a new plant was commissioned which is described in detail in Section 5 below. 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.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	All drill holes are logged on paper at the drill site and then entered onto the site's office computer. No twinning of holes has been undertaken in this program The ruby distribution pattern (grade) of alluvial deposits is such that there is limited repeatability of bulk-sample results, even from adjacent samples of tens of thousand cubic metres in size. Consequently "check-samples" such as are standard in the precious and base-metal industries, are not possible. All exploration data is entered into a sampling database which is QA/QC'd by the Project Geologist (the database is currently GIS based). Data is stored both on-site as well as at the Company's office in Pretoria, RSA.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	Pitting sites 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. The Company is using the UTM WGS 84 – Zone 37s grid system. Currently, topographic control is based on available 1:250,000 topographic maps. As the program progresses, elevation data will be provided by professional survey.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity*	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.

Criteria	JORC Code Explanation	MUS Commentary
	appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • *Whether sample compositing has been applied.*	Bulk-samples are not taken along a systematic grid, neither are they sited to intersect specific areas of high or low grade. The key reasons for this are: • The large size of the individual samples. • The anticipated mining plan for the gravels is based on high volumes and, therefore, the samples have to address average recoveries. Consequently, samples are not sited so as to intersect areas of anticipated higher (or lower) grade. The sampling to date is not considered representative of the deposit and significantly more (and larger) samples will need to be taken before a Mineral Resource can be estimated. The reconnaissance sample results have not been composited, but are presented on a pit by pit basis.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	The stratigraphic pitting completed to date and all drilling is considered as reconnaissance exploration data which will assist in determining the extent and orientation of the gravel units. Insufficient data currently exists to determine whether sample bias is present.
Sample security	• *The measures taken to ensure sample security.*	Since the grades expected on alluvial/elluvial deposits are so low and the sampling is all mechanised, it is extremely improbable that rubies will be picked up during the excavation process or at the plant stockpile. However, security has been employed at the sample pit to prevent the presence of artisanal miners. At the plant site, security 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. 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.

Criteria	JORC Code Explanation	MUS Commentary
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	No external audits have been undertaken for this stage of work.

Section 2. Reporting of Exploration Results

Criteria	Explanation	MUS Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	Ownership of land and mineral rights in Mozambique is vested in the State. Companies may apply for Prospecting and Exploration or Mining 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. 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. Mustang's Montepuez Ruby Project covers three Prospecting and Exploration Licences - 5030L (13,951 ha), 4258L (499 ha), 8245L (3,275 ha) and Mining Concession 8921C (which replaces 4143l) covering 1,998 ha, as measured on the Company's GIS System. 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 Concession or Lease or a new licence must be applied for. 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. Mustang has been granted a Mining Concession for 25 years over the area previously covered by Exploration and Prospecting Licence 4143L.

Criteria	Explanation	MUS Commentary
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	No prior exploration work has been done by other parties on the licence areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country-wide airborne magnetics and radiometric geophysical surveys flown over the region by the Government of Mozambique.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The Project Area lies within the structurally deformed and metamorphic terrane known as the Mozambique Belt or East African Orogen (EAO, mountain building event). The EAO represents a belt of sedimentary and volcanic rocks formed around 2.5Ga and younger in age that were deposited in a series of depositional basins and or seas between a sequence of ancient sialic (granitic/ Si and Al rich) crustal nuclei of Archean age (around 3.5Ga) old primordial crust. The Montepuez Complex forms a wedge-shaped unit of strongly deformed para- and orthogneisses between Montepuez, Chiúre and Namuno. The Montepuez Complex comprises orthogneisses, ranging from granitic to amphibolitic in composition, and paragneisses, comprising mainly quartzites, meta-arkoses, marbles, quartz-feldspar, gneisses and biotite gneisses.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* • *easting and northing of the drill hole collar* • *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* • *dip and azimuth of the hole* • *down hole length and interception depth* • *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	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. No details are provided for the reconnaissance pits as they have not been used for the purposes of volume estimation. At this stage, the pits have been excavated simply as a means of understanding the local geology.

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

Criteria	Explanation	MUS Commentary
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	All available exploration results have been reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	Regional geological mapping and regional airborne geophysics (magnetics and radiometrics) have been obtained from the Mozambican Government. The geophysics datasets are continually being used to aid in interpretations and plan drill hole program collar locations. Bulk-sampling is described in Section 5.
Further work	• *The nature and scale of planned further work (e.g tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	The results to date simply identify the presence of ruby in the alluvial gravel intercepts on 4143L (now 8921C), 5030L& 8245L A prospecting program has been drawn up, which is planned to culminate in the estimation of Mineral Resources present on the property. The program is planned to include both drilling and representative bulk-sampling. <u>Drilling</u> Currently, Phase 2A comprises plans for some 2,400m of auger drilling to identify bedrock variation, gravel distribution and Resource estimation. Further, the gravel from the pits will be characterised to determine what additional exploration techniques might be applied. <u>Bulk-sampling</u> As of 5 October 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

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
Indicator minerals	*Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.*	Indicator minerals have not been sampled for and no reports have been prepared as such minerals are not applicable to alluvial ruby deposits.
Source of diamonds/gemstones	*Details of the form, shape, size and colour of the diamonds/gemstones and the nature of the source of diamonds/gemstones (primary or secondary) including the rock type and geological environment.*	As of 5 October 2017 a total of 60,445 carats have been recovered from the bulk sample pits, no official ruby studies have been undertaken yet, however, studies are currently underway. The rubies have been recovered from a sheet flow environment. The gravel horizon being sampled at the Alpha Deposit is not typically alluvial in nature but more of a colluvium. The colluvial gravels consist of loose unconsolidated material. The current (conceptual) geological model anticipates that the primary source to the rubies will be amphibolites located in the Montepuez area. The nature and exact location of the primary source(s) of the alluvial rubies is not entirely germane to the project and will not form the focus of current investigations.
Sample collection	• *Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (e.g. large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).* *Sample size, distribution and representivity.*	The reconnaissance samples have been small samples designed simply to establish the presence of rubies in the different gravel units. These will be expanded (in size and number) in order to estimate grade, value and stone size distribution and relevant confidence levels. As of 5 October 2017, the total bulk-sample size that has been processed and washed on site is 108,913m^3. 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, LM03, LM04 and LM06 and, as such, the results are not considered representative.

Criteria	Explanation	MUS Commentary
Sample treatment	• *Type of facility, treatment rate, and accreditation.* • *Sample size reduction. Bottom screen size, top screen size and re-crush.* • *Processes (dense media separation, grease, X-ray, hand-sorting, etc.).* • *Process efficiency, tailings auditing and granulometry.* *Laboratory used, type of process for micro diamonds and accreditation.*	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. Bulk-samples cannot be processed at a laboratory – but are processed on site, through the Mustang plant, by Mustang personnel. The gravel is excavated using a hydraulic excavator 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). 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. Sample pits are measured and logged (with measuring tape by the geological staff) to estimate volumes and keep records of the material intercepted. The material is fed into Bushman Jigs. The action of the Bushman 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. Processing plant currently, before commission of the new plant: 1 x Grizzly screen, 1 x Double decker sizing screen 2 x 16-foot rotary pan plant 1 x Classifier 2 x De-watering screens 1 x Glove box The entire gravel sample (-20+2mm fraction) is processed. Rubies smaller than 2mm have very little commercial potential and their loss is not an issue.

Criteria	Explanation	MUS Commentary
Carat	*One fifth (0.2) of a gram (often defined as a metric carat or MC).*	Metric carats ("ct") have been used throughout this document.
Sample grade	• *Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.* • *The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.* *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).*	Insufficient data has been recovered to estimate sample grades or ruby size frequency distribution, as yet.
Reporting of Exploration Results	• *Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.* • *Sample density determination.* • *Per cent concentrate and undersize per sample.*	As of 5 October 2017, 60,445 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. The current sample is considered too small to complete any sort of analysis. This will be reported when an appropriate size ruby sample has been recovered in the near future.

Criteria	Explanation	MUS Commentary
	• *Sample grade with change in bottom cut-off screen size.* • *Adjustments made to size distribution for sample plant performance and performance on a commercial scale.* • *If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond/gemstone samples.* *The weight of diamonds/gemstones may only be omitted from the report when the diamonds/gemstones are considered too small to be of commercial significance. This lower cut-off size should be stated.*	
Grade estimation for reporting Mineral Resources and Ore Reserves	• *Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.* • *The sample crush size and its relationship to that achievable in a commercial treatment plant.* • *Total number of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.* • *Total weight of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.* *The sample grade above the specified lower cut-off sieve size.*	Mineral Resources and/or Ore Reserves have not yet been estimated for this project.
Value estimation	• *Valuations should not be reported for samples of diamonds/gemstones processed using total liberation method, which is commonly used for processing exploration samples.*	The ruby sample recovered to date is considered too small to be representative in terms of value and no such valuations have yet been undertaken.

Criteria	Explanation	MUS Commentary

	• *To the extent that such information is not deemed commercially sensitive, Public Reports should include:*
	  ○ *Diamonds/gemstones quantities by appropriate screen size per facies or depth.*
	  ○ *details of parcel valued.*
	  ○ *number of stones, carats, lower size cut-off per facies or depth.*
	• *The average $/carat and $/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.*
	• *The basis for the price (e.g. dealer buying price, dealer selling price, etc.).*
	An assessment of diamond/gemstone breakage.	

Security and integrity	• *Accredited process audit.* • *Whether samples were sealed after excavation.* • *Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.* • *Core samples washed prior to treatment for micro diamonds/gemstones* • *Audit samples treated at alternative facility.* • *Results of tailings checks.* • *Recovery of tracer monitors used in sampling and treatment.* • *Geophysical (logged) density and particle density.*	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. Bulk-samples are not processed at an alternative facility. No audit of tailings has yet taken place – concentrated tailings are returned to the pit for rehabilitation. The Bushman Jig and processing plant efficiencies are monitored using industry standard tracer tests.

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