

**MUSTANG RESOURCES LIMITED
(PREVIOUSLY NAMED “OGI GROUP LTD”)
ACN 090 074 785**

PROSPECTUS

For an offer of up to 17,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$3,500,000 (before costs) (**Offer**).

The Offer is fully underwritten. Please refer to Section 5.9 for further details.

This Prospectus also contains an offer of 500 Shares at an issue price of \$0.20 per Share to raise \$100 (**Cleansing Offer**). The Cleansing Offer is included primarily for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company as approved by Shareholders at the general meeting held on 23 January 2015 where those issues occur after the Offer has closed.

The Offer and Cleansing Offer are conditional on (amongst other things) the events described in Section 5.3.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

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1. CORPORATE DIRECTORY

Directors

Ian Daymond
Non-Executive Chairman

Chris Ritchie
Executive Director

Mark Freeman
Non-Executive Director

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Proposed Director

Jacobus van Wyk
Executive Director

Company Secretary

Chris Ritchie

ASX Code

MUS
(Previously OGI)

Auditor*

Grant Thornton Audit Pty Ltd
525 Collin Street
Melbourne VIC 3000

Share Registry*

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009

Independent Geologist

Malcom Castle
Agricola Mining Consultants Pty Ltd
PO Box 473
South Perth WA 6951

Australian Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Investigating Accountant

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

Mozambican Legal Advisers

Business Development Corporation, Sociedade
Unipessoal, Lda
550, Martires de Mueda Avenue,
8th Floor
Maputo, Mozambique

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

2. IMPORTANT NOTICE

This Prospectus is dated 2 April 2015 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Application will be made to the ASX within seven days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Securities or the Offers or to otherwise permit a public offering of the Securities in any jurisdiction outside Australia.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

2.1 Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.mustangresources.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, free of charge, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.mustangresources.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.2 Website

No document or information included on our website is incorporated by reference into this Prospectus.

2.3 Competent person's statement

The information in this Prospectus that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Malcolm Castle, who is a Member of The Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists. Mr Castle is a full time employee of Agricola Mining Consultants Pty Ltd which is a geological consultant to the Company. Mr Castle 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 in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Mr Castle consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

2.4 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7.

2.5 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this prospectus are illustrative only and may not be drawn to scale.

3. CHAIRMAN'S LETTER

Dear Investor,

The Board of Directors of Mustang Resources Limited (formerly called OGI Group Limited) (**Company**) is pleased to present you with this Prospectus and the opportunity to increase your existing shareholding or to become a new shareholder in the Company as it transitions from its previous oil and gas exploration activities in the USA to earning an interest in and exploring new prospective diamond and graphite projects in Mozambique.

The Company has entered agreements to acquire majority interests, by undertaking exploration work, in two diamond prospecting and exploration licences in Mozambique covering a total of 24,044 hectares (240.4 sq kms), with the licences being renewable or convertible into mining leases in November 2016 and April 2017 respectively. In addition to the diamond licences, the Company has also entered agreements to acquire majority interests, by undertaking exploration work, in six highly prospective prospecting and exploration licences, with ownership ranging between 60% and 80%, covering a total of 66,664 hectares (666.6 sq kms) that are prospective for graphite.

The Company's funding of exploration work on all of these licences will be the predominate consideration for the acquisition of these interests, and the Company will be focussing on finalising environmental work, electromagnetic survey approvals, conducting an airborne electromagnetic survey, engaging with geologists and geophysicists on drill target selection, setting up a drilling camp and procuring & mobilising necessary minimum support equipment to commence initial drilling immediately on completion of the Offer as well as assessing and if appropriate acquiring more graphite and diamond concessions in Mozambique.

A summary of the various agreements pursuant to which the Company has the right to acquire the various interests in these diamond and graphite projects is outlined in Section 12 in this Prospectus.

With the recent \$5.774 million equity raising, the recently announced sale of the US oil and gas assets for US\$575,000 and the fully underwritten \$3.5 million to be raised through this Prospectus, the Company will be well funded to progress these new exploration opportunities.

Existing Shareholders who hold less than 10,000 Shares will be rewarded with a priority entitlement to round up their existing shareholdings to 10,000 Shares (\$2,000 based on the issue price under the Offer).

I commend the Company and its new direction to you and encourage you to consider this Offer.

Investors should be aware of the potential risks inherent in this investment which are fully detailed in this Prospectus.

For and on behalf of the Board

Yours sincerely



Ian Daymond
Chairman

4. INVESTMENT OVERVIEW

This section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

4.1 The Company – Historical Background

The Company is an Australian public company listed on the ASX which has previously focussed on working interests (**WI**) in oil and gas projects located in Texas, United States of America.

The Company's project interests at the date of this Prospectus are:

- the Bowtie West Project: Non-operator interest in Sugar Valley #1 well (12% WI); and
- the Napoleonville project: Non-operator interests in Dugas & Leblanc #3 Well (15% WI), Hensarling #1 Well (3.99% WI) and Templet #1 Well (3.28% WI).

On 2 December 2014, the Company announced the sale of the Napoleonville projects for US\$575,000 which includes the liability to plugging and abandonment costs for Fausse Point. This sale will be completed following the Company being reinstated to trading on ASX.

The Company is presently in discussions to sell its interest in the Bowtie West Project, and reasonably expects that it will be able to dispose of this interest following the Company's re-instatement to trading on ASX.

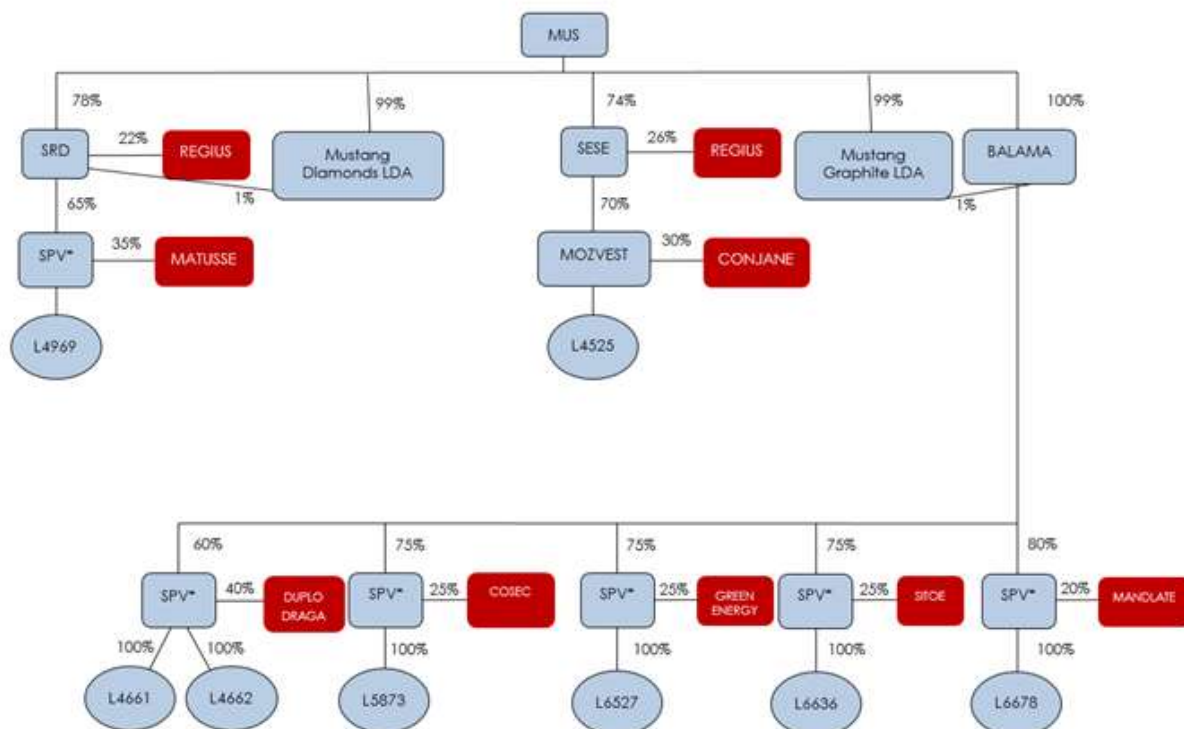
The Company has historical litigation matters relating to these projects which are summarised in Section 13.1 in this Prospectus.

4.2 The Acquisitions of the new Projects

As previously announced by the Company to ASX (5 August 2014, 8 September 2014 and 20 October 2014) the Company has entered into various agreements to earn an interest in a number of valid licences in Mozambique prospective for diamonds (known as the **Save River Diamonds Project**) and other licences prospective for graphite (known as the **Balama Project**).

The agreements are with various parties who each have rights to acquire an interest in various licences, and the Company will earn its interest by assisting these parties acquire the licences. Details of the agreements entered into by the Company, including its expenditure and payment obligations and the underlying agreements for each of the licences, are outlined in Section 12.

The Company's interests in the various licences following completion of the Offer are illustrated below:



SPV* = Special Purpose Vehicle to be incorporated on completion of the earn-in. Each SPV to be a separate entity.

Mustang Diamonds LDA and Mustang Graphite LDA

These entities have been incorporated to enable the Company to have operations in Mozambique to manage its employees and consultants which will be working on the Save River Diamonds Project and Balama Project. These entities presently are shell companies and have no operations.

Save River

The Company has the right to acquire 78% of the issued capital in Save River Diamonds Pty Ltd (**SRD**).

SRD has the right to earn a 65% interest in 4969L, a highly prospective diamond prospecting and exploration licence downstream from the world-class Murowa and Marange diamond fields in Zimbabwe. Provided the conditions under the SRD Agreement are satisfied and SRD completes its earn-in obligations, through its acquisition of a majority interest in SRD, the Company will have an effective 50.7% interest in 4969L through its interest in SRD.

Sese Diamonds

The Company has the right to acquire 74% of the issued capital in Sese Diamonds Pty Ltd (**Sese**).

Sese has the right to acquire 70% of the shares in Mozvest Mining Limitada (**Mozvest**) from its current holder, Regius Resources Group Ltd. Mozvest holds 4525L, which sits adjacent to 4969L. Provided the conditions under the Sese Agreement are satisfied, through its acquisition of a majority interest in Sese, the Company will have an effective 51.8% interest in 4525L through its subsidiary Sese.

Balama

The Company has the right to acquire 100% of the issued capital in Balama Resources Pty Ltd (**Balama**).

Balama has rights to acquire various interests in prospective graphite licences in the Balama Region in Mozambique, enabling the Company to acquire its interest in the various graphite licences through its acquisition and control of Balama.

Section 6 of this Prospectus outlines in detail the various licences in which the Company will acquire an interest and the nature of those interests, together with the requirements of the Company to earn that interest.

Section 12 below contains a summary of the key terms and conditions of the agreements relating to the acquisition of the various licences.

4.3 Change to nature and scale of activities

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has informed the Company that, given the proposed change in the nature and scale of the Company's activities arising from the Acquisitions, it requires the Company to:

- (a) obtain Shareholder approval for the change in nature and scale of its activities; and
- (b) in accordance with ASX Listing Rule 11.1.3, re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules as if the Company were applying for admission to the official list of ASX.

4.4 Suspension until re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company's securities were suspended from trading on ASX prior to market open on the day of the General Meeting.

At the General Meeting Shareholder approval for the Acquisitions and associated resolutions was obtained. It is expected that the Company's securities will remain suspended from quotation until the Company has completed the Acquisitions and re-complied with Chapters 1 and 2 of the ASX Listing Rules, including by satisfaction of conditions precedent to reinstatement imposed by ASX. This Prospectus is issued to assist the Company to re-comply with these requirements.

Despite Shareholder approval for the Acquisitions and associated resolutions being obtained, there is a risk that the Company may not be able to meet other requirements imposed by ASX for the reinstatement of Shares to Official

Quotation. If this occurs the Company will not proceed with either the Acquisitions or the Offer and will repay all application monies received (without interest).

4.5 Business Model

On completion of the Acquisitions, the Company will have the following projects:

Project	Location	Prospective Minerals
Save River Diamonds Projects	Mozambique	Diamonds
Balama Project	Mozambique	Graphite

As outlined in this Prospectus, the Company's intention is to dispose of its remaining interests in its current oil and gas assets.

The initial exploration programs contemplated by the Company on the Projects are described in Section 4.6.

A summary of each of the Projects is set out in Section 6.2 and more detailed information is included in the Independent Geologist's Report in Section 8.

4.6 The Objectives

The Company's main objectives on completion of the Offer are:

- (a) In relation to the Save River Diamonds Project – conduct an exploration program to validate the traverses and test for diamonds in all gravel settings. The program will involve the collection of a minimum 50,000 tonnes and a maximum of 100,000 tonnes of material to test for diamonds. A budget of US\$2,500,000 has been agreed for this work with the program to be completed during 2015. All gravels exposed during pitting and trenching will be processed for diamonds using rotary pans and Boesman jigs. Diamond size distribution and gravel volume estimates will be used to determine the grade of diamonds in the area and the depth continuity of troughs/grabens will be confirmed during pitting and trenching;
- (b) in relation to the Balama Project – finalise environmental work and electromagnetic approvals, conduct an airborne electromagnetic survey, engage with geologists & geophysicists on drill target selection, set up a drilling camp in Balama and procure and mobilise necessary minimum support equipment to commence initial drilling; and
- (c) assess, and if appropriate, acquire additional minerals projects that are considered by the Board to add value to the Company with a focus on Mozambique. However, the Board reserves its right to diversify into different geographical locations for projects that are considered by the Board to add value to the Company.

On completion of the Offer, the Board considers the Company will have sufficient working capital to achieve these objectives. Further information in relation to the proposed use of funds raised under the Offer is set out in Section 4.11.

4.7 Key Investment Highlights

The Board considers the key investment highlights are:

- (a) The Company will be exposed to a greater diversity of commodities including diamonds, graphite and possibly vanadium.

- (b) Diamond trial mining and exploration can be commenced immediately on the granted Tenements.
- (c) The Balama Project is regarded as highly promising with strong potential to move quickly to advanced exploration status with a modest exploration program.
- (d) On completion of the Acquisitions the Company will hold various interests in a substantial tenement package totalling 90,708 hectares in Mozambique.
- (e) The Company will be well positioned to gain access to additional project opportunities within the highly prospective Mozambican mineral belt.
- (f) The appointment of Mr Jacobus van Wyk as a Director on completion of the Acquisitions with local management provided by the Regius Resources Group provides the Company with the extensive experience and a proven track record within the diamond and graphite exploration sector.

Further details of the regional geology and prospectivity of the Projects are set out in the Independent Geologists Report in Section 8.

4.8 Key Risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 7.

(a) **Change in nature and scale of activities**

The Acquisitions constitute a substantial change in the scale of the Company's activities and the Company will be required to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. As part of this process, the Securities will be suspended from trading.

There is a risk that the Company may not be able to meet the requirements of the ASX for reinstatement to the Official List. Should this occur, the conditions precedent contained in the Agreement will not be met and therefore the Acquisitions will not be completed.

(b) **Shareholder approval expiry**

At the Company's meeting on 23 January 2015, Shareholders approved certain resolutions, including resolutions relating to the issue of the Shares the subject of the Offer.

In accordance with those resolutions, the Company is required to issue the Shares the subject of the Offer within three months from the date of the approval, or such later date as allowed by ASX following the grant of any relevant waiver from ASX. There is a risk that should ASX not grant a waiver to allow the Company to extend the time period by which it must issue the Shares under the Offer beyond 22 April 2015, the Company will need to return to Shareholders to seek a new approval to issue the Shares the subject of the Offer, which could delay the Company's ability to close the Offer and also mean that the Company would need to declare the Offer conditional upon that Shareholder approval. Were this situation to arise, the Company will provide updated disclosure to investors.

(c) **Contractual risk**

On completion of the Acquisitions, including the Acquisition Agreements, the Company will not hold a direct interest in the Tenements comprising the newly acquired Projects. Some Tenements are the subject of a joint venture.

In order for the Company to be able to achieve its objectives the Company is reliant on the holder of the remaining interest in those Tenements to comply with its contractual obligations under the joint venture agreement.

Where the other joint venture party fails to comply with its obligations there is a possibility, depending on the nature of the breach, that title to the Tenements could be forfeited or fines or other sanctions imposed. It may then be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms. The Company has no current reason to believe that the joint venture parties it will be in contracts with on completion of the Acquisition Agreements will not meet and satisfy its obligations under those joint venture agreements.

(d) **Conditions of the Acquisitions**

The Acquisitions are subject to the fulfilment of certain conditions. If the conditions precedent summarised in Section 12.1 are not met, the Acquisitions will not be completed.

(e) **Absence of agreements with minority holders**

On completion of the Acquisitions SRD and Save will not be wholly owned by the Company and SRD, Save and Balama will not be the sole registered holder of their respective licences. Contractual terms exist in relation to the initial exploration activities proposed by the Company but subsequent to the sole funding periods there are no formal terms governing the joint venture relationship of the various parties. The Company intends to negotiate formal agreements with the various parties during the sole funding period, however, where a formal agreement is not entered the ability of the Company to proceed with further activities on the licences may be impaired.

(f) **Earn-in completion risk**

To complete the acquisition of the interest in 4969L which is prospective for diamonds a payment of US\$1,000,000 to US\$1,500,000 is required to be

made to the licence holder on conclusion of the Phase 1 exploration program with the amount to be mutually agreed based on the results of the Phase 1 exploration program. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer to complete the acquisition of the interest in 4969L.

To complete the acquisition of the interest in 5873L which is prospective for graphite further payments of US\$700,000 and US\$3,100,000 are payable to the licence holder on or before 15 February 2016 and 31 July 2016 respectively. The Company has a right that it can choose to exercise in respect of these payments. Depending on the Company's working capital position at the time of payment and the ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer to complete the acquisition of the interest in 5873L.

Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it will be unable to complete the acquisition of an interest in either or both of these licences on the current terms. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(g) **Country specific risks – Mozambique**

The projects being acquired under the Acquisition Agreements are located in Mozambique and may be subject to certain country-specific risks. The Company's ability to carry on its business in the normal course may be adversely affected by considerations associated with economic, social or political instability or change, hyper-inflation, changes in regulatory regimes affecting foreign ownership, Government participation, working conditions, exchange rate fluctuations and/or changes to the mining licensing and regulatory regimes in Mozambique.

The Company's ability to successfully exploit the Projects commercially will depend on a robust transport and service infrastructure network in Mozambique to deliver equipment, supplies and resources to and from any mining operations. Development of such transport or service infrastructure may be unpredictable and not up to the standard generally seen in more developed nations. Material delays in the transportation of equipment, supplies and resources may delay the development of the Tenements and have an adverse effect the Company's business, results of operations and financial condition.

Under Mozambican law between 5% and 20% of the share capital of a Mozambican mining company must be reserved for disposal preferentially to Mozambican individuals.

Mozambican law also requires that direct or indirect transfer of participating interests, titles or mining rights, including the transfer of shares (whether listed on an exchange or not), irrespective of their being a change of control, is subject to prior authorisation from the Government of Mozambique. Any such transaction that proceeds without authorisation is in violation of Mozambican law and not enforceable in Mozambique. Nevertheless, such violation does not risk the title to the

Tenements, the ability to conduct activities on the Tenements, to apply for renewal or transfer of the Tenements. In respect of the renewal or transfer of the Tenements, the mining authority of Mozambique may require the regularisation of previous unauthorised transfers prior to approval of the renewal or transfer.

(h) **Exploration risk**

Despite the best efforts of the Company, there is no guarantee of exploration success, and even if there is exploration success, there is no guarantee that development of any such success will be commercially viable.

(i) **Potential for significant dilution**

Following completion of the Acquisitions, the Offers and conversion of converting loans and convertible notes, a significant number of new Shares will be issued. This means that each Share on issue at the date Shareholders approved the Acquisitions and associated issues of securities will represent a significantly lower proportion of the ownership of the Company. The dilution will be approximately 92% assuming the maximum amount is raised under the Offers.

(j) **General risks**

The value of Securities is affected by a number of general factors which are beyond the control of the Company and its Directors.

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices, local and international economic conditions and general investor sentiment.

The Company's Share price can be afflicted by these factors which are beyond the control of the Directors.

(k) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and you should refer to the additional risk factors in Section 7 before deciding whether to apply for Shares pursuant to this Prospectus.

4.9 The Offers

Under the Offer, the Company invites applications for up to 17,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$3,500,000 (before costs).

Under the Cleansing Offer, the Company offers 500 Shares at an issue price of \$0.20 per Share to raise \$100 (**Cleansing Offer**).

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Please refer to Section 13.2 for further information regarding the rights and liabilities attaching to the Shares.

The key information relating to the Offers and references to further details are set out below.

Indicative timetable*

Lodgement of Prospectus with the ASIC	2 April 2015
Opening Date of Offers	2 April 2015
Closing Date of Offer	22 April 2015
Settlement of Acquisitions	22 April 2015
Shares issued under the Offer and as approved by Resolutions 8 and 9 of the General Meeting and holding statements sent	22 April 2015
Closing Date of Cleansing Offer	23 April 2015
Shares issued under the Cleansing Offer and holding statements sent	24 April 2015
Expected date for re-quotation on ASX	1 May 2015

** The above dates are indicative only and may change without notice. The Company reserves the right to extend either or both of the Closing Dates or close either or both of the Offers early without notice.*

4.10 Purpose of the Offers

The purpose of the Offer is to enable the Company to complete the Acquisitions, to facilitate an application by the Company for re-admission of the Company to the Official List of ASX and position the Company to seek to achieve the objectives set out above in Section 4.6.

The Cleansing Offer is included primarily for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company as approved by Shareholders at the general meeting held on 23 January 2015 where those issues occur after the Offer has closed.

4.11 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves and proceeds from the proposed sale of the Napoleonville project, over the two years following re-admission of the Company to the Official List of ASX as follows:

	Full Subscription (\$)	Percentage of Funds (%)
Funds available		
Existing cash reserves ⁽¹⁾ As at 31 December 2014	3,923,074	49
Proceeds from sale of Napoleonville project ⁽⁵⁾	644,074	8

	Full Subscription (\$)	Percentage of Funds (%)
Funds raised from the Offer	3,500,000	43
Total	8,067,449	100
Allocation of funds		
Vendor reimbursements ⁽⁵⁾	334,000	4
Trial mining – Save River Diamonds Project ^{(2) (5)}	2,597,778	32
Exploration program – Balama Project ^{(2) (5)}	2,136,226	26
Repayment of creditors/debts ^{(1) (5)}	1,375,498	17
Administration costs ⁽³⁾	1,149,796	14
Expenses of the Offer ⁽⁴⁾	407,704	5
Working capital	66,447	1
Total	8,067,449	100%

Notes:

- (1) Refer to the Investigating Accountant's Report set out in Section 9 for further details.
- (2) Refer to the Investigating Geologist's Report set out in Section 8.
- (3) Administration costs relate to the costs of running the Company, complying with ASX and ASIC obligations and meeting all other director payment obligations.
- (4) Refer to Section 13.6 for further details.
- (5) Where the exchange rate differs at the time the payment is received by the Company any increase in the Australian dollar amount received will be allocated to working capital and any decrease in the Australian dollar amount received will reduce the amount allocated to working capital. All amounts relating to US Dollars have been converted into Australian dollars at an exchange rate of 1.1206 (AUD:USD) being the rate published by Reserve Bank of Australia on 30 March 2015.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events including exploration success or failure and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

Funds raised from the Cleansing Offer will be allocated to working capital.

4.12 Capital Structure

The capital structure of the Company following completion of the Offers (assuming full subscription) is summarised below⁽¹⁾:

Shares⁽²⁾

	Number
Shares currently on issue	36,705,669
Shares to be issued pursuant to the Offer	17,500,000
Shares to be issued to Vendors	33,030,060
Shares to be issued on conversion of Convertible Notes (as approved by Resolution 8 at the General Meeting)	2,600,000

Shares to be issued to Novus Capital (as approved by Resolution 9 at the General Meeting)	750,000
Shares to be issued pursuant to the Cleansing Offer	500
Total Shares on completion of the Offers	90,585,229

Options

	Number
Options currently on issue ⁽³⁾	149,253
Options to be issued to the Vendors ⁽⁴⁾	2,238,806
Options to be issued to advisers ⁽⁵⁾ (as approved by Resolutions 9, 10 and 11 at the General Meeting)	2,000,000
Total Options on completion of the Offers⁽⁶⁾	4,388,059

Performance Rights

	Number
Performance Rights currently on issue	Nil
Performance Rights to be issued to the Vendors ⁽⁷⁾	48,716,418
Total Performance Rights on completion of the Offers	48,716,418

Notes:

- (1) Refer to the Investigating Accountant's Report set out in Section 9 for further details.
- (2) The rights attaching to the Shares are summarised in Section 13.2.
- (3) 149,253 unlisted Options exercisable at \$0.2412 each on or before 10 November 2017.
- (4) 2,238,806 unlisted Options exercisable at \$0.21 each on or before that date which is 2 years after the date of issue.
- (5) 1,500,000 unlisted Options exercisable at \$0.20 each on or before 1 December 2016 and 500,000 unlisted Options exercisable at \$0.20 each on or before 31 October 2016.
- (6) The Company has also agreed to issue the following options subject to Shareholder approval at a meeting to be held following the Company's reinstatement to quotation on ASX:
 - (a) 780,000 Options to Mr Jacobus van Wyk exercisable at a 25% premium to the 30-day volume weighted average price of Shares immediately following recommencement of trading after completion of the Acquisitions and expiring on that date which is 3 years from the date of issue; and
 - (b) 1,500,000 Options to a consultant exercisable at a 25% premium to the 30-day volume weighted average price of Shares immediately following recommencement of trading after completion of the Acquisitions and expiring on 30 November 2016.
- (7) Further details of the milestones are contained in Section 12.1.

4.13 Substantial Shareholders

There are no shareholders holding more than 5% of the shares on issue at the date of this report. Those Shareholders holding 5% or more of the Shares on issue on completion of the Offers (assuming full subscription) are set out in the respective tables below.

On completion of the Offers⁽¹⁾

Shareholder	Shares	%
Alimold	18,117,045	19.99%
Elba	15,497,812	17.11%
Regius	4,900,000	5.41%

Notes:

- (1) Assuming no existing substantial Shareholder or any Vendor subscribes and receives additional Shares pursuant to the Offers other than Alimold pursuant to its underwriting but limited to an amount of 7,078,544 Shares so when combined with its holding at the date of this Prospectus and consideration to be issued under the Acquisitions and conversion of debt approved at the General Meeting so that Alimold will not exceed an interest of more than 20% on completion of the Offer. Alimold has confirmed that it will ensure that it places sufficient Shares under its underwriting to third parties such that its interests do not exceed 20% of the Shares on issue on completion of the Offer.

The Company will announce to the ASX details of its Top 20 Shareholders (following completion of the Offers) prior to the Shares commencing trading on ASX.

4.14 Restricted Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, certain Shares issued as consideration for the Acquisitions will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement to Official Quotation. During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Shares and Options required to be held in escrow prior to the Shares commencing trading on ASX.

4.15 Financial Information

Following the change in nature and scale of its activities, the Company will be focused on minerals exploration. Therefore, the Company's past operations and financial historical performance will not be of significant relevance to future activities. As a result, the Company is not in a position to disclose any key financial ratios or financial information other than its statement of financial position which is included in the Investigating Accountant's Report in Section 9.

The entities being acquired by the Company pursuant to the Acquisitions are newly incorporated and have no historical financial information.

4.16 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

4.17 Dividend Policy

The Company anticipates that significant expenditure will be incurred in the evaluation and development of the Company's projects. These activities, together with the possible acquisition of interests in other projects, are expected to dominate the two year period following the date of re-admission of the Company to the Official List of ASX. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

4.18 Directors, Proposed Director and Key Personnel

The profiles of each of the Directors and the Proposed Director are set out below.

Ian Daymond, B.A. LL.B, (Non-Executive Chairman) (appointed 30 July 2014)

Mr Daymond is a solicitor and consultant with more than 35 years as an external or in-house lawyer in the mining and resources area. He was General Counsel and Company Secretary of Delta Gold Ltd for over 11 years which saw the company grow from a small gold explorer into one of the largest gold producers in Australia with significant platinum and gold mining interests in southern Africa.

Mr Daymond has significant independent director experience, having served as a non-executive director of the International Base Metals Ltd with substantial copper interests in Namibia and is the former chairman of ElDore Mining Corporation Ltd (ASX:EDM), ActiveEX Ltd (ASX:AIV) and Copper Range Ltd (ASX:CRJ) and a former non-executive director of Hill End Gold Ltd. Mr Daymond was the national chairman of the Australia-Southern Africa Business Council for 3 years and has substantial business, legal and corporate government precious, base metals and diamond projects, not only in Australia but also in southern Africa over the past 25 years. He is currently the Honorary Consul in NSW for the Republic of Botswana and a member of the Australia Africa Mining Industry Group which promotes corporate social responsibility principles amongst Australian mining companies with activities in Africa.

During the last three years, Mr Daymond has not served as a director of any other listed company.

Mr Daymond is free from any business or other relationships that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgement.

Chris Ritchie, B.Bus Acc, Grad Dip Int. Bus., FCPA FGIA (Executive Director, Chief Financial Officer & Company Secretary) (appointed 14 November 2013)

Mr Ritchie is a CPA with over twenty five (25) years' experience in ASX listed companies. Mr Ritchie has experience in the energy & resources sector with several of Australia's largest engineering contractors and services companies in the financial management of the construction of major oil and gas infrastructure projects. Mr Ritchie is a Fellow of CPA Australia and a Fellow of the Governance Institute of Australia. During the past three years, Mr Ritchie has not served as a director of any other listed companies.

**Mark Freeman, B Com, Grad Dip App Finance, (Non-Executive Director)
(appointed 30 July 2014)**

Mr Freeman is a Chartered Accountant and has more than 18 years' experience in corporate finance and the resources industry. He has experience in strategic planning, business development, acquisitions and mergers, and project development general management. Prior experience with , Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources NL and Matra Petroleum Plc. Mr Freeman is presently Managing Director of Grand Gulf Energy Ltd (ASX: GGE).

During the last three years, Mr Freeman has been a director of Quest Petroleum NL, Macro Energy Ltd and is currently a director of Grand Gulf Energy Ltd.

Mr Freeman is free from any business or other relationships that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the person's judgement.

Mr Freeman intends to resign following the issue of the Shares under the Prospectus.

Jacobus van Wyk, (Proposed Executive Director) (appointment subject to completion of Acquisitions)

Mr van Wyk, the Chief Executive Officer and co-founder of the Regius group of companies, obtained a Bachelor of Marketing at the Tshwane University of Technology in 1988 and completed his MBA at the University of Wales in 2003.

He started his career in the financial industry and capital markets in the Bankorp Group in South Africa during 1988. He started work on the Johannesburg Stock Exchange ("JSE") in 1994 and is a qualified portfolio manager and Stock Broker. He was accepted as a Member of the JSE in January 1996 after completing his Stockbrokers Exam at the University of the Witwatersrand. He became a member of Safex during 1996 on the derivatives market. Since 1999 Mr van Wyk was involved in corporate finance as part of his duties as member of the JSE.

Mr van Wyk has more than 23 years' experience in the financial services industry which he is applying to the mining sector. Mr van Wyk has more than 10 years' experience in mining and exploration ventures in Mozambique (tantallite & coal) as well as South Africa (platinum group metals).

In addition to the above, the Board of Directors intends once the Company is re-listed and subject to successful exploration to consider the appointment of a Chief Executive Officer/Managing Director responsible for the overall management of the Company on terms to be discussed and agreed.

4.19 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 11.2 and the Company's departures from the Recommendations are explained in Section 11.3.

In addition, the Company's full Corporate Governance Plan is available from the Company's website (www.mustangresources.com.au).

4.20 Disclosure of Interests

For each of the Directors and the Proposed Director, the remuneration paid for each of the previous two completed financial years, the proposed annual remuneration for the financial year ending 30 June 2015, together with the relevant interest in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director / Proposed Director	Remuneration 30 June 2013	Remuneration 30 June 2014	Remuneration 30 June 2015
Chris Ritchie	\$201,051 ⁽¹⁾	\$160,030	\$193,554
Mark Freeman	Nil ⁽²⁾	Nil ⁽²⁾	\$30,000
Ian Daymond	Nil ⁽²⁾	Nil ⁽²⁾	\$65,700
Jacobus van Wyk	Nil ⁽³⁾	Nil ⁽³⁾	\$26,667 ⁽³⁾
Director / Proposed Director	Shares	Options	Performance Rights
Chris Ritchie ⁽⁴⁾	Nil	Nil	Nil
Mark Freeman	Nil	Nil	Nil
Ian Daymond ⁽⁴⁾	Nil	Nil	Nil
Jacobus van Wyk ⁽⁵⁾⁽⁶⁾	Nil	Nil	Nil

Notes:

- (1) Appointed on 14 November 2013.
- (2) Appointed on 30 July 2014. Mr Freeman will be resigning following closure of this prospectus.
- (3) Mr van Wyk will not be appointed until completion of the Acquisitions. The remuneration stated for the financial year ending 30 June 2015 is a pro-rata amount of the annual fees payable under the consultancy agreement with Regius Resources Group Ltd of \$160,000 based on an appointment date of being re-listing of the company on or around 30 April 2015. Refer to the summary of the consultancy agreement in Section 4.21. In addition, Mr van Wyk has an interest in the Management and Technical Services Agreement entered into between Balama and Regius Resources Group Ltd by virtue of his shareholding and positions as a director of Regius Resources Group Ltd.
- (4) Messrs Ritchie and Daymond intend on acquiring \$25,000 (125,000 shares) and \$20,000 (100,000 shares) respectively.
- (5) Subject to the completion of the Acquisitions and Shareholder approval Mr van Wyk will be issued 780,000 Options exercisable at a 25% premium to the 30-day volume weighted average price of Shares immediately following the recommencement of trading after completion of the Acquisitions and expiring on that date which is 3 years from the date of issue.
- (6) Mr van Wyk is a director of and holds 75% of the issued capital in Regius Resources Group Ltd, who is a Vendor under the Balama Agreement. Under that Agreement Regius Resources will be issued 4,900,000 shares and 20,580,000 performance rights.

4.21 Agreements with Directors or Related Parties

The Company's policy in respect of related party arrangements is:

- (a) Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest, is not present while the matter is being considered at the meeting and does not vote on the matter.

Executive services agreement – Chris Ritchie

- (a) **Appointment:** Executive Director and Chief Financial Officer and Company Secretary

- (b) **Effective Date:** 1 December 2011
- (c) **Term:** Until terminated in accordance with the terms of the agreement.
- (d) **Remuneration:** \$176,762 per annum plus statutory superannuation contributions (\$193,554 per annum inclusive of superannuation as at the date of this Prospectus).
- (e) **Termination:** The Company must give 3 months' written notice of termination (or shorter period in the event of a material breach), or alternatively, payment in lieu of service. In addition, Mr Ritchie is entitled to all unpaid remuneration and entitlements up to the date of termination. Mr Ritchie must give not less than 6 weeks' written notice of termination (or immediately where an insolvency event occurs to the Company).

Consultancy Agreement – Regius/Jacobus van Wyk

- (a) **Consultant:** Regius Resources Group Ltd
- (b) **Nominated Person:** Jacobus Van Wyk
- (c) **Appointment:** Executive Director
- (d) **Effective Date:** Completion of the Acquisitions
- (e) **Term:** Until terminated in accordance with the terms of the agreement.
- (f) **Fee:** \$160,000 per annum.
- (g) **Options:** Mr Van Wyk is entitled to be issued 780,000 Options exercisable at a 25% premium to the 30-day volume weighted average price of Shares immediately following recommencement of trading after completion of the Acquisitions and expiring on that date which is 3 years from the date of issue.
- (h) **Termination:** The Company must give 1 month's written notice of termination, or alternatively, payment in lieu of service. In addition, Mr van Wyk is entitled to all unpaid fees up to the date of termination. Mr van Wyk must give 1 month's written notice of termination.

Management and Technical Services Agreement – Balama Project

- (a) **Company:** Balama Resources Pty Ltd
- (b) **Manager:** Regius Resources Group Ltd
- (c) **Key Person:** Jacobus Van Wyk
- (d) **Appointment:** Manager of Balama Project
- (e) **Effective Date:** 23 January 2015
- (f) **Term:** 24 months with a 12 month extension at the election of Balama.
- (g) **Fee:** Fees will vary based on services provided. The initial fees are budgeted to be US\$229,200 per annum which includes the provision of an office, accountant, monthly external audit, financial controller, office and admin manager, and outgoings.

- (h) **Termination:** Either party may terminate upon the failure of the other party to perform any of its material obligations subject to 15 days written notice of default being given and the other party not remedying the default during that period.

4.22 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors and proposes to enter into a deed of indemnity, insurance and access with Mr van Wyk upon his appointment as a Director. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

5. DETAILS OF THE OFFERS

5.1 The Offers

Pursuant to this Offer, the Company invites applications for up to 17,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$3,500,000.

Pursuant to the Cleansing Offer, the Company offers 500 Shares at an issue price of \$0.20 per Share to raise \$100 (**Cleansing Offer**).

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Details of the rights and liabilities attaching to Shares are set out in Section 13.2.

Existing Shareholders who hold less than 10,000 Shares will be given priority to subscribe for Shares under the Offer in order to increase their existing shareholdings to not less than 10,000 Shares.

5.2 Minimum subscription

If the minimum subscription to the Offer of \$3,500,000 has not been raised within 4 months after the date of this Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

There is no minimum subscription under the Cleansing Offer.

5.3 Conditional Offers

Completion of the Offers is subject to:

- (a) the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules;
- (b) the Company raising the Minimum Subscription under the Offer; and
- (c) the remaining conditions precedent to the Acquisitions in the Acquisition Agreements being satisfied including the Company receiving conditional approval for re-quotation of the Company's Shares on the ASX.

In the event that the above conditions are not satisfied, the Offers will not proceed and no Shares will be issued pursuant to this Prospectus. If this occurs, the Company will repay all application monies received (without interest).

5.4 Applications

Applications for Shares under the Offer must be made using the Application Form.

Applications for Shares under the Cleansing Offer must only be made by investors at the direction of the Company and must be made using the Cleansing Offer Application Form.

Applications for Shares under the Offer must be for a minimum of 10,000 Shares and thereafter in multiples of 2,000 Shares and payment for the Shares must be made in full at the issue price of \$0.20 per Share other than for existing Shareholders who hold less than 10,000 Shares who are eligible to apply under the Offer for that number of Shares to increase their holding on completion of the Offer to not less than 10,000 Shares.

Completed Application Forms and accompanying cheques, made payable to "**Mustang Resources Limited**" and crossed "Not Negotiable", must be mailed or delivered to the address set out on the Application Form so that they are received by no later than the respective Closing Date.

The Company reserves the right to close the Offers early.

5.5 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. However, applicants should be aware that ASX will not commence Official Quotation of any Shares until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be re-admitted to the Official List (see Section 4.4). As such, the Shares may not be able to be traded for some time after the close of the Offers.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, or if ASX does not approve the Company's re-admission to the Official List, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest. In those circumstances, the Acquisitions will not proceed.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

5.6 Issue

Subject to the minimum subscription to the Offer being reached and ASX granting conditional approval for the Company to be admitted to the Official List, the issue of Shares offered by this Prospectus will take place as soon as practicable after the respective Closing Dates.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the recipients of the issued Shares in their sole discretion. **Existing Shareholders will be given priority to subscribe for Shares under the Offer in order to increase their existing shareholdings to not less than 10,000 Shares.** The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the relevant Closing Date.

5.7 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions.

Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.8 Oversubscriptions

No oversubscriptions will be accepted by the Company.

5.9 Fully underwritten

By separate agreements entered with the Company the parties set out below (**Underwriters**) have agreed to partially underwrite the Offer for the amounts specified in the table below (**Underwritten Amounts**). In consideration, the Company has agreed to pay each of the Underwriters an underwriting fee.

Underwriter	Underwritten Amount	Underwriting Fee (excluding GST)
Alimold Pty Ltd	\$3,250,000	6% (\$195,000)
Pegari Pty Limited	\$250,000	6% (\$15,000)
TOTAL	\$3,500,000	\$210,000

For the avoidance of doubt, the obligation of each Underwriter is several (and not joint) and only in respect of the Underwritten Amount that Underwriter has agreed to underwrite.

The obligation of each of the Underwriters to partially underwrite the Offer is subject to certain standard events of termination which are set out in Section 12.5 (**Termination Events**). Each Underwriter may, by written notice to the Company, terminate their respective obligations under their Underwriting Agreement if a Termination Event occurs prior to the issue of Shares under the Offer.

The Underwriting Agreements are otherwise subject to standard terms and conditions which are customary for agreements of their nature.

6. COMPANY AND PROJECT OVERVIEW

6.1 Background

Details about the Company, the Acquisitions and the business model on completion of the Offer are set out in Section 3.

6.2 The Projects

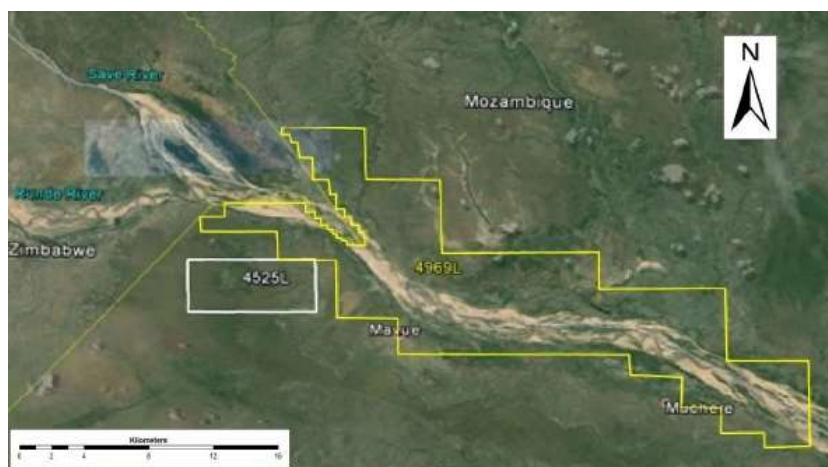
Below is a summary of each of the Projects. For more detailed information on each Project refer to the Independent Geologist's Report in Section 8.

Save River Diamonds Project, Mozambique

The Save River Diamonds Project is located in southern Mozambique, next to the border with Zimbabwe. The area of interest is along the Save River, after the confluence with the Runde River. The licence areas are located where gravels, conglomerates and grits have been mapped on the surface. The tertiary to quaternary aged sediments are potentially associated with alluvial diamonds. The geological model for this project is based on the Save and Runde Rivers having drained areas some 200 kms upstream with rich diamondiferous conglomerates and kimberlites (Murowa and Marange diamond fields in Zimbabwe) over millions of years. The profile of the Save/Runde Rivers from the Marange/Murowa areas in Zimbabwe to the Save River Diamonds Project shows a very steep gradient resulting in a high energy environment which the Save River maintains until it reaches the confluence with the Runde River. The topography then changes to a gentle and almost flat surface at the confluence of the rivers. This has resulted in a massive deposition of gravels on the concession area which is a substantial 40km x 10km in size.

SRD has the right to earn a 65% interest in 4969L located in southern Mozambique near the border of Zimbabwe. 4969L covers an area of 21,660 hectares and was granted on 26 April 2012 for a period of 5 years.

Sese has the right to acquire a 70% interest in 4525L located in southern Mozambique near the border of Zimbabwe. 4525L covers an area of 2,384 hectares and was granted on 22 November 2011 for a period of 5 years.



Previous exploration work included radiometric images of the areas which showed channel features cutting across the concession. These features, which are sub-parallel to the Save River, indicate that the river has migrated towards the north. Further airborne magnetic data confirmed the occurrence of a structure

trending NE through the concession and is associated with structural displacements resulting in up-faulted sandstone units. The crosscutting structure formed a barrier which would have promoted the deposition of sediments and gravels on the west and eastern portion of the feature. In addition, a Ground Penetrating Radar Survey ("GPR") over the concession area was completed by TerravisionTM in April 2014. The GPR traverses confirmed the presence of a deep (14m) and wide (1-1.5km) palaeochannel in the western and central portion of the concession. Two GPR lines completed to the south of the concession mapped potential lower gravel terraces which have been affected by faulting and define a sandstone plateau and troughs with visible gravels on surface.

An exploration program has been designed to validate the traverses and test for diamonds in all gravel settings. The program will involve the collection of a minimum 50,000 tonnes and a maximum of 100,000 tonnes of material to test for diamonds. A budget of US\$2.5 million has been approved for this work with the program to be completed during 2015. All gravels exposed during pitting and trenching will be processed for diamonds using rotary pans and Boesman jigs. Diamond size distribution and gravel volume estimates will be used to determine the grade of diamonds in the area and the depth continuity of troughs/grabens will be confirmed during pitting and trenching.

The facilities have been set up on location and processing operations have commenced.



Balama Project

Balama has the right to earn interests in the following licences located in southern Mozambique near the border of Zimbabwe:

Balama Graphite Project				
Tenement	Earn-in rights	Area	Status	Term

4661L	60% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Duplo Dragao Industrial Limitada	147.5Km ²	Granted	Issue Date: 11-09-2013 Valid Until: 11-09-2018
4662L	60% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Duplo Dragao Industrial Limitada	94.8Km ²	Granted	Issue Date: 01-10-2012 Valid Until: 01-10-2017
5873L	75% interest in licence through JV with licence holder. Agreement between Regius and Cosec Limitada	137.8Km ²	Granted	Issue Date: 17-11-2014 Valid Until: 17-11-2019
6636L	75% interest in licence through JV with licence holder. Agreement between Regius and Mr. Jacinto Gabriel Siteo	45.7Km ²	Granted	Issue Date: 16-07-2014 Valid Until: 16-07-2019
6678L	80% interest in licence through JV with licence holder. Agreement between Regius and Mr. Tomas Frederico Mandlate	31.9Km ²	Granted	Issue Date: 18-03-2014 Valid Until: 18-03-2019
6527L	75% interest in licence through JV with licence holder. Agreement between Regius and Green Energy & Minerals Lda	209Km ²	Granted	Issue Date: 07-03-2014 Valid Until: 07-03-2019

The Company through the acquisition of Balama Resources Pty Ltd will acquire rights to earn interests in a portfolio of 6 highly prospective licences in the Balama graphite province, Cabo Delgado, Mozambique. The Balama licences collectively make up 66,664 hectares (666.64 sq kms) and are all underlain by the locally graphite bearing schists (green unit in the below map). Importantly, these Tenements are all along geological strike of 2 recent major discoveries by Syrah Resources Ltd (ASX: SYR) and Triton Minerals Ltd (ASX:TON).

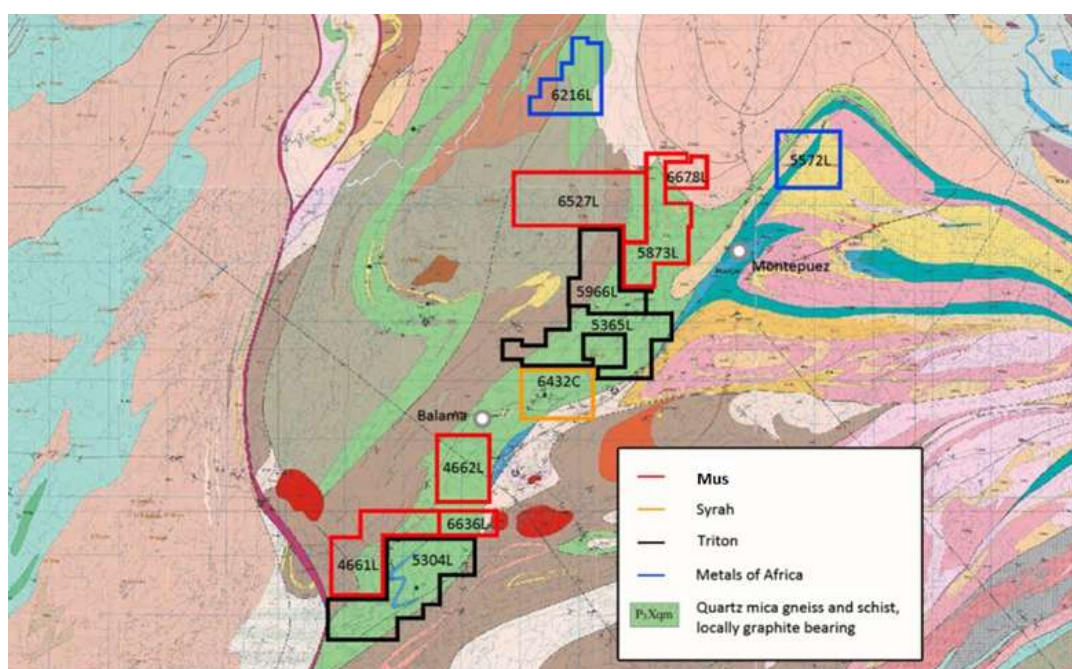
- (a) Syrah has identified one of the world's largest graphite deposits at Balama, containing high-grade zones combined with an exceptional quality product. Syrah has delineated an Inferred Resource of 1.15 billion tonnes at 10.2% TGC and 0.23% V2O5.
- (b) Triton has identified the world's fourth largest graphite deposit at Nicanda Hill. The Inferred or Indicated Mineral Resources are estimated as 1.457 billion tonnes at 10.7% TGC and 0.27% V2O5, containing 155.9 million tonnes of graphite and 3.93 Mt of V2O5.

A recent exploration program conducted by Balama has discovered some graphite outcrops as well as electromagnetic anomalies consistent with graphite mineralisation (as graphite is a highly conductive mineral).

An extensive 41 km ground electromagnetic survey (EM-34) was concluded on the Balama Project during September 2014 which provided evidence of multiple areas of potential graphite mineralisation in all the Tenements, further validated by numerous graphite outcrops discovered on the southern licences and the extrapolation of a graphite deposit within a neighbouring licence into the Balama L5873, directly north of it. Balama is currently processing all the gathered field data and the Company advised ASX on 11 November 2014 of the substantive positive results.

Within the Balama Project (5873L and 6527L) a distinct positive anomaly is observed that strikes in a north-easterly direction from the established Graphitic carbon intersection on the neighbouring property as illustrated in the below image providing very strong indications of graphite mineralisation on 5873L.

Balama Graphite tenement map (leases marked as "MUS")



For further information in relation to the Projects, refer to the Independent Geologist's Report in Section 8.

6.3 Project generation

The Company will assess, and if appropriate, acquire additional mineral projects that are considered by the Board to add value to the Company with a focus on Mozambique. However, the Board reserves its right to diversify into additional geographical locations for projects that are considered by the Board to add value to the Company.

7. RISK FACTORS

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to our business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed. The key risk factors of which investors should be aware are set out in Section 4.8 of this Prospectus and relate to:

- (a) Change in nature and scale of activities;
- (b) Shareholder approval expiry;
- (c) Conditions of the Acquisitions;
- (d) Contractual risk;
- (e) Absence of agreements with minority holders;
- (f) Earn-in completion risk;
- (g) Country specific risk – Mozambique;
- (h) Exploration risk; and
- (i) Potential for significant dilution.

7.2 Industry specific – mineral resources

(a) Exploration

The Tenements are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given

that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(b) **Operations**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its Tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(c) **Joint Venture Risk**

The Company is subject to the risk that changes in the status of any of the company's joint ventures (including changes caused by financial failure or default by a participant in the joint venture) may adversely affect the operations and performance of the Company.

(d) **Environmental**

The operations and proposed activities of the Company are subject to applicable laws and regulation of the countries in which the Company's projects are located concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(e) **Title and access**

Title to the Tenements and the Company's interest in them will be subject to renewal or grant at the discretion of the relevant regulatory authorities. Furthermore, mining tenements and operations are generally subject to specific legislative conditions and governmental edicts from time to time. If for any reason such conditions are unable to be met for whatever reason with respect to the Tenements, this could affect the good standing of the Tenements or restrict their ability to be renewed. Loss of any interest in the Tenements in this way could result in a loss to the Company through the loss of opportunity to discover or develop mineral resources on the Tenements.

Access to and the ability to develop the Tenements may depend on negotiating access and compensation arrangements with local communities and landholders. The ability to successfully conclude those arrangements and the exact quantum of any compensation payable are unknown at the date of this document.

(f) **Commodity price volatility and exchange rate**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

7.3 General risks

The value of Securities is affected by a number of general factors which are beyond the control of the Company and its Directors.

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices, local and international economic conditions and general investor sentiment.

The Company's Share price can be afflicted by these factors which are beyond the control of the Directors.

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in

general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offers. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(e) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.



Malcolm Castle
Agricola Mining Consultants Pty Ltd
Consulting Geologist
P.O. Box 473, South Perth, WA 6951
Mobile: 04 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

31 March 2015

The Directors
Mustang Resources Ltd
566 Elizabeth Street
Melbourne 3000
Australia

Dear Sirs,

Re:

INDEPENDENT GEOLOGIST'S REPORT ON MINERAL PROJECTS IN MOZAMBIQUE

I have been commissioned by Mustang Resources Ltd ("MUS" or the "Company") to provide an independent technical report ("Report") on mineral exploration projects in Mozambique the Company has entered into conditional agreements to acquire ("Projects"). This Report is to be included in a Prospectus to be lodged by the Company with the Australian Securities and Investments Commission ("ASIC"). The funds raised under the Offer will be used for undertaking detailed geological exploration and working capital requirements.

The Projects

The Balama Graphite Project is located along strike from Syrah Resources and Triton Mineral's graphite resources, and host similar geology to the graphite bearing units of these previously discovered deposits. Exploration is at an early stage and no specific targets have been identified.

The Save River Diamonds Project is an early stage exploration project situated on alluvial river material, which are believed to have drained diamond-bearing terrane. Gravels, conglomerates and grits have been mapped on surface and radiometric surveys have indicated the potential for the gravels to be diamondiferous though no specific occurrences

have been noted. The river gravels outcrop and extend for a significant distance along the riverbed.

The present status of the tenements listed in this Report is based on information provided by the Company. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

DECLARATIONS

Relevant codes and guidelines

This Report does not provide a valuation of the mineral assets and has been prepared as a technical assessment in accordance with the 2005 edition of the “Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports” (the “VALMIN Code”), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the ASIC and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (ASIC Regulatory Guides RG111 and RG112).

Where and if mineral resources have been referred to in this Report, the classifications are consistent with the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (the “JORC Code” 2012), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective from December 2013.

Under the definition provided by the ASX and the VALMIN Code, the Projects are classified as an ‘exploration project’, which is inherently speculative in nature. The Projects are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential, consistent with the exploration and development program proposed by the Company.

This Report is not a Valuation Report (as defined in the VALMIN Code) and does not express an opinion as to the value of the mineral assets or make any comment on the fairness and reasonableness of any transactions related to the Offer. Aspects reviewed in this Report may include prices, socio-political issues and environmental considerations; however, the author does not express an opinion regarding the specific value of the assets and tenements involved.

Sources of Information

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

In compiling this Report, I did not carry out a site visit to the Project area. Based on my professional knowledge and experience and the availability of extensive databases and technical reports made available by various government agencies, I considered that sufficient current information was available to allow an informed appraisal to be made without such a visit.

This Report has been compiled based on information available up to and including the date of this Report. Consent has been given for the inclusion of this Report in the Prospectus relating to the Offer and distribution of this Report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this Report is:

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

Malcolm Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company 20 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries.

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

Competent Persons Statement

The information in this Report that relates to Exploration Targets, Exploration Results or Mineral Resources is based on information compiled by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Castle consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears.

Independence

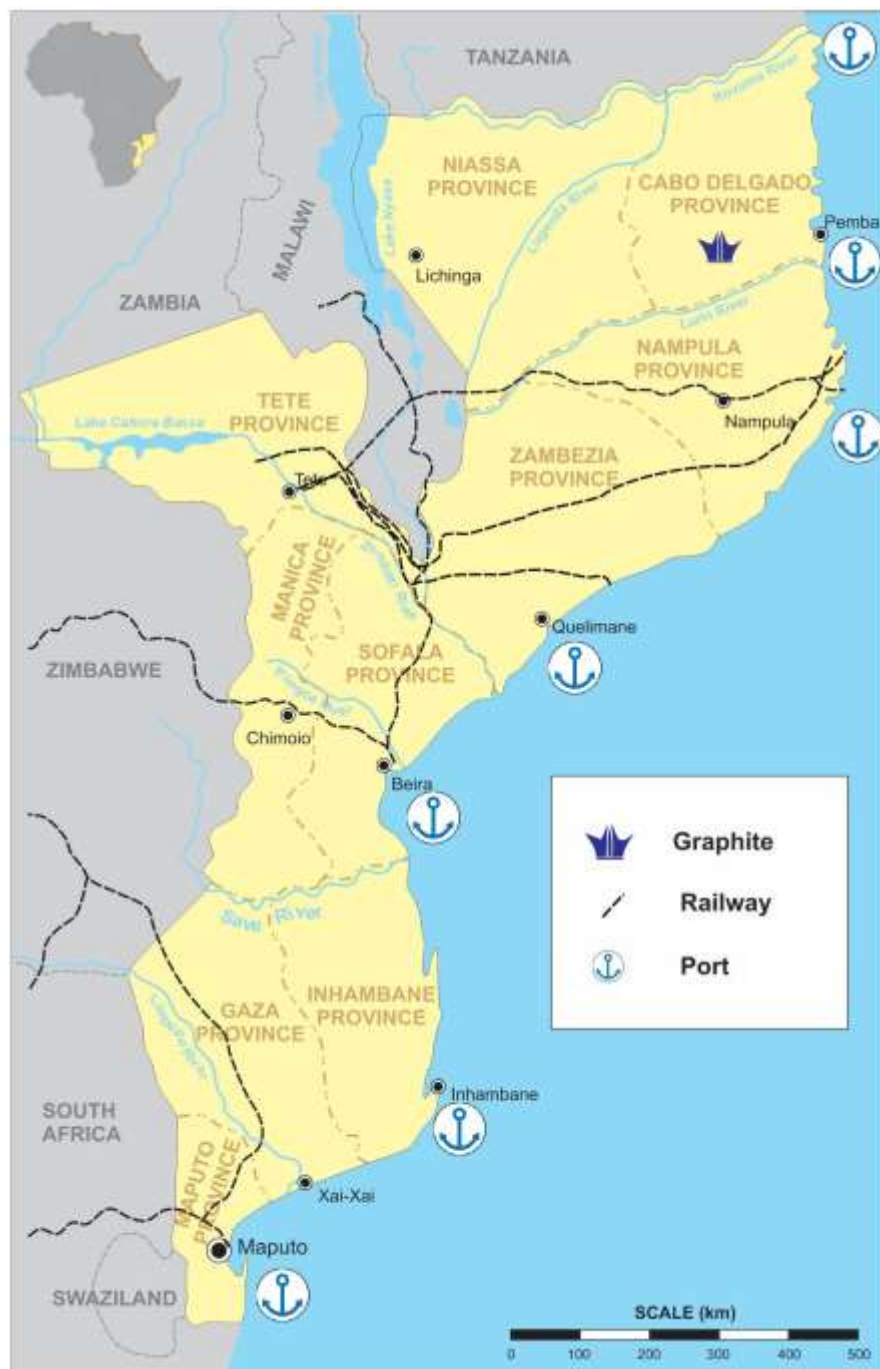
I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Projects or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this Report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Malcolm Castle', is written over a light blue horizontal line.

Malcolm Castle
B.Sc.(Hons), MAusIMM,
GCertAppFin (Sec Inst)
Agricola Mining Consultants Pty Ltd

BALAMA GRAPHITE PROJECT



Location and Tenure

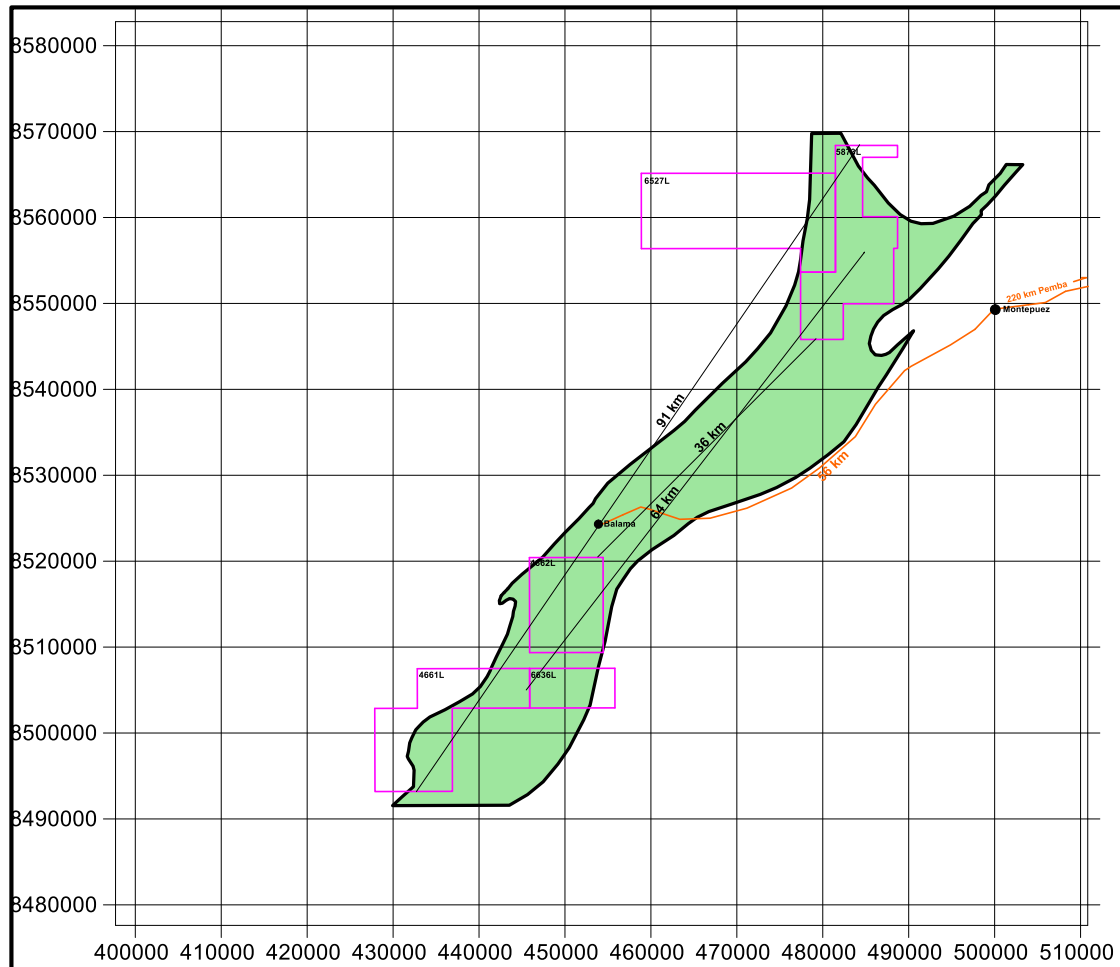
The Balama Graphite Project is located within the Cabo Delgado Province in the Namuno District of northern Mozambique. Regionally, the licences are situated 230 km inland from the coastal city of Pemba. The area is serviced by good quality paved roads to Montepuez. The road between Montepuez and Balama is at present in the process of being upgraded. This road is to be completed to Niassa Province to the west. In general the area is serviced

by good quality paved main roads, and well maintained secondary unpaved roads. The tertiary roads in the southern cluster are not as well maintained as those in the northern cluster.

Balama Graphite Project				
Tenement	Earn-in rights	Area	Status	Term
4661L	60% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Duplo Dragao Industrial Limitada	147.5Km ²	Granted	Issue Date: 11-09-2013 Valid Until: 11-09-2018
4662L	60% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Duplo Dragao Industrial Limitada	94.8Km ²	Granted	Issue Date: 01-10-2012 Valid Until: 01-10-2017
5873L	75% interest in licence through JV with licence holder. Agreement between Regius and Cosec Limitada	137.8Km ²	Granted	Issue Date: 17-11-2014 Valid Until: 17-11-2019
6636L	75% interest in licence through JV with licence holder. Agreement between Regius and Mr. Jacinto Gabriel Siteo	45.7Km ²	Granted	Issue Date: 16-07-2014 Valid Until: 16-07-2019
6678L	80% interest in licence through JV with licence holder. Agreement between Regius and Mr. Tomas Frederico Mandlate	31.9Km ²	Granted	Issue Date: 18-03-2014 Valid Until: 18-03-2019
6527L	75% interest in licence through JV with licence holder. Agreement between Regius and Green Energy & Minerals Lda	209Km ²	Granted	Issue Date: 07-03-2014 Valid Until: 07-03-2019

Geological Setting

Balama comprises a series of hills consisting of graphitic schist, which rise up to 250 metres from the surrounding plains. The outcropping strike extent of the graphite is in excess of 7 km. The outcropping width of the graphite mineralisation is up to 2 km. The plains lie in an alluvial river valley and the cover deepens away from the outcropping graphitic schists. To the east of the main Balama hills is a granite intrusion that is younger in age than the graphitic schists. It is possible that heat from this intrusion likely recrystallised and upgraded much of the mineralisation. This is considered to be unique at the Balama deposit.



Location of Regius Exploration prospecting licences in relation to the graphite bearing schists. 6678L is not shown on the map (see following figure for location).

The Balama Project is located along strike from major graphite resources held by Syrah Resources Ltd (“Syrah”) and Triton Minerals Ltd (“Triton”), and host similar geology to the graphite bearing units of these previously discovered deposits.

The graphitic host rocks are hosted within the neoproterozoic Xixano Complex. The complex comprises of intermediate to mafic orthogneiss with a number of rocks included into the complex, such as paragneiss, meta-arkose, quartzite, tremolite-rich marble and graphitic schist.

The area is underlain by predominantly metamorphosed sedimentary rocks, mainly schist and sandstone, with accessory minerals such as sillimanite, garnet and mica. Graphite mineralisation is intercalated with most of the lithological units but there is a concentration of the graphite in the fine-grained schistose units. The graphite content, measured as the Total Graphitic Carbon – TGC, ranges from 5% to 35%.

The graphite in the Syrah tenements occurs as flakes between 0.2mm and 0.5mm, with a diameter of up to 4mm. Zones of extremely coarse flake graphite have been identified.

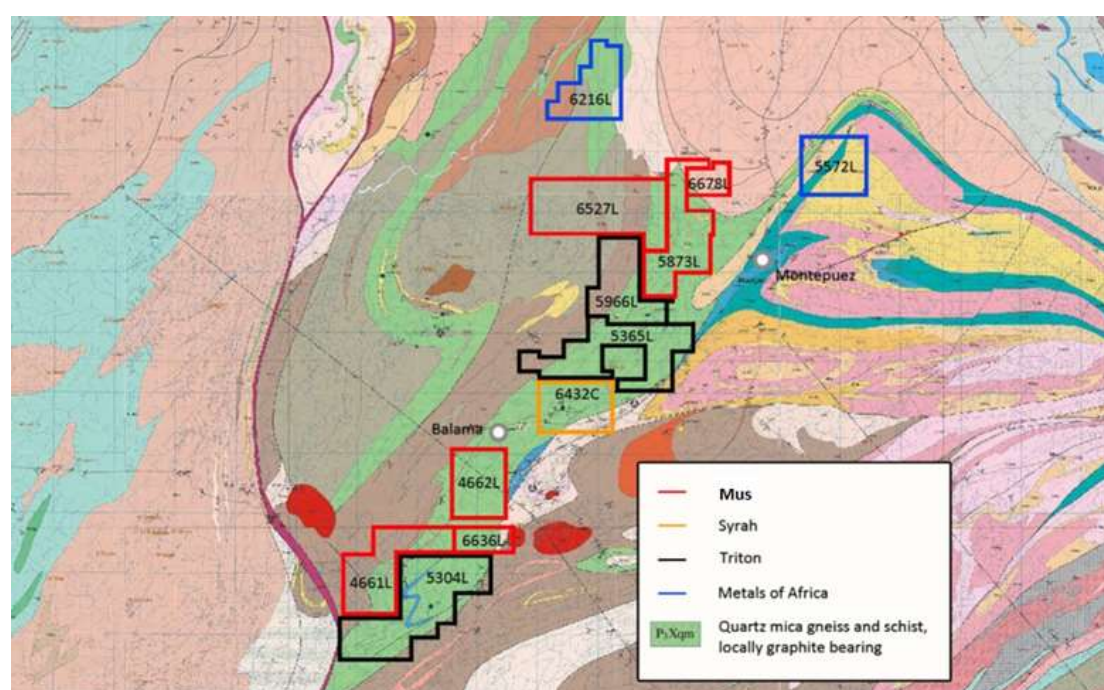
Vanadium is abundant in the area associated with micas, retrogressive metamorphosed sillimanite as well as garnets.

Initial exploration effort by Syrah focused on trenching across the unknown outcropping areas. These trenches gave confidence to follow up the encouraging results with drilling. Since the first hole in 2012 the project has drilled 120 holes of mainly diamond core. The first phase of drilling formed the basis of the resource estimate for the Balama West and Balama East prospects held by Syrah.

Syrah have announced an Inferred Resource for the Balama Graphite and Vanadium Project containing 1.15Bt at 10.2% total graphitic carbon (TGC) and 0.23% V₂O₅. Syrah has also defined several high-grade zones within this global resource using a 13% TGC cutoff.

Triton commenced a drilling program in 2013, initially focusing on a priority target area, previously identified during the initial exploration program. Triton have announced a Mineral Resource Estimate at the Nicanda Hill deposit of 328Mt at 11.0% TGC and 0.26% V₂O₅ (Indicated Resource) and 1,129Mt at 10.6% TGC and 0.27% V₂O₅ (Inferred Resource)

Both the Syrah and Triton deposits are currently in Scoping Study phase.



Location of MUS tenements in relation to Syrah, Triton and Metals of Africa

Mineralisation

Amorphous graphite

Amorphous graphite has the lowest grades and is the most abundant of all natural graphite. It is formed due to the metamorphism of existing coal. Separation of the graphite from the coal is difficult, resulting in lower quality and a lower priced product. Amorphous graphite accounts for about 50% of the global natural graphite market.

Amorphous graphite is used in the refractories industry to manufacture crucibles, ladles, moulds, nozzles and troughs that can withstand the very high temperatures associated with molten metal, particularly the casting of steel. The electrodes used in many electrical metallurgical furnaces, including the electric arc furnaces used in steel processing, are manufactured from graphite. In the production of steel itself, graphite is used as a carbon raiser to strengthen steel. It's also used in blast furnace linings for the production of iron because of its high thermal conductivity.

Amorphous or fine-flake graphite is used in brake linings, gaskets and clutch materials. Foundry facing mould wash uses amorphous or fine-flake graphite in a water-based paint to coat the mould, thereby allowing ease of separation of the casted object from the mould after the metal has cooled. Low-quality amorphous graphite, mostly from China, is used to make pencil lead.

Flake graphite

Natural graphite demand is shifting from the amorphous variety to large, high-purity flake as emerging applications such as batteries and flexible graphite products begin to represent a larger portion of graphite market end uses, according to recent market research.

Flake graphite occurs as isolated, flat, plate-like particles with either hexagonal or angular edges and is found in metamorphic rocks either uniformly distributed through the body of the ore or in concentrated lens-shaped pockets. It occurs in a scaly form in certain metamorphic rocks such as limestone, gneisses and schists. While all graphite has a flaky morphology on some level, flake graphite demonstrates this structure regardless of particle size. Flake graphite has a carbon content of 80 to 98 percent, and though it can be found throughout the world, it is rarer than amorphous graphite.

Crystalline vein graphite

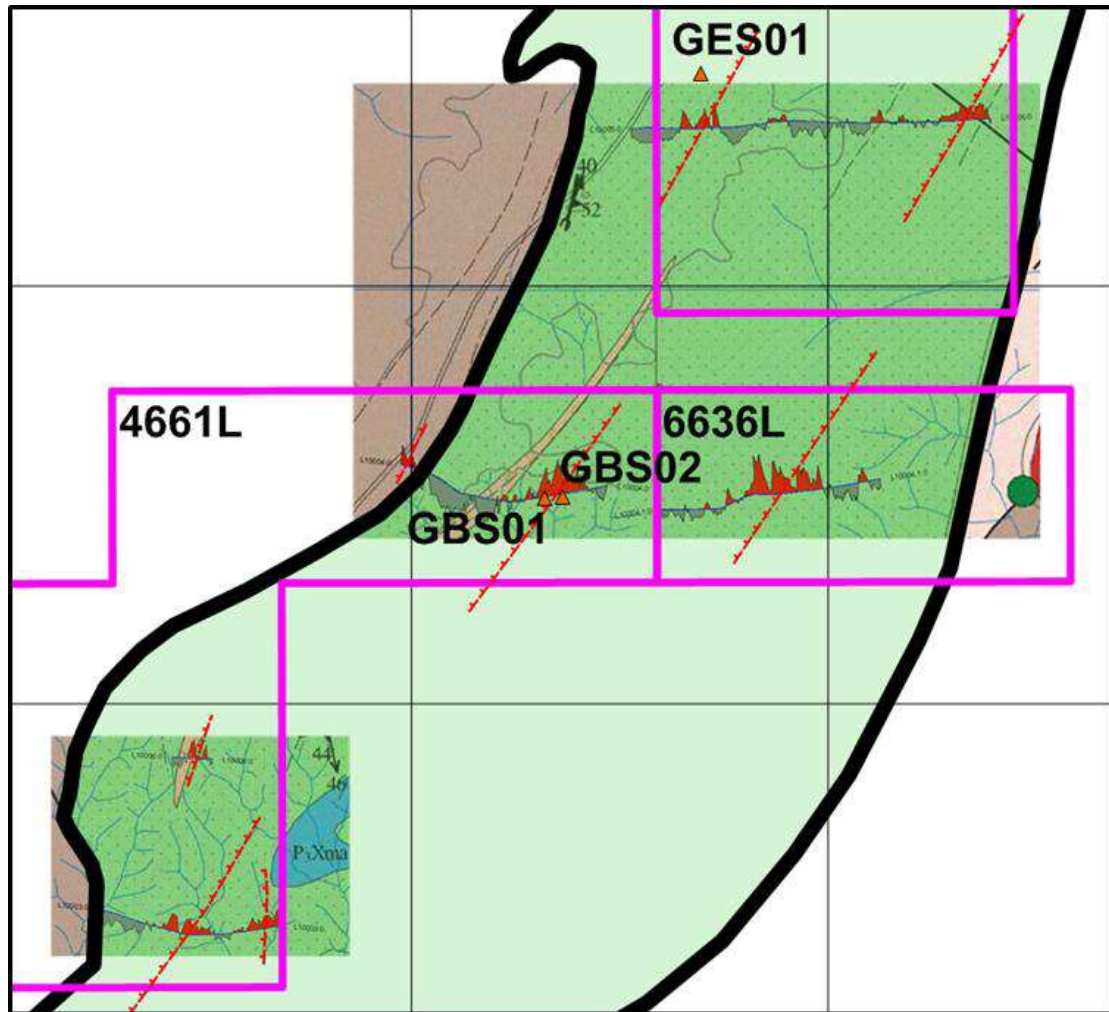
Vein graphite, or lump graphite, is believed to have hydrothermal origins and occurs in fissure veins or fractures, appearing as massive platy intergrowths of fibrous or needle-like crystalline aggregates. The fissures are typically between 1cm and 1 meter thick, with a carbon content of 90 to 99 percent. It is believed to originate from crude oil deposits that through time, temperature and pressure have converted to graphite. Graphite in this form is found all over the world, but is only currently mined in Sri Lanka.

Previous Exploration

The northern tenement group indicated very little outcrop with some ferricrete and gneiss exposed. The weathering profile is in excess of 5 m deep in most areas. The southern tenement group indicated some graphitic schist outcrops were taken. The Company completed Field examination and rock chip sampling on the Balama Project in 2014 on areas with outcropping graphitic material. Two sample sites were chosen with the following Results.

GBS01 – 13.5%, 7.93% and 7.9% Graphitic Carbon

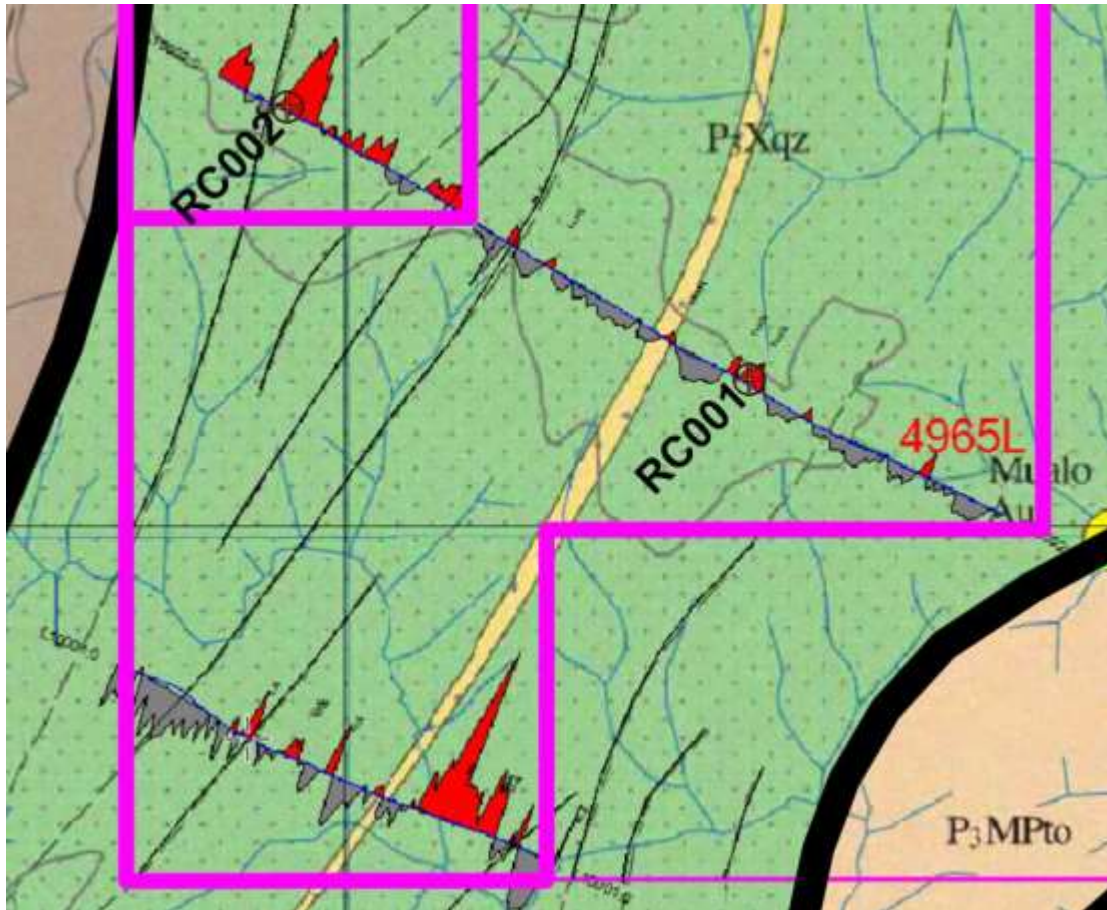
GBS02 – 9.31%, Graphitic Carbon



Mineralisation trends along strike as interpreted for the southern cluster, location of outcrops & grab samples

Six ground EM lines across the various prospecting licences were completed with a total of 41 line kilometres done with positive results in several areas. Two scout Reverse Circulation drill holes (RC001 and RC002) were completed to confirm the presence of graphitic mineralisation within the Projects.

The shallow test holes were drilled on licences 5873L & 6527L to prove mineralisation on these licences and to obtain samples for preliminary scout assays. This was necessitated by the presence of a thin soil cover. Targets were carefully selected through analysis of Electromagnetic and Airborne Magnetic data. Both the boreholes were drilled on a bearing of 120 degrees and with a dip of 60 degrees from the horizontal in an easterly direction. The results of these test holes are very encouraging proving the presence of shallow graphite deposits of exceptional grade.



The position of boreholes RC001 and RC002.

RC001 on Licence 5873L returned 56m of semi-continuous shallow graphite zone intersected from 4m to 60m (open at depth). The hole was sampled intermittently on identified graphite rich zones and returned the following assays. The intervals between the samples were not assayed.

5-6m	9.16% Graphitic Carbon
9-10m	7.51% Graphitic Carbon
22-13m	6.72% Graphitic Carbon
32-33m	9.73% Graphitic Carbon
37-38m	7.18% Graphitic Carbon
42-43m	4.18% Graphitic Carbon
47-48m	6.54% Graphitic Carbon
51-52m	13.7% Graphitic Carbon
57-58m	2.3% Graphitic Carbon

RC002 on Licence 6527L was sampled over the following intervals.

5-6m	5.5% Graphitic Carbon
17-18m	11.6% Graphitic Carbon

Exploration Potential

The presence of graphitic material on the Projects has been clearly demonstrated from surface rock chip sampling and scout RC drilling over a wide area. Graphite mineralisation appears to extend beyond the Syrah and Triton deposits. Preliminary sampling is encouraging and the presence along strike of the Syrah and Triton deposits in the same host rocks suggests that further deposits may be found. The analytical results of grab samples from outcrop, taken on the southern tenement group shows values ranging between 7.9% and 13.5% graphitic carbon. The analytical results from the scout drilling of 2 drillholes shows values of between 2.3% and 13.7 % graphitic carbon.

SAVE RIVER DIAMONDS PROJECT

Location and Tenure

The Save River Diamonds Project is located in southern Mozambique, along the border with Zimbabwe. The area of interest is along the Save River, after the confluence with the Runde River. The project area is accessed through a tarred road from Maputo to Mapai (250km), Mapai to Massengeni (211km) and from Massengeni to the project area (76km).

The Save River Diamonds Project area is covered by concession licenses 4525L and 4969L. Concession 4525L is held 100% held by Mozvest which is currently 70% held by Regius Diamonds Pty Ltd which is selling that interest to Sese Diamonds Pty Ltd. MUS is acquiring 74% Sese Diamonds Pty Ltd.. Concession 4969L is owned by Manuel Renato Matusse ("MRM"). 4525L covers an area of 2,384 hectares and was granted on 22 November 2011 for a period of 5 years. 4969L covers an area of 21,575 hectares and was granted on 26 April 2012 for a period of 5 years.

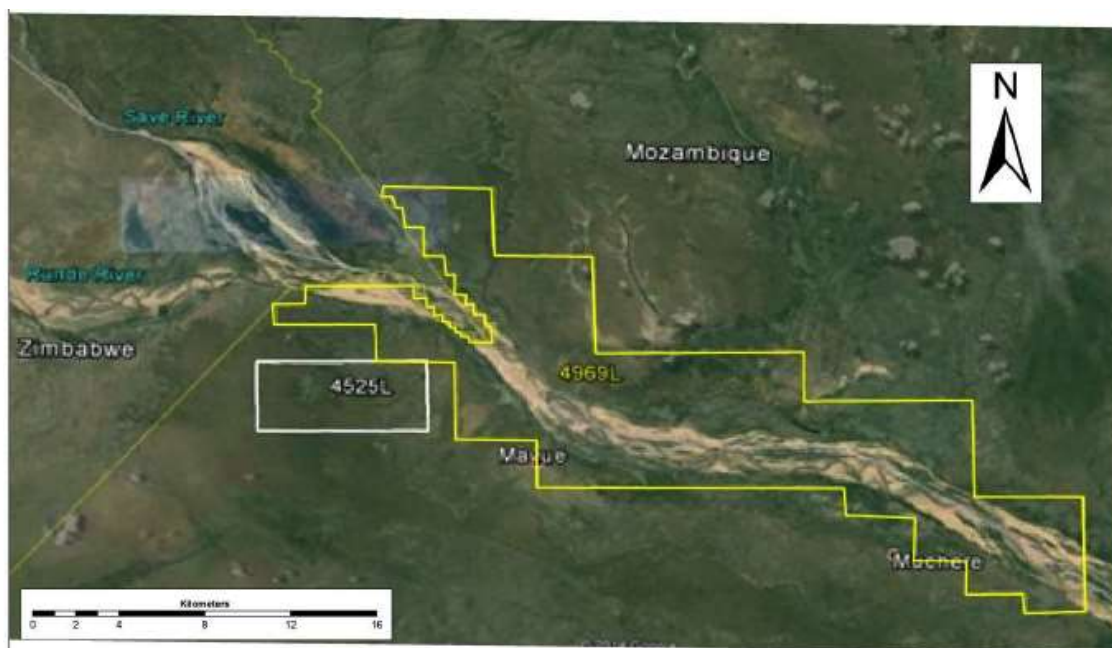
The status of the Save River tenements has been independently verified by Business Development Corporation, Sociedade Unipessoal, Lda, pursuant to paragraph 67 of the Valmin Code. The tenements are believed to be in good standing at the date of this valuation as represented by the Company except as noted earlier. Some future events such as the grant (or otherwise) of expenditure exemptions and plaint action may impact of the valuation and may give grounds for a reassessment.

Geological Setting

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

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

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



Location of Concessions 4525L and 4969L along Save River Banks

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

Previous Exploration

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

Radiometrics images of the areas show channel like features cutting across the two concessions. These features which are subparallel to the Save River indicates that the river

has migrated towards the north. The Thorium alteration image shows the most distinct and convincing channel like features parallel to Save River. The image also highlights an area without channel like features. Pitting and trenching will confirm the composition of material associated with these channel-like features.

Airborne magnetic data confirms the occurrence of a structure cutting across both concessions. The structure trends NE and is associated with structural displacements resulting in up faulted sandstone units across concession 4969L. The crosscutting structure hence forms a barrier and must have promoted deposition of sediments or gravels on the west and eastern portion of the feature.

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

Exploration Potential

Huge gravel terraces occur on the southern side of Save River after the confluence with Runde river and have been deposited on sandstone and gritty sandstone bedrock.

Airborne Magnetic images and Radiometric data images indicate presence of a NE trending structure which could have acted as a barrier in the flow of water of the Save River resulting in significant accumulation of gravels to the West and East of the cross cutting feature. Thorium rich trends highlight the presence of elongate channel like features, parallel to Save River which may possibly be associated with gravel concentration and diamonds.

The TerravisionTM Ground Penetrating Radar Survey confirmed the presence of faults in areas as well as extensive deep palaeochannels. There is a high probability that the gravel terraces observed in the license area will carry diamonds from the Marange field.

PROPOSED EXPLORATION AND BUDGET

Balama Graphite Project

A desktop review and consolidation of historical exploration data will be prepared followed by collection of regional aeromagnetic data and where applicable radiometric data. Preliminary processing and interpretation will be carried out on the data acquired. Additionally LANDSAT images will be carefully studied and together with all the available data sets, this will be incorporated into a geo-referenced base map of the license areas identifying the key targets for field verification & grab sampling. The area may be covered by a detailed airborne EM survey.

The reconnaissance drilling phase will follow data compilation and surface mapping and sampling. A widely spaced grid of holes using drilling methods, most likely air-core drilling also known as air flush drilling. The drilling will provide virtually uncontaminated sample cuttings.

The project drilling will be completed according to the JORC Codes on the statistically targeted drill hole areas targeted with the use of the previous studies. It is anticipated that sufficient drilling will be completed to allow an estimate of a mineral resource to be compiled.

A scoping study on the economic aspects of the mineral deposit could also be commissioned in order to support the business case of the project. Aspects such as metallurgy, infrastructure, water, electricity and market circumstances are analysed on a high level.

Depending of the results of the earlier work, resource upgrade drilling and possible feasibility studies may be proposed. More concentrated drilling may be commissioned in order to upgrade the Resource to a Measured level which could form the basis of a feasibility study in order to prepare for the mining phase.

BALAMA GRAPHITE, Exploration Budget				
		Yr 1	Yr2	TOTAL
Data review	1%	13,000	12,362	25,362
Field Surveys	5%	53,810	47,639	101,449
Geophysics	1%	25,362	-	25,362
Drilling	86%	403,000	1,428,879	1,831,879
Scoping Studies	6%	11,000	115,811	126,811
TOTAL	100%	508,810	1,604,691	2,136,226

Save River Diamonds Project

The main exploration target is the identification of diamond-bearing gravels. A bulk sampling phase to test for the presence of diamonds in these gravels is proposed and will be focused on a 10-15 km stretch along the river from the confluence as this is the area where the biggest gravel terraces were observed. This phase will be aimed at validation of TerravisionTM results and confirmation of bedrock and gravel depth estimates, identification of gravel terraces with the highest chances to yield diamonds and identification of good trap sites for sampling,

Gravel samples will be collected that are large enough to give a fair assessment of the diamond potential, to establish the best processing scenarios through test work and recommend processing methods which will give the best recovery during mining.

The work will recover micro diamonds and diamonds that may be present and present stone size distribution data with a recommended lower size cut-off per facies or depth and to determine and report diamond parcel value.

The main exploration techniques to be used include re-interpretation of Terravision™ surveys to identify palaeochannels with the highest chance to host gravels with diamonds, to carry out a series of Terravision™ surveys crossing the exiting traverses to enhance the resolution, and use magnetic and radiometrics to identify trap sites and palaeochannels, geological mapping and interpretation to understand the age of the terraces.

A trial mining operation is proposed for the Save River Diamonds Project and planning for the work has already commenced.

SAVE RIVER DIAMONDS, Exploration Budget				
		Yr 1	Yr2	TOTAL
Data review	0.01	13,000	6,077	19,077
Field Surveys	0.04	55,000	39,555	94,555
Drilling	0.09	155,000	89,682	244,682
Scoping Studies	0.86	1,900,000	339,464	2,239,464
TOTAL	1.00	2,123,000	474,778	2,597,778

The Company has access to additional funds from convertible notes in addition to the funds raised from this prospectus.

The exploration budgets will be subject to modification on an ongoing basis depending on the results obtained from exploration and development activities as they progress. It is also noted that proposed expenditure under the minimum raise scenario is sufficient to cover the minimum expenditure obligation.

It is considered that the Company has a reasonable proposed exploration budget over two years consistent with its stated objectives and that this program is warranted and justified on the basis of the historical exploration activity and demonstrated potential for discovery of graphite and diamonds mineralisation.

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GLOSSARY OF TECHNICAL TERMS

aeolian	Formed or deposited by wind.
aerial photography	Photographs of the earths surface taken from an aircraft.
aeromagnetic	A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the earths magnetic field.
airborne geophysical data	Data pertaining to the physical properties of the earths crust at or near surface and collected from an aircraft.
aircore	Drilling method employing a drill bit that yields sample material which is delivered to the surface inside the rod string by compressed air.
alluvial	Pertaining to silt, sand and gravel material, transported and deposited by a river.
alluvium	Clay silt, sand, gravel, or other rock materials transported by flowing water and deposited in comparatively recent geologic time as sorted or semi-sorted sediments in riverbeds, estuaries, and flood plains, on lakes, shores and in fans at the base of mountain slopes and estuaries.
alteration	The change in the mineral composition of a rock, commonly due to hydrothermal activity.
andesite	An intermediate volcanic rock composed of andesine and one or more mafic minerals.
anomalies	An area where exploration has revealed results higher than the local background level.
anticline	A fold in the rocks in which strata dip in opposite directions away from the central axis.
antiformal	An anticline-like structure.
Archaean	The oldest rocks of the Precambrian era, older than about 2,500 million years.
assayed	The testing and quantification metals of interest within a sample.
auger sampling	A drill sampling method using an auger to penetrate upper horizons and obtain a sample from lower in the hole.
axial plane	The plane that intersects the crest or trough of a fold, about which the limbs are more or less symmetrically arranged.
basalts	A volcanic rock of low silica (<55%) and high iron and magnesium composition, composed primarily of plagioclase and pyroxene.
polymetallics	A non-precious metal, usually referring to copper, lead and zinc.
bedrock	Any solid rock underlying unconsolidated material.
BIF	A rock consisting essentially of iron oxides and cherty silica, and possessing a marked banded appearance.
brittle	Rock deformation characterised by brittle fracturing and brecciation.
Cainozoic	An era of geological time spanning the period from 65 million years ago to the present.
carbonate	Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO ₃ . Essential component of limestones and marbles.
chert	Fine grained sedimentary rock composed of cryptocrystalline silica.

chlorite	A green coloured hydrated aluminium-iron-magnesium silicate mineral (mica) common in metamorphic rocks.
clastic	Pertaining to a rock made up of fragments or pebbles (clasts).
clays	A fine-grained, natural, earthy material composed primarily of hydrous aluminium silicates.
colluvium	A loose, heterogeneous and incoherent mass of soil material deposited by slope processes.
conduits	The main pathways that facilitate the movement of hydrothermal fluids.
conglomerate	A rock type composed predominantly of rounded pebbles, cobbles or boulders deposited by the action of water.
dacite	An extrusive rock composed mainly of plagioclase, quartz and pyroxene or hornblende or both.
depletion	The lack of gold in the near-surface environment due to leaching processes during weathering.
diamond drill hole	Mineral exploration hole completed using a diamond set or diamond impregnated bit for retrieving a cylindrical core of rock.
dilational	Open space within a rock mass commonly produced in response to folding or faulting.
dolerite	A medium grained mafic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.
ductile	Deformation of rocks or rock structures involving stretching or bending in a plastic manner without breaking.
dykes	A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle.
en-echelon	Repeating parallel, but offset, occurrences of lenticular bodies such as ore veins.
erosional	The group of physical and chemical processes by which earth or rock material is loosened or dissolved and removed from any part of the earth's surface.
fault zone	A wide zone of structural dislocation and faulting.
feldspar	A group of rock forming minerals.
felsic	An adjective indicating that a rock contains abundant feldspar and silica.
folding	A term applied to the bending of strata or a planar feature about an axis.
foliated	Banded rocks, usually due to crystal differentiation as a result of metamorphic processes.
follow-up	A term used to describe more detailed exploration work over targets generated by regional exploration.
g/t	Grams per tonne, a standard volumetric unit for demonstrating the concentration of precious metals in a rock.
gabbro	A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine.
geochemical	Pertains to the concentration of an element.
geophysical	Pertains to the physical properties of a rock mass.
GIS database	A system devised to present partial data in a series of compatible and interactive layers.
gneissic	Coarse grained metamorphic rocks characterised by mineral banding of the light and dark coloured constituent minerals.

granite	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
granoblastic	A term describing the texture of a metamorphic rock in which the crystals are of equal size.
granodiorite	A coarse grained igneous rock composed of quartz, feldspar and hornblende and/or biotite.
greenschist	A metamorphosed basic igneous rock which owes its colour and schistosity to abundant chlorite.
greenstone belt	A broad term used to describe an elongate belt of rocks that have undergone regional metamorphism to greenschist facies.
greywackes	A sandstone like rock, with grains derived from a dominantly volcanic origin.
GSWA	Geological Survey of Western Australia.
gypsum	Mineral of hydrated, or water-containing, calcium sulphate.
halite	Impure salt deposit formed by evaporation.
hangingwall	The mass of rock above a fault, vein or zone of mineralization.
hematite	Iron oxide mineral, Fe_2O_3 .
hinge zone	A zone along a fold where the curvature is at a maximum.
hydrothermal fluids	Pertaining to hot aqueous solutions, usually of magmatic origin, which may transport metals and minerals in solution.
igneous	Rocks that have solidified from a magma.
infill	Refers to sampling or drilling undertaken between pre-existing sample points.
insitu	In the natural or original position.
interflow	Refers to the occurrence of other rock types between individual lava flows within a stratigraphic sequence.
intermediate	A rock unit which contains a mix of felsic and mafic minerals.
intrusions	A body of igneous rock which has forced itself into pre-existing rocks.
intrusive contact	The zone around the margins of an intrusive rock.
ironstone	A rock formed by cemented iron oxides.
isoclinal	A series of folds that dip in the same direction at the same angle.
joint venture	A business agreement between two or more commercial entities.
komatiitic	Magnesium-rich mafic to ultramafic extrusive rock.
laterite	A cemented residuum of weathering, generally leached in silica with a high alumina and/or iron content.
lineament	A significant linear feature of the earth's crust, usually equating a major fault or shear structure.
lithological contacts	The contacts between different rock types.
lithotypes	Rock types.
metamorphic	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids.
metasedimentary	A rock formed by metamorphism of sedimentary rocks.
monzogranite	A granular plutonic rock containing approximately equal amounts of orthoclase and plagioclase feldspar, but usually with a low quartz content.
Moz	Millions of ounces.
Mt	Million Tonnes.
mylonite	A hard compact rock with a streaky or banded structure produced by extreme granulation of the original rock mass in a fault or thrust zone.
nickel laterite	Nickel ore hosted within the laterite profile, usually derived from the weathering of olivine-rich ultramafic rocks.

open pit	A mine working or excavation open to the surface.
Orthoimage	A geographically located composite plan using aerial photography as a base.
outcrops	Surface expression of underlying rocks.
palaeochannels	An ancient preserved stream or river.
pegmatite	A very coarse grained intrusive igneous rock which commonly occurs in dyke-like bodies containing lithium-boron-fluorine-rare earth bearing minerals.
pisolitic	Describes the prevalence of rounded manganese, iron or alumina-rich chemical concretions, frequently comprising the upper portions of a laterite profile.
playa lake	Broad shallow lakes that quickly fill with water and quickly evaporate, characteristic of deserts.
polymictic	Referring to coarse sedimentary rocks, typically conglomerate, containing clasts of many different rock types.
porphyries	Felsic intrusive or sub-volcanic rock with larger crystals set in a fine groundmass.
ppb	Parts per billion; a measure of low level concentration.
Proterozoic	An era of geological time spanning the period from 2,500 million years to 570 million years before present.
pyroxenite	A coarse grained igneous intrusive rock dominated by the mineral pyroxene.
quartz reefs	Old mining term used to describe large quartz veins.
quartzofeldspathic	Compositional term relating to rocks containing abundant quartz and feldspar, commonly applied to metamorphic and sedimentary rocks.
quartzose	Quartz-rich, usually relating to clastic sedimentary rocks.
RAB drilling	A relatively inexpensive and less accurate drilling technique involving the collection of sample returned by compressed air from outside the drill rods.
RC drilling	A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination.
regolith	The layer of unconsolidated material which overlies or covers insitu basement rock.
residual	Soil and regolith which has not been transported from its point or origin.
resources	Insitu mineral occurrence from which valuable or useful minerals may be recovered.
rhyolite	Fine-grained felsic igneous rock containing high proportion of silica and felspar.
rock chip sampling	The collection of rock specimens for mineral analysis.
saprolite	Disintegrated, in-situ rock, partially decomposed by the chemical and physical processes of oxidation and weathering.
satellite imagery	The images produced by photography of the earth's surface from satellites.
schist	A crystalline metamorphic rock having a foliated or parallel structure due to the recrystallisation of the constituent minerals.
scree	The rubble composed of rocks that have formed down the slope of a hill or mountain by physical erosion.
sedimentary	A term describing a rock formed from sediment.
sericite	A white or pale apple green potassium mica, very common as an alteration product in metamorphic and hydrothermally altered rocks.

shale	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
sheared	A zone in which rocks have been deformed primarily in a ductile manner in response to applied stress.
sheet wash	Referring to sediment, usually sand size, deposited over broad areas characterised by sheet flood during storm or rain events. Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica.
silcrete	Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica.
silica	Dioxide of silicon, SiO_2 , usually found as the various forms of quartz.
sills	Sheets of igneous rock which is flat lying or has intruded parallel to stratigraphy.
silts	Fine-grained sediments, with a grain size between those of sand and clay.
soil sampling	The collection of soil specimens for mineral analysis.
stocks	A small intrusive mass of igneous rock, usually possessing a circular or elliptical shape in plan view.
strata	Sedimentary rock layers.
stratigraphic	Composition, sequence and correlation of stratified rocks.
stream sediment sampling	The collection of samples of stream sediment with the intention of analysing them for trace elements.
strike	Horizontal direction or trend of a geological structure.
subcrop	Poorly exposed bedrock.
sulphide	A general term to cover minerals containing sulphur and commonly associated with mineralization.
supergene	Process of mineral enrichment produced by the chemical remobilisation of metals in an oxidised or transitional environment.
syenite	An intrusive igneous rock composed essentially of alkali feldspar and little or no quartz and ferromagnesian minerals.
syncline	A fold in rocks in which the strata dip inward from both sides towards the axis.
talc	A hydrous magnesium silicate, usually formed due to weathering of magnesium silicate rocks.
tectonic	Pertaining to the forces involved in or the resulting structures of movement in the earth's crust.
tholeiitic	A descriptive term for a basalt with little or no olivine.
thrust fault	A reverse fault or shear that has a low angle inclination to the horizontal.
tremolite	A grey or white metamorphic mica of the amphibole group, usually occurring as bladed crystals or fibrous aggregates.
ultramafic	Igneous rocks consisting essentially of ferromagnesian minerals with trace quartz and feldspar.

veins	A thin infill of a fissure or crack, commonly bearing quartz.
volcaniclastics	Pertaining to clastic rock containing volcanic material.
volcanics	Formed or derived from a volcano.
zinc	A lustrous, blueish-white metallic element used in many alloys including brass and bronze.

JORC TABLE 1 as required by the JORC Code 2012
Section 1 Sampling Techniques and Data
 (Criteria in this section apply to all succeeding sections.)

Criteria	Explanation	MUS Commentary
Sampling techniques	<ul style="list-style-type: none"> <i>Nature and quality of sampling (e.g. 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 (e.g. '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 (e.g. submarine nodules) may warrant disclosure of detailed information.</i> 	<p>Three graphite grab samples were taken from outcrop within licences 4661L and 4662L.</p> <p>Nine drilling chip samples on hole RC001 were taken across the following intervals;</p> <ul style="list-style-type: none"> - 5 – 6 m, - 9 – 10 m, - 22 – 23 m, - 32 – 33 m, - 37 – 38 m, - 42 – 43 m, - 47 – 48 m, - 51 – 52 m, - 57 – 58 m. <p>Two drilling chip samples on hole RC002 were taken across the following intervals;</p> <ul style="list-style-type: none"> - 5 – 6 m, - 17 – 18 m. <p>These samples were taken to confirm the presence of flake graphite mineralisation. The results from this sampling is not intended to be used in resource determination. OGI is confident that this confirms the presence of flake graphite in the prospecting licences being investigated.</p> <p>Reverse circulation drilling was used to collect roughly 35 kg of sample per metre drilled via an air cyclone. This was reduced to a 3 kg sample by riffing. The bagged 3kg sample was submitted to SGS in Johannesburg for Cg % analysis (LECO), as well as XRF (major elements) and petrographic description by optical microscopy.</p>
Drilling techniques	<ul style="list-style-type: none"> <i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type,</i> 	<p>A reverse circulation rig was used to drill a 5.5 inch diameter hole, from which the drilling chips was collected for every metre drilled. The chips were collected via an air</p>

Criteria	Explanation	OGI Commentary
	<i>whether core is oriented and if so, by what method, etc.).</i>	cyclone.
<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>Logging by geologist on site (Mr. Johan Erasmus). Grades allocated were based on the visual assessment. The laboratory results will be used to define the graphite content.</p> <p>Sampling was not done to be representative and hence only an A-sample was taken.</p> <p>The recovery of sample material was maximised by collecting sample in 1 metre intervals.</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 support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> • <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>Chip samples were geologically logged. The objective of this drilling was to prove mineralisation. Logging of the chips was done on site and was quantitative in nature. The chips were photographed. The total length of the borehole was logged. The full sequence of every metre was logged.</p>
<i>Sub-sampling techniques and sample preparation</i>	<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>The RC chips were riffled to reduce the sample mass from 35 kg to 3 kg. The material was mostly dry, but some of the deeper samples in RC002 was wet.</p> <p>The objective was to prove mineralisation of graphite flake. No standards, duplicates or blanks were inserted in the sample runs. The drilling technique used (RC) may lead to reduced flake size. Any flake size results should be conservative (i.e. flake size as reported by the laboratory should be smaller than the actual sizes).</p>
<i>Quality of assay data and laboratory tests</i>	<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</i> 	<p>Laboratory analysis by SGS Laboratories in South Africa. LECO (% C_g), Petrographic thin section analysis (flake size). XRF analysis (major elements, V₂O₅).</p> <p>No handheld instruments were</p>

Criteria	Explanation	MUS Commentary
	<p><i>used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc..</i></p> <ul style="list-style-type: none"> <i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i> 	<p>used in determining mineralised content.</p> <p>The QA/QC will be covered by SGS' internal controls. No external controls were added by OGI.</p>
<i>Verification of sampling and assaying</i>	<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>An independent geologist was used. No twinning has been conducted. This is planned for the resource drilling programme. Data documented by Mr. Johan Erasmus. Primary data in Access format. Data stored in Mr. Erasmus' office as well as an office in Pretoria, RSA.</p> <p>Assay data is reported as received from the laboratory. No data is adjusted.</p>
<i>Location of data points</i>	<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>A handheld GPS was used. Garmin 62/64 model. These handsets have an inherent accuracy variance of 7m in the X and Y dimension. The elevation dimension (Z) of handheld instruments is not reliable and is hence not reported. The grid used is WGS 84 and the datum used is UTM.</p> <p>Topographic control will be done as a DTM during the drilling phases of exploration. An aerial survey will be the most likely technique used. At this stage no resource modelling has been done, since the project is in its infancy, and only graphite mineralisation has been proved.</p>
<i>Data spacing and distribution</i>	<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 appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> <i>Whether sample compositing has been applied.</i> 	<p>MUS is reporting Exploration Results from surface samples and scout drilling as set out in the Report. Graphite mineralisation has been proved, and needs to be investigated with an appropriate pattern of geophysical surveys and exploration drilling to satisfy the JORC requirements.</p>

Criteria	Explanation	MUS Commentary
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> 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. 	Both the boreholes were drilled on a bearing of 120° and with a dip of 60° from the horizontal in an easterly direction. At this stage RC drilling was used, so orientated core logging is not possible.
<i>Sample security</i>	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	Samples were kept in a locked room after collection, and shipped in sealed containers by MUS to the SGS laboratory in South Africa. Sample residue will be retained by SGS for safekeeping until further analysis is needed.
<i>Audits or reviews</i>	<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 listed in the preceding section also apply to this section.)

Criteria	Explanation	
<i>Mineral tenement and land tenure status</i>	<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>The Balama project area consists of 6 exploration licences which are discussed in the Report.</p> <p>No exploration results have been presented for the Save River Projects where two exploration Licences are under examination.</p>
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	No prior exploration work done by other parties on the licence areas except for the 1:250,000 geological maps drawn up by the Government of Mozambique and regional airborne geophysical data acquisition done by the Government.
<i>Geology</i>	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	Area predominantly underlain by Proterozoic rocks that form a number of gneiss complexes that

Criteria	Explanation	
		range from Palaeo to Neoproterozoic in age (Boyd et al., 2010). The project site is underlain by metamorphic rocks of the Neoproterozoic Lurio Group that are included within the Xixano Complex (Brice, 2012). The graphite layer is comprised of a sequence of metamorphosed carbonaceous pelitic and psammitic (sandstone) sediments within the Proterozoic Mozambique Belt (Brice, 2012). The sediments have been metamorphosed to graphitic schists (pelites) and graphitic sandstones (psammities).
Drill hole Information	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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. 	<p>RC001 S13° 06' 02.4" E38° 51' 34.9"</p> <p>RC002 S13° 04' 17.1" E38° 48' 33.7"</p> <p>Both the boreholes were drilled on a bearing of 120° and with a dip of 60° from the horizontal in an easterly direction. Please note that these holes were drilled as a substitute for trenching and pitting, and are not considered to be contributing towards a future resource calculation. The results from these borehole lithologies and samples will be excluded from future resource calculations. The data from these results will be used to plan the future exploration activity.</p>

Criteria	Explanation	
<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 (e.g. 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> 	Not applicable at this stage.
<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 (e.g. 'down hole length, true width not known').</i> 	Not applicable at this stage for the results discussed in the Report.
<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> 	Detailed map included in the announcement above.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <i>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.</i> 	Complied with in the Report.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <i>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.</i> 	All the data to date is reported.

Criteria	Explanation	
<i>Further work</i>	<ul style="list-style-type: none"> • <i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> • <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<p>Airborne electromagnetic survey Is planned which will be followed by a resource drilling program in the dry season.</p> <p>Diagrams included in above announcement showing clearly the possible lateral extensions.</p>



MUSTANG RESOURCES LIMITED
Investigating Accountant's Report

1 April 2015

02 April 2015

The Directors

Mustang Resources Ltd
Formerly
OGI Group Ltd
566 Elizabeth Street, Melbourne
Victoria, 3000

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

We have been engaged by Mustang Resources Limited, formerly OGI Group Limited, (**'Mustang'** or **'the Company'**) to prepare this Investigating Accountant's Report (**'Report'**) on the historical financial information and pro forma historical financial information of Mustang for inclusion in the Prospectus. Broadly, the Prospectus will offer up to 17.5 million Shares at an issue price of \$0.20 each to raise up to \$3.5 million before costs (**'the Offer'**). The Offer has been fully underwritten.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) holds an Australian Financial Services Licence (AFS Licence Number 316158).

2. Scope

Historical financial information

You have requested BDO to review the following historical financial information of Mustang included in the Prospectus:

- The Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014;
 - The Statement of Financial Position as at 30 June 2014; and
- (collectively the **'historical financial information'**).

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Mustang's adopted accounting policies. The historical financial information has been extracted from the financial information of Mustang for the half year ended 31 December 2014, which was reviewed by Grant Thornton Audit Pty Ltd in accordance with the Australian Auditing Standards. Grant Thornton Audit Pty Ltd issued an unqualified

opinion on the financial information whilst noting an emphasis of matter in relation to the Company's ability to continue as a going concern.

The historical financial information is presented in the Appendices to this report in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma historical financial information

You have requested BDO to review the pro forma historical statement of financial position as at 31 December 2014 for Mustang referred to as the 'pro forma historical financial information'

The pro forma historical financial information has been derived from the historical financial information of Mustang, after adjusting for the effects of any subsequent events described in section 6 and the pro forma adjustments described in section 7. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 6 and section 7, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position.

3. Director's responsibility

The directors of Mustang are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

5. Conclusion

Historical financial information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical financial information as set out in the Appendices to this report does not present fairly, in all material aspects, the financial performance for the half year ended 31 December 2014 or the financial position as at 31 December 2014 in accordance with the stated basis of preparation as described in section 2.

Without modifying our conclusion, we note that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding.

Pro-forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 2.

6. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the period ended 31 December 2014:

- Subsequent to 31 December 2014, agreement was reached for the conversion of convertible notes with a face value of \$431,000, conditional upon the Acquisitions;
- Mustang raised approximately \$5.8 million by way of loan funding before costs, these loans, upon completion of the Acquisitions the loans will convert to ordinary shares at 20 cents per share ;
- Post 31 December Mustang will settle the acquisition of Save River Diamonds Pty Ltd, Sese Diamonds Pty Ltd and Balama Resources Pty Ltd for the following consideration:
 - 32,280,060 Shares;
 - 2,238,806 Class A Performance Rights;
 - 1,119,403 Class B Performance Rights;
 - 2,238,806 Class C Performance Rights;
 - 1,119,403 Class D Performance Rights;
 - 14,000,000 Class E Performance Rights, these vest upon a minimum of a 50 million ton Inferred Resource being declared with >5% Total Contained Graphite;
 - 14,000,000 Class F Performance Rights; , these vest upon a minimum of a 100 million ton Inferred Resource being declared with >5% Total Contained Graphite;
 - 14,000,000 Class G Performance Rights, these vest upon a minimum of a 500 million ton Inferred Resource being declared with >5% Total Contained Graphite; and
 - 2,238,806 New Options
- As part of the consideration in relation to the Acquisitions Mustang is to pay up to approximately \$677,000 to Regius, Elba & Alimond;
- Subsequent to 31 December Mustang will settle the sale of their interest in Hensarling #1 well and their working interest in the Dugas and Leblanc wells, the 14-42 leases and facilities and the leases and facilities within the 14-149 AMI at the Napoleonville project for US\$575,000 (converted at 1:\$0.79) subject to conditions precedent including the transaction proceeding. In addition the Company will be relieved of their plug and

abandon liability for the Fausse Point Project and a US\$100,000 farm in exposure to Grand Gulf Energy Ltd.

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro-forma statement of financial position post issue is shown in Appendix 2. This has been prepared based on the reviewed financial statements as at 31 December 2014, the subsequent events set out in section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The issue of up to 17.5 million Shares at an offer price of \$0.20 each to raise up to \$3.5 million (before costs) pursuant to the Prospectus; and
- Costs of the Offer are expected to be \$557,000 which are to be offset against contributed equity;

8. Disclosures

BDO Corporate Finance (WA) Pty Ltd is the corporate advisory arm of BDO in Perth. Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Neither BDO Corporate Finance (WA) Pty Ltd nor BDO, nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd



Adam Myers

Director

APPENDIX 1
MUSTANG RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed for the period ended 31-Dec-14	Audited for the year ended 30-Jun-14
Statement of Comprehensive Income	\$'000	\$'000
Revenue		
Revenue from sales	21	1,313
Cost of sales	(53)	(894)
Gross profit	(31)	419
Interest revenue	7	1
Expenses		
Depreciation	-	(11)
Impairment of debtors	-	(250)
Impairment of exploration & evaluation assets	-	(1,003)
Impairment of oil & gas properties	(261)	(401)
Administration expenses	(717)	(1,649)
Gain/Loss on sale of assets	4	-
Future value loss on derivatives	-	(20)
Finance costs	(127)	(266)
Legal settlement and legal costs associated	(312)	-
Legal and corporate advisory fees	(110)	-
Realised fx loss	(1)	-
Loss from continuing operations before income tax	(1,548)	(3,180)
Income tax expense	-	-
Loss from continuing operations after income tax	(1,548)	(3,180)
Profit/(Loss) from discontinued operations	83	(20,264)
Net loss for the period	(1,465)	(23,444)
Foreign currency translation differences	227	167
Total comprehensive loss for the year	(1,237)	(23,277)

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4. Past performance is not a guide to future performance.

APPENDIX 2
MUSTANG RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	Note	Reviewed as at		Pro forma	Pro forma
		31-Dec-14	Subsequent events	Adjustments	After issue
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash assets	1	3,923 -	677	3,093	6,339
Receivables	2	2,247 -	1,321	-	926
Prepayments		78	-	-	78
Non current asset held for sale		644 -	644		-
TOTAL CURRENT ASSETS		6,892 -	2,642	3,093	7,343
NON-CURRENT ASSETS					
Property, plant and equipment		8	-	-	8
Exploration and evaluation assets	3	-	2,798	-	2,798
Oil and gas properties		-	-	-	-
Trade and other receivables		304	-	-	304
TOTAL NON-CURRENT ASSETS		312	2,798	-	3,110
TOTAL ASSETS		7,204	156	3,093	10,453
CURRENT LIABILITIES					
Payables		1,375	-	-	1,375
Financial Liabilities	4	6,205	(6,205)	-	-
Cash call		32	-	-	32
Provisions		146	-	-	146
Liabilities directly associated with assets held for sale	5	42	(42)		-
TOTAL CURRENT LIABILITIES		7,800 -	6,247	-	1,553
NON-CURRENT LIABILITIES					
Financial liabilities		-	-	-	-
Derivative liabilities		-	-	-	-
Provisions	6	97	(86)	-	11
TOTAL NON-CURRENT LIABILITIES		97	(86)	-	11
TOTAL LIABILITIES		7,897	(6,333)	-	1,564
NET ASSETS		(693)	6,489	3,093	8,889
Contributed equity	7	113,207	6,935	2,943	123,085
Reserves	8	869	-	150	1,019
Accumulated losses	9	(114,769)	(446)	-	(115,215)
Total Equity		(693)	6,489	3,093	8,889

The pro-forma statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 3
MUSTANG RESOURCES LIMITED
NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report are consistent with those of the 30 June 2014 audited accounts except as noted below.

a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 1. CASH AND CASH EQUIVALENTS	\$'000	\$'000
Cash and cash equivalents	3,923	6,339
Reviewed balance at 31 December 2014		3,923
<i>Subsequent events:</i>		
Settlement of Australian Special Opportunities Fund LP funding agreement		-
Payments to Regius, Elba and Alimond		(677)
<i>Subtotal</i>		(677)
<i>Pro-forma adjustments relating to the Offer:</i>		
Proceeds for shares issued under the Offer		3,500
Costs of the Offer		(407)
<i>Subtotal</i>		3,093
Pro-forma Balance		6,339

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 2. RECEIVABLES	\$'000	\$'000
Receivables	2,247	926
Reviewed balance at 31 December 2014		2,247
<i>Subsequent events:</i>		
Loans advanced to Save River, Sese and Balama for exploration		
Sale of oil and gas properties		(1,321)
<i>Subtotal</i>		(1,321)
Pro-forma Balance		926

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 3. EXPLORATION AND EVALUATION ASSETS	\$'000	\$'000
Exploration and evaluation assets	-	2,798
Reviewed balance at 31 December 2014		-
<i>Subsequent events:</i>		
Acquisition of mineral assets via acquisition of Save River, Sese and Balama		730
Subsequent expenditure on exploration and evaluation funded by loans from Mustang		2,068
<i>Subtotal</i>		2,798
Pro-forma Balance		2,798
* The consideration has been valued based on the market value contained in the VALMIN report contained in the notice of meeting		

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 4. FINANCIAL LIABILITIES	\$'000	\$'000
Financial Liabilities	6,205	-
Reviewed balance at 31 December 2014		6,205
<i>Subsequent events:</i>		
Redemption of convertible notes post 31 December 2014		(431)
Conversion of loans		(5,774)
Pro-forma Balance		-

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 5. LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	\$'000	\$'000
Liabilities directly associated with assets held for sale	42	-
Reviewed balance at 31 December 2014		42
<i>Subsequent events:</i>		
Reduction in provisions as a result of the sale of the Hensarling #1 well and their working interest in the Dugas and Leblanc wells		(42)
<i>Subtotal</i>		(42)
Pro-forma Balance		-

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 6. NON CURRENT PROVISIONS	\$'000	\$'000
Liabilities directly associated with assets held for sale	97	11
Reviewed balance at 31 December 2014		97
<i>Subsequent events:</i>		
Reduction in provisions as a result of the sale of the Hensarling #1 well and their working interest in the Dugas and Leblanc wells		(86)
<i>Subtotal</i>		(86)
Pro-forma Balance		11

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 7. CONTRIBUTED EQUITY	\$'000	\$'000
Contributed equity	113,207	123,085
Reviewed balance at 31 December 2014		113,207
<i>Subsequent events:</i>		
<i>Redemption of convertible notes post 31 December 2014</i>		431
<i>Conversion of loans</i>		5,774
Acquisition of mineral assets via acquisition of Save River, Sese and Balama		730
<i>Subtotal</i>		6,935
<i>Pro-forma adjustments relating to the Offer:</i>		
Proceeds for shares issued under the Offer		3,500
Costs of the Offer - broker options		(150)
Costs of the Offer - cash costs		(407)
<i>Subtotal</i>		2,943
Pro-forma Balance		123,085

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 8. RESERVES	\$'000	\$'000
Reserves	869	1,019
Reviewed balance at 31 December 2014		869
<i>Pro-forma adjustments relating to the Offer:</i>		
Costs of the Offer - broker options		150
<i>Subtotal</i>		150
Pro-forma Balance		1,019

The options issued have been valued under AASB2 with reference to the value of the services received for their issue.

	Reviewed 31-Dec-14	Pro-forma after issue
NOTE 9. ACCUMULATED LOSSES	\$'000	\$'000
Accumulated losses	(114,769)	(115,215)
Reviewed balance at 31 December 2014		(114,769)
<i>Subsequent events:</i>		
Payments to Regius, Elba and Alimond		(677)
Profit on the sale of the Hensarling #1 well and their working interest in the Dugas and Leblanc wells		231
<i>Subtotal</i>		(446)
Pro-forma Balance		(115,215)

NOTE 10: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 11: COMMITMENTS AND CONTINGENCIES

We are not aware of any material commitments or contingent liabilities other than those already disclosed in the Prospectus.

Legal Opinion on
Mining Tenements

March 2015



25 March 2015

The Directors
Mustang Resources Ltd
566 Elisabeth Street
Melbourne 3000
Australia

Dear Sirs,

INTRODUCTION

1. We have acted as Mozambican legal counsel to Mustang Resources Limited (ACN 090 074 785) ("**Company**") in connection with the Acquisition Agreements and Underlying Agreements and the transactions contemplated therein and have been requested by the Company to opine on the matters set out in this letter.
2. We are instructed that the Company proposes to conduct an offer of up to 17,500,000 shares to raise up to US\$3,500,000 (**Offer**) with the purpose of enabling the Company to complete the acquisitions of eight mining tenements located in Mozambique and seek re-admission of the Company to the Official List of the Australian Securities Exchange operated by ASX Limited (**ASX**).
3. We understand that the Offer is governed by the laws of Australia and that the Company has engaged Steinepreis Paganin to advise it in connection with the Australian legal requirements of the Offer and that the offer will be made under a prospectus lodged in Australia under the Corporations Act 2001 (Commonwealth of Australia) (**Prospectus**). We have been provided with an advanced draft of the Prospectus, which is annexed to this opinion.

DEFINITIONS

5. In this opinion, capitalised terms have the following meanings:
 - (a) **Acquisition Agreements** means the SRD Agreement, the Sese Agreement and the Balama Agreement;
 - (b) **Australian Prospectus Disclosure Requirement** means the requirement under Australian law (as advised to us by Ashurst Australia) for the Prospectus to include all information that investors and their professional advisers would reasonably require to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company to the extent that it is reasonable

Business Development Corporation, Sociedade Unipessoal, Lda
Av. Mártires de Mueda, n.º 550, Maputo, Moçambique
T: (+258) 21 409434; C: (+258) 82 4580800;

find the

- (c) **Balama** means Balama Resources Pty Ltd (ACN 601 395 368), a company incorporated in Australia, having its registered offices at 566 Elisabeth Street, Melbourne, Victoria 3000;
- (d) **Balama Agreement** means the conditional share purchase agreement between the Company and Balama pursuant to which the Company has agreed, subject to satisfaction of various conditions, to acquire 100% of the issued capital in Balama.
- (e) **Balama Underlying Agreements** means the REL Moz Agreement, the RRG Agreement, the Tenement 4661L/4662L JVA, the Tenement 6527L JVA, the Tenement 6636L JVA, the Tenement 6678L JVA and the Tenement 5873L JVA;
- (f) **Company** means Mustang Resources Ltd (ACN 090 074 785), a company incorporated in Australia, having its registered offices at 566 Elisabeth Street, Melbourne, Victoria 3000;
- (g) **COSEC** means COSEC – Consultoria, Serviços e Comércio Internacional, Limitada, a company incorporated in Mozambique, rightful holder of the prospecting and exploration Tenement 5873L;
- (h) **DDI** means Duplo Dragão Industrial, Limitada, a company incorporated in Mozambique, rightful holder of the prospecting and exploration Licences 4661L and 4662;
- (i) **Government Agency** means:
 - i. a government or government department or other body;
 - ii. a government, semi-governmental or judicial person; or
 - iii. a person (whether autonomous or not) who is charged with the administration of a law.
- (j) **GEM** means Green Energy & Minerals, Limitada, a company incorporated in Mozambique, rightful holder of the prospecting and exploration Tenement 6527L;
- (k) **JGS** means Jacinto Gabriel Siteo, a Mozambican citizen and resident, rightful holder of the prospecting and exploration Tenement 6636L;
- (l) **Prospectus** means the prospectus, in form annexed to this letter, to be issued by the Company on or around [●] January 2015;
- (m) **RDL** means Regius Diamonds Pty Ltd (ACN 152 970 646), a company incorporated in Australia Level 2, Spectrum, 100 Railway Road, Subiaco, Perth, Western Australia 6008
- (n) **REL** means Regius Exploration Pty Ltd (ACN 152 460 627), a company incorporated in Australia, having its registered offices at Level 2, Spectrum, 100 Railway Road, Subiaco, Perth, Western Australia 6008;

- (o) **REL Agreement** means the conditional cession and assignment of rights and obligations between SRD and REL pursuant to which SRD has agreed, subject to satisfaction of certain conditions, to acquire REL's rights and obligations in the Tenement 4969L JVA;
- (p) **REL Moz** means Regius Exploration Limitada, a company incorporated in Mozambique;
- (q) **REL Moz Agreement** means the conditional cession and assignment of rights and obligations between Balama and REL Moz pursuant to which Balama has agreed, subject to satisfaction of certain conditions, to acquire REL Moz's rights and obligations in the Tenements 4661L/4662L JVA;
- (r) **RRG** means Regius Resources Group Ltd, a company incorporated in the United Kingdom, having its registered address at 10 Margaret Street, London, W1W8RL;
- (s) **RRG Agreement** means the conditional cession and assignment of rights and obligations agreement between Balama and RRG pursuant to which Balama has agreed, subject to satisfaction of certain conditions, to acquire RRG's rights and obligations in the Tenement 6527L Joint Venture Agreement (**Tenement 6527L JVA**), Tenement 6636L Joint Venture Agreement (**Tenement 6636L JVA**), Tenement 6678L Joint Venture Agreement (**Tenement 6678L JVA**) and Tenement 5873L Joint Venture Agreement (**Tenement 5873L JVA**);
- (t) **Sese** means Sese Diamonds Pty Ltd, a company incorporated in Australia (ACN: 169674186), with registered address at 566 Elisabeth Street, Melbourne, Victoria;
- (u) **Sese Agreement** means the conditional share purchase agreement between the Company and Sese pursuant to which the Company has agreed, subject to satisfaction of various conditions, to acquire 74% of the issued capital in Sese.
- (v) **Sese Underlying Agreement or RDL Agreement** means the conditional share purchase agreement between Sese and RDL pursuant to which Sese has agreed, subject to satisfaction of certain conditions, to acquire RDL's shareholding in MML (70% of the issued share capital), holder of Tenement 4525L;
- (w) **SRD** means Save River Diamonds Pty Ltd ("SRD"), a company registered under the laws of Australia (ACN: 169674177), with registered address at 566 Elisabeth Street, Melbourne, Victoria;
- (x) **SRD Agreement** means the conditional share purchase agreement between the Company and SRD pursuant to which the Company has agreed, subject to satisfaction of various conditions, to acquire 78% of the issued capital in SRD.

- (y) **SRD Underlying Agreements** means the REL Agreement and the Tenement 4969L JVA;
- (z) **Tenement 4969L JVA** means the joint venture agreement between REL and MRM pursuant to which MRM granted to REL the right to conduct exploration works within the area covered by the Tenement 4969L and provided such exploration is successful to the satisfaction of REL and a monetary consideration is paid to MRM, MRM agreed to transfer the said Tenement to a special purpose company to be incorporated between REL and MRM, where REL would hold 65% of the equity/share capital;
- (aa) **Tenement 4661L/4662L JVA** means the joint venture agreement between REL Moz and DDI pursuant to which DDI agreed to transfer the said Tenement to a special purpose company to be incorporated between REL Moz and DDI, where REL Moz would hold 60% of the equity/share capital;
- (bb) **Tenement 6527L JVA** means the joint venture agreement between RRG and GEM pursuant to which GEM agreed to transfer the said Licence to a special purpose company to be incorporated between RRG and GEM, where RRG would hold 75% of the equity/share capital;
- (cc) **Tenement 6636L JVA** means the joint venture agreement between RRG and JGS pursuant to which JGS agreed to transfer the said Licence to a special purpose company to be incorporated between RRG and JGS, where RRG would hold 75% of the equity/share capital;
- (dd) **Tenement 6678L JVA** means the joint venture agreement between RRG and TFM pursuant to which GEM agreed to transfer the said Licence to a special purpose company to be incorporated between RRG and TFM, where RRG would hold 80% of the equity/share capital;
- (ee) **Tenement 5873L JVA** means the joint venture agreement between RRG and COSEC pursuant to which COSEC granted to RRG the right to conduct exploration works within the area covered by the Tenement 5873L and provided such exploration is successful to the satisfaction of REL and a monetary consideration is paid to COSEC, COSEC agreed to transfer the said Tenement to a special purpose company to be incorporated between RRG and COSEC, where REL would hold 75% of the equity/share capital;
- (ff) **Tenement Holders** means MML, MRM, DDI, GEM, JGS, TFM and COSEC;
- (gg) **Tenement Interests** means the conditional interests of Sese, SRD and Balama in the prospecting and exploration licences described in the Report on Legal Due Diligence to Mining Tenements, dated January 2015, prepared by us and to be included within the Prospectus;
- (hh) **TFM** means Tomás Frederico Mandlate, a Mozambican citizen and resident, rightful holder of the prospecting and exploration Tenement 6678L;

- (ii) **Underlying Agreements** means the Sese Underlying Agreements, the SRD Underlying Agreements and the Balama Agreements;

DOCUMENTS

6. We have examined and rely on the:

- (a) Acquisition Agreements;
- (b) Underlying Agreements;
- (c) Prospectus;
- (d) Tenement 4525L, held by MML, including its related documents, namely:
 - Receipts of payment of surface tax in respect of the 1st and 2nd year of activities.
 - Receipt of payment of a deposit in relation with the performance bond;
 - Environmental license no. 10/2012;
 - Letter from Provincial Directorate of Environmental Affairs with reference no. 391/DGA/DPCA-G/990, dated 17 September 2012, approving the environmental management plan;
 - Environmental management plan;
 - Transmittal letter dated 18 October 2013, through which an updated work programme and budget was submitted to the National Directorate of Mines, including the said document;
 - Report covering the activities carried out from January to December 2014.;
- (e) Tenement 4969L, held by MRM, including its related documents, namely:
 - Transmittal letter dated 11.10.13, through which a first update work programme and budget was submitted to the National Directorate of Mines;
 - First update to the work programme and budget dated July 2013;
 - Second update to the work programme and budget dated July 2014;
 - Report covering the activities carried out from April 2012 to March 2013, which also includes the investment plan and a budget for activities to be conducted during the following exploration year (i.e April 2013 – March 2014);
 - Reports covering the activities carried out until December 2014;

- (f) Tenement 4661L and 4662L, held by DDI, including the annual report for 2014 and proof of payment of surface tax;
- (g) Tenement 6527L, held by GEM, including the annual report for 2014 and proof of payment of surface tax;
- (h) Tenement 6636, held by JGS, including the annual report for 2014 and proof of payment of surface tax;
- (i) Tenement 6678, held by TFM, including the annual report for 2014 and proof of payment of surface tax;
- (j) Tenement 5873L, held by COSEC.

OPINION

On the basis of the assumptions and subject to the qualifications set out in this letter, we are of the following opinion:

- 7. MML has good title to the Tenement 4525L of which it is the registered and lawful holder under the laws of Mozambique;
- 8. MRM has good title to the Tenement 4969L of which he is the registered and lawful holder under the laws of Mozambique;
- 9. DDI has good title to the Tenements 4661L and 4662L of which it is the registered and lawful holder under the laws of Mozambique;
- 10. GEM has good title to the Tenement 6527L of which it is the registered and lawful holder under the laws of Mozambique;
- 11. JGS has good title to the Tenement 6636L of which he is the registered and lawful holder under the laws of Mozambique;
- 12. TFM has good title to the Tenement 6678L of which he is the registered and lawful holder under the laws of Mozambique;
- 13. COSEC has good title to the Tenement 5873L of which it is the registered and lawful owner under the laws of Mozambique;
- 14. To the best of our knowledge, there is nothing to suggest that the Tenements are not in good standing (refer to Section 2 of the “Report on Legal Due Diligence to Mining Tenements dated January 2015”, attached as **Appendix A**);
- 15. To the best of our knowledge, there is nothing to suggest there has been material non-compliance with applicable laws affecting the Tenement as at the date of this Opinion.
- 16. The Acquisition Agreements, the Sese Underlying Agreement, the REL Moz Agreement and the RRG Agreement do not contravene any laws or regulations of Mozambique. Nonetheless, from a Mozambican point of view, the effectiveness of such agreements is subject to prior authorization from the Government of

Mozambique, which should not be unreasonably withheld. The same applies to any subsequent trading of shares in the Company or any of its subsidiaries involving, direct or indirectly, the Tenement Interests, irrespectively of the shares being listed on a stock exchange or not.

17. The Tenement 4969L JVA, the Tenement 4661L/4662L JVA, the Tenement 6527L JVA, the Tenement 6636L JVA, the Tenement 6678L JVA and the Tenement 5873L JVA, which are governed by Mozambican laws, have been properly signed on behalf of each of the parties to them and constitute legal, valid and binding obligations of each party to them in accordance with their terms.
18. The agreements mentioned in paragraph 17 are also enforceable in accordance with their terms, subject to the following conditions:
 - (a) Without prejudice of other contractual conditions, the Tenement 4969L JVA, and the Tenement 4662L JVA are subject to prior authorization from the Government of Mozambique;
 - (b) Without prejudice of other contractual conditions, the Tenement 4661L JVA, the Tenement 6527L JVA, the Tenement 6636L, the Tenement 6678L and the Tenement 5873L are also subject to prior authorization from the Government of Mozambique, which can only be granted after the passage of two years from their respective issue date. In effect, this means that the tenements contemplated in the aforesaid agreements can only be transferred to the joint venture company after:
 - i. 11 September 2015 for the tenement contemplated in the Tenement 4661L JVA;
 - ii. 07 March 2016 for the tenement contemplated in the Tenement 6527L JVA;
 - iii. 16 July 2016 for the tenement contemplated in the Tenement 6636L JVA;
 - iv. 18 March 2016 for the tenement contemplated in the Tenement 6678L JVA; and
 - v. 17 November 2016 for the tenement contemplated in the Tenement 5873L JVA;
19. There are no restriction on direct or indirect foreign ownership of shares in mining companies based in Mozambique, with exception of the restrictions applicable under Law no. 15/2011, of 10 August, whereby:
 - (a) a participating interest on the share capital of the Mozambican mining company must be reserved for disposal, through the Mozambican stock exchange and in commercial terms of the market, preferentially to Mozambican individuals, regardless whether there is foreign investment involved or not, which is guaranteed through:

- (a) the State or other public entity indicated by the State, in a percentage not less than 5% neither higher than 20% of the referred share capital; or
 - (b) the Mozambican mining company, on the same terms and conditions foreseen on paragraph 19 (a) ii.
 - (b) the opportunity for the participation of Mozambican public or private companies on the share capital of the Mozambican mining company, under the terms agreed by the parties, which should not be less than 5%;
20. The statements in the Prospectus:
- (a) contained in the Report on Legal Due Diligence to Mining Tenements (refer to Appendix A) prepared by us; and
 - (b) under the headings “Overview of Mining Regime in Mozambique”, “Appendix A: Mining Concessions” and “Appendix B: Summary of main Corporate Income Tax and VAT rules” in each case, insofar as those descriptions constitute a summary of Mozambican legal matters or agreements governed by Mozambican law, are a fair and accurate summary of such legal matters or agreements and are not misleading or deceptive (and do not omit to state any matter necessary to make such statements therein, in the light of the circumstances under which they are made, not misleading and deceptive).
21. Having regard to the Australian Prospectus Disclosure Requirement and the Company's proposed activities described in the Prospectus, nothing has come to our attention that causes us to believe, and we do not believe, that there is an omission of information about Mozambique laws and regulations from the Prospectus.

QUALIFICATIONS AND ASSUMPTIONS

Qualifications

22. The opinions expressed in this letter are based on and qualified by the following matters:
- (a) We express no opinion on the ability of the Company to make the Offer to persons in Mozambique, on the basis that we understand that the Company does not intend to make the Offer in Mozambique.
 - (b) Our opinion letter is based on our knowledge and interpretation of the relevant law and practice in force at the date of this opinion, which are likely to change over time. Such changes may affect the analysis and opinions contained in this letter, for which we cannot assume any responsibility. Accordingly, you should keep abreast of developments and, if necessary, again consult us.

- (c) We accept no responsibility whatsoever to update this opinion letter for events or circumstances occurring after the date of this opinion letter
- (d) We have not made any independent investigations or searches other than the search of the public records available at the Official Government Agencies. Those records may not be complete or up to date in that documents might not be filed at the relevant offices immediately, might no longer be on file, might be replaced or might otherwise not appear on the file.

Assumptions

23. In making the observations and giving the opinions that we have expressed in this letter we have assumed:

- (a) we have assumed the completeness and accuracy of all material or information in relation to matters of fact and opinion provided to us by officers of the Company;
- (b) we have assumed that the responses to the questions which have been put to directors and officers of the Company have been true and accurate in all material respects;
- (c) we take no responsibility for the completeness or accuracy of the investigations of the directors, officers, advisers and agents of the Company;
- (d) we have assumed the authenticity of all seals and signatures and of any stamp duty or marking and completeness and the conformity to original documents or instruments of all copies examined by us and that any facts which may give reason to question the validity, continuing effectiveness or lawfulness of any document or instrument have been drawn to our attention;
- (e) we have assumed that the documents examined by us are within the capacity and powers of, and have been validly authorised, executed and delivered by and are binding on the signatories to them other than the Company;
- (f) if we have reviewed a copy of a document rather than an original, the copy is a complete, genuine and accurate copy of the original;
- (g) the documents we have reviewed have not been amended, released or discharged, and no provision in them has been waived except as identified in this letter;
- (h) we have assumed that insofar as any obligations under any document examined by us are to be performed in any jurisdiction outside Mozambique, their performance will not be illegal or ineffective by virtue of the law of that jurisdiction;

- (i) we have assumed the accuracy of all certificates, letters and opinions given by external advisers and by officers of the Company in relation to the documents examined by us;
- (j) we have assumed that all corporate records and other documents examined by us are genuine, complete, up-to-date and accurate and without limitation, the minutes of the meetings of the directors of the Company and its subsidiaries examined by us correctly record the business of, and resolutions passed at, such meetings and no relevant corporate records have been withheld from us (whether deliberately or inadvertently);
- (k) we have assumed that all factual matters stated in any documents are materially true and correct; and
- (l) we have assumed that there were no documents other than those which were disclosed to us which related to the item which we examined.

No independent investigation

24. We have not made any independent investigation with respect to the matters the subject of the above assumptions. However, nothing has arisen in the course of us preparing this opinion that has led us to believe, and we do not believe, that any of the assumptions are incorrect.

RELIANCE AND SCOPE

Scope of opinion

25. This letter relates only to the matters stated in it and does not relate to any additional documents or statements that may be made by any person or any other conduct that any person may engage in concerning the Prospectus or the Offer. This opinion is strictly limited to the matters stated in it and does not apply by implication to other matters.

Opinion only relates to Mozambique law

26. This opinion relates only to the laws of Republic of Mozambique, and is given on the basis that it will be construed in accordance with those laws.

Reliance

27. This opinion letter is addressed at the request of the Company to each of the members of the due diligence committee established by the Company in connection with the Offer and their representatives on the due diligence committee established by the Company and a copy of it is being made available to them.
28. This opinion may not, in whole or in part, without our prior written consent be:
- (a) relied upon by any other person;

- (b) disclosed, except as required by law or the rules of any stock exchange or except to persons who in the ordinary course of the businesses of the persons permitted to rely on this opinion have access to their papers and records and on the basis that they will make no further disclosure of it; or
- (c) filed with a government or other agency or quoted or referred to in any public document, except as required by law or the rules of any stock exchange.

Trusting that the foregoing is to your satisfaction, we remain,

Yours truly,

Ahmad Essak

Lawyer

Professional license no. 525

Report on Legal Due Diligence to
Mining Tenements

March 2015

bdc.



25 March 2015

The Directors
Mustang Resources Ltd
566 Elisabeth Street
Melbourne 3000
Australia

Dear Sirs,

Report on Legal Due Diligence on Mining Tenements

This Report is prepared for inclusion in a prospectus to be issued by Mustang Resources Ltd (ACN 090 074 785) on or about 31 March 2015.

Yours truly,

Ahmad Essak
Lawyer
C.P. 525

Business Development Corporation, Sociedade Unipessoal, Lda
Av. Mártires de Mueda, n.º 550, Maputo, Moçambique
T: (+258) 21 409434; C: (+258) 82 4580800;

Número de matrícula: 100394146; NUIT: 400435243; Capital Social: 20.000,00 MZN

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Section 1

Scope

Scope

1. In particular, we have been instructed to provide you with:
 - An overview of the legal regime applicable to the mining sector; and
 - Detailed report on our findings resulting from the legal due diligence made to eight mining tenements that Mustang Resources is in the process of acquiring;
2. Our report covers exclusively the matters referred to above. It does not include any other aspects, materially or formally related to those referred to above.

Section 2

Overview of Mining Regime in Mozambique

Preliminary note

3. The Law no. 14/2002, of 26 June (“the **Old Mining Law**”) was recently revoked and replaced by a new one, Law no. 20/2014, of 18 August (“the **New Mining Law**”), which entered into force on 18 August 2014.
4. The regulations of the new Mining Law have been drafted and are currently awaiting discussion and approval by the Council of Ministers (it is expected to be approved during the second semester of 2015). Therefore, until the new regulations of the New Mining Law are approved, the existing regulations shall continue to apply, except where they are in contradiction with the New Mining Law (e.g. the existing regulations provide that the Prospecting and Exploration Licences can be renewed for an additional 5 years; the New Mining Law reduces the extension period to 3 years; In such cases, the existing regulations shall not be applicable).
5. For purposes of this section, we shall provide the overview of the mining regime taking into account the New Mining Law and the Old Mining Law Regulations, approved by Decree no. 62/2006, of 26 December 2006 (the “**Mining Regulations**”). Nonetheless, considering the scope of this report (i.e due diligence), we shall also make reference to the Old Mining Law to the extent that it is relevant to understand the facts related with the mining tenements.

Licenses overview

6. Pursuant to article 4 of Law no. 20/2014, of 18 August (the “**Mining Law**”), mineral resources located in and beneath the Mozambican soil, within the interior waters, in the territorial sea, in the continental platform and in the exclusive economic zone are property of the State.
7. Provided certain conditions are met, the State may grant to private persons rights with respect to mineral resources.
8. The aforesaid rights are granted by the State, inter alia, by means of the following licences:
 - Prospecting and Exploration Licence;
 - Mining Concession;
9. The overview set out below focuses on Prospecting and Exploration Licences, as only these are relevant for the current exercise. Information on Mining Concession can be found in Appendix A.

Generic aspects

Publication of mining titles

10. Under Article 13 of the Mining Regulations, approved by Decree no. 62/2006, of 26 December 2006 (the “**Mining Regulations**”), the acquisition, modification, transmission and extinction of mining titles are subject to publication in Mozambican Official Gazette. The publication shall be made *ex officio* by the National Directorate of Mines and tends to be a somewhat lengthy process (between one and six months to be completed), depending on the amount of statutes and official acts pending publication at the National Printing House from time to time.
11. Publication of facts relating to mining titles in the Mozambican Official Gazette is essential to make the rights of their holder valid and binding upon third parties. Failure to gazette the mineral titles may cause that any third party (including other governmental bodies) may claim to be unaware of – and therefore not recognize – the existence of such titles, which may ultimately lead to disputes over their existence and ownership.

Associated Minerals

12. Under article 1, paragraph 4 of the Mining Regulation, “associated minerals” are considered to be minerals occurring in the deposit alongside the main minerals (for which the mining title was granted), whether of magmatic, metamorphic, or sedimentary origin, or other minerals occurring in the deposit but within the area covered by the mining title.

Associated Minerals (cont.)

13. Pursuant to article 20, paragraph 1 of the Mining Regulations, if in the course of mining operations the titleholder finds associated minerals, the discovery must be reported forthwith to the Ministry of Mineral Resources. The titleholder shall also inform the Ministry if the associated minerals exist in a commercial quantity.
14. Under article 20, paragraph 2 of the Mining Regulations, if extraction is economically feasible and the titleholder is interested in doing so, it may amend its work programme to provide for extraction of the associated minerals.
15. If the titleholder is not interested in extracting the associated minerals, according to article 20, paragraph 3 of the Mining Regulations, the State reserves the right to negotiate their extraction with a third party. In such case, pursuant to article 20, paragraph 4 of the Mining Regulations, the titleholder must store or otherwise conserve the associated minerals to allow for a prospective third party operation to recover and use them. The legislation is silent on whether the titleholder’s and the third parties operation can take place concurrently or not. In such cases, the Mining Authority will most likely facilitate the discussions to ensure the best possible outcome for all parties involved.

Generic aspects

Associated Minerals (cont.)

16. Under article 20, paragraph 5 of the Mining Regulations, the application of the aforesaid provision is not only confined to those minerals that are conventionally associated in geological terms with the main minerals, but also any other mineral, including graphite, that occurs simultaneously with the mineral object of the mining title.

Performance bond

17. In accordance with article 111, paragraphs 1 and 2 of the Mining Regulations, in order to ensure compliance with the terms and conditions of the mining titles, the titleholders and/or operators are required to provide a performance bond in the form of a bank guarantee, which must be equivalent from 10% to 20% of the amount defined in the work programme and minimum budget. Normally, the performance bond is presented upon collection of the Prospecting and Exploration Licence or Mining Licence.

Extinguishment of mining titles

18. Mining titles can be extinguished for various reasons. These include, *inter alia*:
- Expiration (i.e due to lapse of time);
 - Total abandonment of the area;

Extinguishment of mining titles (cont.)

- Revocation on grounds available under the Mining Legislation when, within 60 days of prior notice, the titleholder is notified by the Minister of Mineral Resources of the intention to revoke the title and underlying reasons thereof, which may include:
 - Bankruptcy or an agreement or composition with creditors, unless there is a registered mortgage on the corresponding mining facilities;
 - Transformation and dissolution of the title holding company, unless prior consent was obtained for such transformation and dissolution for the purposes of a merger or restructure of the company;
 - Failure to submit the annual reports to the Ministry of Mineral Resources;
- Immediate revocation (i.e without pre-notice) on grounds available the mining legislation when the following occurs:
 - Lack of payment of the production and/or surface tax, if, after 90 (ninety) days after the date in which the tax is due, the titleholder does not pay the amount and the surcharge for late payment of tax legally foreseen;
 - Lack of exploration or mining activity for a period of 10 months, in case of prospecting and exploration licences, or 24 months, in case of mining concession, after the issuance of the respective title; and
 - Failure to comply with other obligations set forth in the mining legislation;

Regime applicable to Prospecting and Exploration Licences

Licence application

19. In order to obtain a Prospecting and Exploration Licence, an application addressed to the Minister of Mineral Resources must be submitted with the Directorate of Mines. Such application must include, in terms of article 30, paragraphs 2 and 3 of the Mining Regulations, evidence that the applicant has the required legal, technical and financial capacity to conduct the exploration activities.

Holder's entitlements under the licence

20. In terms of article 35 and 40 of the New Mining Law, Prospecting and Exploration Licences permit the holder, *inter alia*, to:
- Access the licensed area;
 - Prospect on an exclusivity basis the mineral resources covered by the licence, within the licensed area;
 - Prospect associated minerals that may occur in the area covered by the licence;
 - Collect, remove and export samples and specimens not exceeding acceptable limits (which are not clearly established in the legislation) for exploration purposes;
 - Conduct sampling and trial processing of the mineral resources not exceeding acceptable limits (which are not clearly established in the legislation) in order to determine the mining potential;
 - Sell, subject to authorization by the Ministry of Mineral Resources, specimens and samples obtained for exploration purposes or for sampling and trial processing;

Holder's entitlements under the licence (cont.)

- Occupy land and erect any temporary installation, structures or buildings necessary for carrying out exploration activities;
- Utilize water, timber and other materials in the licensed area for exploration activities, subject to the applicable laws;
- Receive compensation for the losses it may suffer from any actions that may limit the exercise of the holders' mining rights, under the terms to be regulated.
- The preferential right to acquire the mining concession in relation to any third party, provided it has fully complied with its obligations under the scope of the Prospecting and Exploration Licence

Term

21. Pursuant to article 39, paragraph 2 of the New Mining Law, Prospecting and Exploration Licences for minerals other than those destined for construction are initially valid for five years and may be extended for up to three further years, after which time a new licence must be sought or the licence converted into another type of licence, e.g. a Mining Concession. Prior to the enactment of the New Mining Law, the Prospecting and Exploration Licences were susceptible to be renewed for five further years, which means that the New Mining Law has reduced the number of years in case of a renewal.

Regime applicable to Prospecting and Exploration Licenses

Licence extension

22. As stated in paragraph 21 above, Prospecting and Exploration Licences are valid for up to five years and can then be extended for up to three further years on application to the Minister of Mineral Resources.

23. In order to obtain an extension, an extension fee of around 500 Meticaís (approximately US\$19) must be paid (in terms of Appendix VI to the Mining Regulations) and, pursuant to article 38, paragraph 2 of the Mining Regulations, an application must be submitted to the Ministry of Mineral Resources at least 60 days prior to the expiry date requesting the extension of its validity. In terms of article 38, paragraph 3 of the Mining Regulations, the following documents must be attached to the aforesaid application:

- A tax clearance certificate confirming that all mining taxes have been paid;
- a report of the activities carried out over the previous five years (including a summary of the investment that has been made); and
- a work programme for the following years (together with projected investment).

24. Document mentioned in paragraph 23 (2nd bullet point) above shall have materially the same content as the sum of all documents required to be submitted under paragraph 32 below, i.e., the report of past activities shall correspond to the work programmes submitted annually during the initial 5 years of the Prospecting and Exploration Licence.

Licence extension (cont.)

25. If the annual work programmes have not been performed in full, the report of past activities shall accurately reflect the activities effectively carried out during the initial 5 years, irrespective of what may have been planned and included in the annual work programmes during such period.

26. Document mentioned in paragraph 23 (3rd bullet point) above is intended to provide an overview of the work programme for the remaining of the Prospecting and Exploration Licence period and shall constitute an umbrella for the annual work programmes that must be submitted pursuant to paragraph 32 below.

27. Pursuant to article 38, paragraph 4 of the Mining Regulations, provided that these requirements have been met and the licence holder has complied with its obligations under the existing Prospecting and Exploration Licence, the Minister of Mineral Resources must extend the Prospecting and Exploration Licence for the time period requested, i.e. the law does not give the Minister discretion to refuse to grant the extension for other reasons.

28. In practice, the key concern of the Minister of Mineral Resources is that the licence holder has been actively operating and investing under the current Prospecting and Exploration Licence and provided that this is the case, it is likely that the licence will be extended for a further three years.

Regime applicable to Prospecting and Exploration Licenses

Area of licence

29. According to article 35 of the Mining Regulations, Prospecting and Exploration Licences may cover an area of up to 25,000 hectares. Under article 41 of the Mining Regulations, licensed areas (comprising less than 25,000 hectares) can be extended on application to the Minister of Mineral Resources, which must set out the reasons justifying the extension of the area.

Holder of licence

30. Under article 39, paragraph 1 of the Mining Law, only corporate entities incorporated and registered in terms of the Mozambican Law are entitled to hold Prospecting and Exploration Licences. Note, however, that in terms of the Old Mining Law, any Mozambican or foreign individual or corporate person with legal capacity was entitled to hold a Prospecting and Exploration Licence.

31. Although the Prospecting and Exploration Licences can only be held by corporate entities incorporated and registered in Mozambique, there are no restrictions on foreign ownership of shares in the entities holding such licences, with the exception of paragraph 43 of this report (also applicable to mining concessions).

Holder's obligations with respect to the licence

32. In accordance with article 37 of the Mining Regulations, holders of Prospecting and Exploration Licences are required to work according to the Work Programme submitted to the National Directorate of Mines for purposes of obtaining the licence. The referred licence holder, on an annual basis, is also required to prepare in line with the structure and formal requirements set forth in Appendix VIII to the Mining Regulations and submit:

- an annual report, detailing the activities carried out in respect of the licence for the previous year;
- an investment plan, detailing how much was spent in the previous year;
- a work programme, detailing expected activities for the forthcoming year; and
- a budget, detailing the expected expenditure for the forthcoming year.

33. Documents mentioned in paragraphs 32 (1st bullet point) and 32 (2nd bullet point) should be submitted by 31 January of the year following the year to which they relate and documents mentioned in paragraph 32 (3rd bullet point) and 32 (4th bullet point) should be submitted at least three months prior to the anniversary of the relevant licence.

Regime applicable to Prospecting and Exploration Licenses

Transfer of Prospecting and Exploration Licenses

34. Pursuant to article 62.1 of the New Mining Law, the Prospecting and Exploration Licence is transferable, provided 2 years have passed from the issue date and prior approval from the Ministry of Mineral Resources is obtained, which is also applicable in case of intragroup transfers. Nonetheless, there are no restrictions for the titleholder to be bound by contractual terms pursuant to which it will be required to transfer the title once the said conditions are met (e.g. promissory sale agreements).

35. In order to transfer a Prospecting and Exploration Licences, according to article 108, paragraph 1 (b) of the Mining Regulations, an application must be submitted to the Minister of Mineral Resources via the National Directorate of Mines specifying the conditions of the transfer and including the legal instrument or document by which the transfer will be made. In addition, according to article 108, paragraph 2 of the Mining Regulations, applicants must provide evidence:

- That the transferee has accepted in writing the terms and conditions of the Prospecting and Exploration Licence;
- the legal capacity of the parties;
- That the transferee has the technical and financial resources, as well as experience in the management and undertaking of exploration activities; and
- Of the payment of the required fees, which amounts to 5,000 Meticaís (approximately US\$190), in terms of Appendix VI to the Mining Regulations.

Transfer of Prospecting and Exploration Licenses (cont.)

36. Pursuant to article 62, paragraph 1 of the New Mining Law, the direct or indirect transfer of participating interests, titles and/or mining rights, including the transfer of shares (listed or not listed on a stock exchange), quotas or other form of participation, irrespective of there being change of control or not, is also subject to prior authorization from the Government of Mozambique (in practice, though, it is extremely difficult for the Mozambican Authorities to control the transactions that occur on foreign stock exchanges, especially when it does not imply any change of control). Any such transaction that is not preceded by an authorization from the Mozambican Mining Authorities is in violation of the Mozambican Law and are not enforceable in Mozambique. Nevertheless, such violation does not risk the title to the licence, the ability to conduct activities on the licence, to apply for renewal or transfer of the licence. In the case of renewal or transfer, the Mining Authority may demand the regularisation of the unauthorized transfer prior to approve the renewal/transfer.

37. The procedures and requirements for the authorization of indirect transfer of mining titles are not yet regulated. During such period, the principles that are applicable to the direct transfer of mining titles shall be applicable *mutatis mutandis*.

38. Provided that the aforesaid requirements have been met, the Minister of Mineral Resources must authorise transfer, i.e. the law does not give the Minister discretion to refuse to grant the approval for the transfer.

Regime applicable to Prospecting and Exploration Licenses

Encumbrances and securities

39. Pursuant to article 110, infrastructures, premises and other mining related assets can be given as securities, provided such securities are required to finance mining operations and that prior authorization from the Minister of Mineral Resources is obtained.
40. Although not expressly mentioned, it is consensual that the referred provision also applies to mining titles, including Prospecting and Exploration Licenses.

Sharing of benefits

41. Pursuant to article 2, paragraph 2 (c) of the Law no. 15/2011, of 10 of August, Prospecting and Exploration Licenses fall under the concept of Business Concessions (“BC”). One of the principles/guidelines that BC enterprises must follow is that the benefits resulting from such enterprise must be shared, in an equitable manner, between the contracting parties, as well as third parties that are related with the enterprise (e.g, interested parties and affected parties).
42. Under article 32 of the Law no. 15/2011, of 10 of August, the said benefits are divided in two categories, namely, **(i)** financial benefits and **(ii)** social-economic benefits.

Financial benefits

43. According to article 33.1 of the Law no. 15/2011, of 10 of August, the financial benefits for the Country (i.e Mozambique), resulting from the BC, must be expressly foreseen on the contract to be signed between the Contracting parties, namely:
- Reservation of participating interest on the share capital of the implementing company or on the capital of the consortium for disposal, through the Mozambican stock exchange and in commercial terms of the market, preferentially to Mozambican individuals, regardless whether there is foreign investment involved or not, which is guaranteed through:
 - The State or other public entity indicated by the State, in a percentage not less than 5% neither higher than 20% of the referred share capital; or
 - The implementing company of the enterprise, on the same terms and conditions foreseen on the previous bullet point.
 - The opportunity for the participation of Mozambican public or private companies on the share capital of the enterprise or in the capital of the consortium, under the terms agreed by the parties, without prejudice of the contents of the previous bullet points;
 - The generation of positive exchange effect to the balance of payments, through the generation of exchange resources or through savings for the Country;
 - The generation of tax revenue and positive contribution to the public revenue;
 - The generation and distribution of profits and dividends, under the terms deliberated by the bodies of the enterprise;

Regime applicable to Prospecting and Exploration Licenses

44. The sharing, on an equitable basis, of the extraordinary direct benefits, safeguarding the economical competitiveness of the Country and under the contractual terms agreed through one or a combination of the following methods:

- Reinvestment in the national territory;
- Constitution of reserves for purposes of realization of additional investments or for the coverage of extraordinary losses of the enterprise;
- Financial applications performed and maintained in the Country.

45. In addition to the abovementioned benefits, pursuant to article 33.2 of the Law no. 15/2011, of 10 of August, BC enterprises, shall also provide the following benefits:

- Payment of contract awarding fee or signature bonus fee, in case of public tender, in an amount not less than 0,5% and not higher than 5% of the fair value of the assets/rights granted contractually to the enterprise, upon the signature of the contract;
- Payment of concession fees or cession of exploration fee on a monthly, quarterly, semester or annual basis, according to what was agreed between the contracting parties, in an amount not less than 2% and not higher than 5% of the fair value of the assets/rights granted contractually to the enterprise;

Social-economic benefits

46. Under article 34 of the Law no. 15/2011, of 10 August , the BC contract must also include clauses that expressly specifies the social-economic benefits to be provided by the enterprise, at its own costs, to the national economy and for the Mozambican people, namely:

- Construction, rehabilitation or expansion of infrastructures for production or rendering of services, in connection or associated to the enterprise;
- Creation of employment and professional training programs for Mozambican employees;
- Technical training programs and transfer of technology and know-how to the Country;
- Increase and maintenance of the production and export capacity, as well as coverage of the internal market needs;
- Contribution to the development of the small and medium Mozambican companies through the connection of business and technologies between the enterprise and such companies;
- Implementation of social responsibility projects and for social development and sustainability of the local communities, at the enterprise's costs.

47. Although the sharing of benefits provisions also applies to holders of Prospecting and Exploration Licenses, in practice, they are often implemented or enforced once commercial discoveries are made within the radius of the license area and as part of the transition to a Mining Concession.

Regime applicable to Prospecting and Exploration Licenses

Environmental Management Tools

48. In general, for a good environmental management, the law provides for the following tools (article 7 of the Environment Regulations for Mining Activities, approved by Decree no. 26/2004, of 20 August (the “**Environment Regulations for Mining Activities**”)):

- Environmental impact study;
- Environmental management plan;
- Environmental management program;
- Program for Control of Emergency and Risk situations; and
- Environmental Audit.

49. The activities carried out under Prospecting and Exploration Licences often fall under Level B activities. Hence, pursuant to article 11, paragraph 1 of the Environment Regulations for Mining Activities, the following environmental management tools will apply:

- An environmental management plan;
- A Program for Control of Emergency and Risk Situations.

50. The commencement of any mining operation is conditioned to the approval, within 90 days from the issuance of the mining title, of the environmental management plan, as per Article 11, paragraph 9 of the Environment Regulations for Mining Activities. Kindly note, though, that the Mining Authorities are not enforcing this provision when it comes to Prospecting and Exploration Licences.

Environmental Management Tools (cont.)

51. Under article 11, paragraph 5 of the Environment Regulations for Mining Activities, the environmental management plan shall cover the entire validity period of the corresponding Prospecting and Exploration Licence or a maximum period of 10 years.

Taxation

52. Besides being subject to the taxes provided in the taxation system (please refer to Appendix B), entities that hold Prospecting and Exploration Licences are also subject to Surface Tax.

Surface Tax

53. Pursuant to article 19 of Law no. 23/2014, of 23 September (the “**Mining Tax and Incentives Law**”) and article 14 of the Tax Regulations for Mining Activities, approved by Decree no. 5/2008, of 9 April 2008 (the “**Tax Regulations for Mining Activities**”), holders of Mining Licences are required to pay surface tax of a fixed amount per square kilometre or hectare of land comprised in the licence.

Regime applicable to Prospecting and Exploration Licenses

Surface tax (cont.)

54. Under article 16 of the Mining Tax and Incentives Law, Surface tax is levied on an annual basis and, pursuant to article 15, paragraph 1 of the Tax Regulations for Mining Activities, is payable upon issuance of the mining title and, during the validity of the title, one month prior to the anniversary of the licence. The payment of surface tax excludes the payment of the annual land use fee (article 22 of the Mining Tax Law).
55. Under article 15, paragraph 5 of the Tax Regulations for Mining Activities, failure to pay surface tax within 30 days following the anniversary of the mining title shall determine its cancellation.
56. Pursuant to articles 20 a) of the Mining Tax and Incentives Law and articles 12, paragraph 2, and 14 of the Tax Regulations for Mining Activities, holders of Prospecting and Exploration Licences are required to pay surface tax of a fixed amount per hectare of land comprised in the licence.

Amount payable in Meticals per hectare	
Year 1 and 2	17,5
Year 3	43,75
Year 4 and 5	91
Year 6	105
Year 7 and 8	210

Investment incentives

Fiscal benefits

57. Under article 53 of the Mining Tax and Incentives Law, the only real fiscal benefit being granted for mining projects, during a period of 5 years counting from the commencement of activity's date, is the exemption from customs duties, VAT (being 17% at the date of this letter) and excise duties on import of capital equipment, listed in Class "K" of the Customs Tariff Schedule.
58. In addition to those listed in the Class "K" of the said tariff schedule, the Mining Tax Incentives Law also exempts specified goods/equipment (including certain drilling and other mining equipment) from customs duties, VAT and excise duties on its importation.

Investment guarantees

59. As per article 66 of the New Mining Law, the State of Mozambique ensures that foreign direct investments made in the Mining Sector shall be afforded with the following guarantees:
- Legal security and protection of ownership of assets and rights, including the intellectual property rights comprised in the scope of the investments authorised and made in the mining activity under a mineral title granted in accordance with the Mining Law;

Regime applicable to Prospecting and Exploration Licenses

Investment guarantees (cont.)

- The assets and rights privately owned within the scope of a mining title may only be expropriated for a public interest reason and subject to the payment of a fair compensation to the title holder.
- Any application should be decided within 90 days from its submission.
- Guarantee on the ability to transfer abroad:
 - Exportable profits resulting from profit export eligible investments;
 - Royalties or other income relating to remuneration of indirect investments associated with the transfer or use of technology;
 - Repayment of capital and interest on loans contracted in the international financial market and applied in investment projects in Mozambique;
 - Proceeds of compensation;
 - Re-exportable foreign capital invested, regardless if whether or not the corresponding investment project is eligible for profit export;
 - Sums corresponding to the payment of obligations towards non-resident entities.

Section 3

Legal Due Diligence's Findings

Tenements

60. This section of the Report summarises the findings from the legal due diligence conducted to the following mining tenements:

- Prospecting and Exploration License (“PEL”) 4525L, held by Mozvest Mining, Limitada; and
- PEL 4969L, held by Mr. Manuel Renato Matusse;
- Prospecting and Exploration Licence (“PEL”) 4661L and 4662L, held by Duplo Dragão Industrial, Limitada;
- PEL 6527L, held by Green Energy & Minerals, Limitada;
- PEL 6636L, held by Mr. Jacinto Gabriel Siteo;
- PEL 6678L, held by Mr. Tomás Frederico Mandlate; and
- PEL 5873L, applied by COSEC, Limitada;

Reviewed documents

61. This Report is mainly the result of our review made to the documents which we received from Mustang Resources Ltd (the “Reviewed Documents”), which are detailed below:

Documents related with Prospecting and Exploration Licence 4525L

- Prospecting and Exploration Licences and its annexures, namely:
 - the terms and conditions of the licences;
 - the topographical sketch of the area covered by the licences;
 - the geographical coordinates of the area covered by the licences.

Documents related with Prospecting and Exploration Licence 4525L (cont.)

- Receipts of payment of surface tax for the the 1st (i.e 2011-2012), 2nd (i.e 2012-2013) and 3rd year of activities (i.e 2013-2014);
- Receipt of payment of a deposit in relation with the performance bond;
- Environmental license no. 10/2012;
- Letter from Provincial Directorate of Environmental Affairs with reference no. 391/DGA/DPCA-G/990, dated 17 September 2012, approving the environmental management plan;
- Environmental management plan;
- Transmittal letter dated 18 October 2013, through which an updated work programme and budget was submitted to the National Directorate of Mines, including the said document;
- Annual report for 2014.

Documents related with Prospecting and Exploration Licence 4969L

- Prospecting and Exploration Licence and its annexures, namely:
 - the terms and conditions of the licences;
 - the topographical sketch of the license area;
 - the geographical coordinates of the license area;
- Transmittal letter dated 11.10.13, through which a first update work programme and budget was submitted to the National Directorate of Mines;

Reviewed documents

Documents related with Prospecting and Exploration Licence 4969L (cont.)

- First update to the work programme and budget dated July 2013;
- Second update to the work programme and budget dated July 2014;
- Report covering the activities carried out from April 2012 to March 2013, which also includes the investment plan and a budget for activities to be conducted during the following exploration year (i.e April 2013 – March 2014).
- Report covering the activities carried out until December 2014 and budget for 2015;

Documents related with Prospecting and Exploration Licences 4661L and 4662L

- Prospecting and Exploration Licences and their annexures, namely:
 - the terms and conditions of the licences;
 - the topographical sketch of the license area;
 - the geographical coordinates of the license area.
- Annual report for 2014 and budget for 2015

Documents related with Prospecting and Exploration Licences 6527L

- Prospecting and Exploration Licence and its annexures, namely:
 - the terms and conditions of the licences;
 - the topographical sketch of the license are;
 - the geographical coordinates of the license area;
- Annual report for 2014 and budget for 2015;
- Proof of payment of surface tax for the 1st and 2nd year of activities;

Documents related with Prospecting and Exploration Licence 6636L

- Prospecting and Exploration Licence and its annexures, namely:
 - the terms and conditions of the licences;
 - the topographical sketch of the license area;
 - the geographical coordinates of the license area;
- Letter from National Directorate of Mines, dated 28.08.14;
- Proof of payment of surface tax in respect of the 1st year of activities (i.e 2014/2015);
- Proof of payment of the license issuance fee;
- Annual report for 2014 and budget for 2015

Reviewed documents

Documents related with Prospecting and Exploration Licence 6678L

- Prospecting and Exploration Licence and its annexures, namely:
 - the terms and conditions of the licences;
 - the topographical sketch of the area covered by the licences;
 - the geographical coordinates of the area covered by the licences.
- Receipt of the deposit in relation with the performance bond;
- Proof of payment of surface tax iro the 1st and 2nd year of activities;
- Annual report for 2014 and budget for 2015

Documents related with Prospecting and Exploration Licence Application 5873L

- Prospecting and Exploration Licence and its annexures, namely:
 - the terms and conditions of the licences;
 - the topographical sketch of the area covered by the licences;
 - the geographical coordinates of the area covered by the licences.

Findings

PEL 4525L: Details

Details	4525L
Holder	Mozvest Mining, Limitada (NUEL: 100222930)
Holder's registered address	Maputo City in 591, Zedequias Manganhela Avenue, 4 th floor – left
Holder's representative	Mr. Felício Pedro Zacarias
Holder's shareholders	Regius Diamonds Pty Limited (70%) Conjane, Lda (30%)
Area (in hectares)	2,384.23 (The licence refers to an area of 500ha, however the measurement of the boundaries according to the coordinates indicate that the correct size is 2,384.23. The surface taxes are paid based on the correct size of the area).
Location	Chicualacuala District, Gaza Province
Minerals covered	Diamonds and associated minerals
Date of issue	22 November 2011
Date of expiry	22 November 2016

Findings

PEL 4525L: Compliance status

Item	Status	Implication	Recommendation
Performance bond	Submitted	None	N/A
Reporting obligations	The reports for the periods (a) 28.11 to 31.12.12 and (b) 01.01.13 to 31.12.13 were submitted on 26.08.14, not complying with the deadlines foreseen by law	Although complied outside the deadline foreseen by law, the obligations are considered to be complied with and therefore no adverse implication are expected	N/A
EMP/Environmental license	Issued	None, as the obligations were complied with	N/A
Surface tax	Surface tax for the 1 st year of activities was paid on 27.01.2012 (upon collection) and, therefore, in due time. The tax for the 2 nd year of activities was paid in May 2014, when it should have been made on or prior to 27.01.14. The tax for the 3 rd year of activities was paid on 15.08.2014, within the deadline foreseen by law.	Although the tax for 2 nd year of activities was paid outside the deadline foreseen by law, the violation is considered to be regularised and, therefore, no adverse risk is expected	
Encumbrances, dealings, overlapping and litigations	<p>Encumbrances: We are not in a position to confirm whether there are any encumbrances in place. However, as any encumbrance over a mining title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Dealings: We are not in a position to confirm whether there are any dealings in place. However, as any dealing implying the transfer of the title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Overlapping: No other mining title overlaps the PEL. However, it is not possible to determine whether there are any other rights on the license (e.g. agriculture, forestry, etc), as such information can only be obtained after an extensive field work, which does not form part of our scope of our report;</p> <p>Litigations: There are no ongoing litigation with the Mining Authority. We are not in a position to confirm whether there are any litigations with other public and private entities, as such information is not publicly available.</p>		
Overall assessment	As a result of our review and subject to the qualifications and assumptions stated in this report, we are of the opinion that the PEL 4525L is in good standing. We recommend the amendment of the licence to capture the correct size of the area.		

Findings

PEL 4969L: Details

Details	4969L
Holder	Mr. Manuel Renato Matusse
Area (in hectares)	21.660
Location	Massangena and Massage Districts, Gaza Province
Minerals covered	Diamonds
Date of issue	26 April 2012
Date of expiry	26 April 2017

Findings

PEL 4969L: Compliance status

Item	Status	Implication	Recommendation
Performance bond	Submitted	None	N/A
Reporting obligations	<ul style="list-style-type: none"> The report for the period April/12 to March/13 was submitted on 29.03.13, despite the fact that the deadlines foreseen by law were not complied. The report for the period April 2013 to December 2013 was also submitted outside the deadline foreseen by law. The report for 2014 was submitted on 13.02.2015, a few days after the deadline foreseen by law. 	Although complied outside the deadline foreseen by law, the obligations are considered to be complied with and therefore no adverse implication are expected.	N/A
EMP/Environmental license	Issued	None, as the obligations were complied with.	N/A
Surface tax	Surface taxes for the two years of activities were paid in due time.	None	
Encumbrances, dealings, overlapping and litigations	<p>Encumbrances: We are not in a position to confirm whether there are any encumbrances in place. However, as any encumbrance over a mining title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Dealings: We are not in a position to confirm whether there are any dealings in place. However, as any dealing implying the transfer of the title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Overlapping: No other mining title overlaps the PEL. However, it is not possible to determine whether there are any other rights on the license are (e.g. agriculture, forestry, etc), as such information can only be obtained after an extensive field work, which does not form part of our scope of our report;</p> <p>Litigations: There are no ongoing litigation with the Mining Authority. We are not in a position to confirm whether there are any litigations with other public and private entities, as such information is not publicly available.</p>		
Overall assessment	As a result of our review and subject to the qualifications and assumptions stated in this report, we are of the opinion that the PEL 4969L is in good standing.		

Findings

PEL 4661L & 4662L: Details

Details	4661L	4662L
Holder	Duplo Dragão Industrial, Lda (NUEL: 100180294)	Duplo Dragão Industrial, Lda (NUEL: 100180294)
Holder's registered address	Maputo City in 591, Zedequias Manganhela Avenue, 4 th floor – left	Maputo City in 591, Zedequias Manganhela Avenue, 4 th floor – left
Holder's representative	Cai Daixiong	Cai Daixiong
Holder's shareholders	Mr. Sabata Delechane (60%); Zhizhong An (20%); Cai Daixiong (10%); Hai Hu (5%) and Xiau Luo (5%).	Mr. Sabata Delechane (60%); Zhizhong An (20%); Cai Daixiong (10%); Hai Hu (5%) and Xiau Luo (5%).
Area (in hectares)	14,750.08	9,477.93
Location	Balama District, Cabo Delgado Province	Balama District, Cabo Delgado Province
Minerals covered	Base metals (if graphite is found the license holder shall be entitled to mine such mineral provided it elects to do so (please refer to comments from paragraph 12 to 15))	Base metals (if graphite is found the license holder shall be entitled to mine such mineral provided it elects to do so (please refer to comments from paragraph 12 to 15))
Date of issue	11 September 2013	01 October 2012
Date of expiry	11 September 2018	01 October 2017

Findings

PEL 4661L: Compliance status

Item	Status	Implication	Recommendation
Performance bond	Submitted	None	N/A
Reporting obligations	Although the issue date is 11.09.13, it was only collected on July/August 2014. Hence, the report is only due on January 2015. The report was only submitted in March 2015, not complying with the deadline established by law.	Although complied outside the deadline foreseen by law, the obligations are considered to be complied with and therefore no adverse implication are expected.	N/A
EMP/Environmental license	Not yet submitted	It must be submitted and approved within 90 days from the title issue date or collection date, whichever occur last, otherwise it may be cancelled. However, in practice, the Mining Authorities are not enforcing such provision of the law when it comes to Prospecting and Exploration Licenses and, therefore, the risk of any adverse impact to the PEL is low.	To submit the Environmental Management Plan as soon as possible.
Surface tax	Paid for the period from 11.09.13 to 10.09.14 on 29.07.14, upon collection of the licence.	None	N/A
Encumbrances, dealings, overlappings and litigations	<p>Encumbrances: We are not in a position to confirm whether there are any encumbrances in place. However, as any encumbrance over a mining title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Dealings: We are not in a position to confirm whether there are any dealings in place. However, as any dealing implying the transfer of the title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Overlapping: No other mining title overlaps the PEL. However, it is not possible to determine whether there are any other rights overlapping the license area (e.g. agriculture, forestry, etc), as such information can only be obtained after an extensive field work, which does not form part of our scope of our report;</p> <p>Litigations: There are no ongoing litigation with the Mining Authority. We are not in a position to confirm whether there are any litigations with other public and private entities, as such information is not publicly available.</p>		
Overall assessment	Subject to the qualifications and assumptions stated in this report, we are of the opinion that the PEL 4661L is in good standing.		28

Findings

PEL 4662L: Compliance status

Item	Status	Implication	Recommendation
Performance bond	Submitted	None	N/A
Reporting obligations	Although the issue date is 01.10.12, it was only collected on February 2014. Hence, the first report was due on January 2015, which was only submitted in March 2015.	Although complied outside the deadline foreseen by law, the obligations are considered to be complied with and therefore no adverse implication are expected.	N/A
EMP/ Environmental license	Not yet submitted	It must be submitted and approved within 90 days from the title issue date or collection date, whichever occurs last, otherwise it may be cancelled. However, in practice, the Mining Authorities are not enforcing such provision of the law when it comes to Prospecting and Exploration Licenses and, therefore, the risk of any adverse impact to the PEL is low.	To submit the Environmental Management Plan as soon as possible.
Surface tax	<ul style="list-style-type: none"> For the period from 01.10.12 to 30.09.13 it was paid on 07.01.13, upon collection of the licence. Although outside the deadline, the tax for the period from 01.10.13 to 30.09.14 was also paid. 	No adverse impact is expected, despite payment of the tax for the 1 st year of activities was made outside the deadline	N/A
Encumbrances, dealings, overlapping and litigations	<p>Encumbrances: We are not in a position to confirm whether there are any encumbrances in place. However, as any encumbrance over a mining title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Dealings: We are not in a position to confirm whether there are any dealings in place. However, as any dealing implying the transfer of the title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Overlapping: No other mining title overlaps the PEL. However, it is not possible to determine whether there are any other rights on the license are (e.g. agriculture, forestry, etc), as such information can only be obtained after an extensive field work, which does not form part of our scope of our report;</p> <p>Litigations: There are no ongoing litigation with the Mining Authority. We are not in a position to confirm whether there are any litigations with other public and private entities, as such information is not publicly available.</p>		
Overall assessment	As a result of our review and subject to the qualifications and assumptions stated in this report, we are of the opinion that the PEL 4662L is in good standing.		

Findings

PEL 6527L: Details

Details	6527L
Holder	Green Energy & Minerals, Limitada (NUEL: 100373092)
Holder's representative	Mr. Matonga Orlando Machel
Holder's shareholders	Mr. Tobias Armindo Sanfins (60%); Mr. Matonga Orlando Machel (20%) and Mr. Pável Cristóvão Mondlane (20%).
Area (in hectares)	20,900.10
Location	Montepuez District, Cabo Delgado Province
Minerals covered	Ruby and associated minerals (if graphite is found the license holder shall be entitled to mine such mineral provided it elects to do so (please refer to comments from paragraph 12 to 15)
Date of issue	07 March 2014
Date of expiry	07 March 2019

Findings

PEL 6527L: Compliance status

Item	Status	Implication	Recommendation
Performance bond	Submitted	None	N/A
Reporting obligations	Submitted in March 2015, when it should have been submitted in January 2015.	Although complied outside the deadline foreseen by law, the obligations are considered to be complied with and therefore no adverse implication are expected.	N/A
EMP/ Environmental license	Not yet submitted	It must be submitted and approved within 90 days from the title issue date or collection date, whichever occurs last, otherwise it may be cancelled. However, in practice, the Mining Authorities are not enforcing such provision of the law when it comes to Prospecting and Exploration Licenses and, therefore, the risk of any adverse impact to the PEL is low.	To submit the Environmental Management Plan as soon as possible.
Surface tax	Surface tax for the 1 st and 2 nd year of activities were paid in due time.	None	N/A
Encumbrances, dealings, overlaps and litigations	<p>Encumbrances: We are not in a position to confirm whether there are any encumbrances in place. However, as any encumbrance over a mining title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Dealings: We are not in a position to confirm whether there are any dealings in place. However, as any dealing implying the transfer of the title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Overlapping: No other mining title overlaps the PEL. However, it is not possible to determine whether there are any other rights on the license are (e.g. agriculture, forestry, etc), as such information can only be obtained after an extensive field work, which does not form part of our scope of our report;</p> <p>Litigations: There are no ongoing litigation with the Mining Authority. We are not in a position to confirm whether there are any litigations with other public and private entities, as such information is not publicly available.</p>		
Overall assessment	As a result of our review and subject to the qualifications and assumptions stated in this report, we are of the opinion that the PEL 6527L is in good standing.		

Findings

PEL 6636L: Details

Details	6636L
Holder	Mr. Jacinto Gabriel Siteo
Area (in hectares)	4,571.05
Location	Balama District, Cabo Delgado Province
Minerals covered	Graphite, Ruby and Sapphire
Date of issue	16 July 2014
Date of expiry	16 July 2019

Findings**PEL 6636L: Compliance status**

Item	Status	Implication	Recommendation
Performance bond	Submitted	None	N/A
Reporting obligations	Submitted in March 2015, when it should have been submitted in January 2015.	Although complied outside the deadline foreseen by law, the obligations are considered to be complied with and therefore no adverse implication are expected.	N/A
EMP/ Environmental license	Not yet submitted	It must be submitted and approved within 90 days from the title issue date or collection date, whichever occurs last, otherwise it may be cancelled. However, in practice, the Mining Authorities are not enforcing such provision of the law when it comes to Prospecting and Exploration Licenses and, therefore, the risk of any adverse impact to the PEL is low.	N/A
Surface tax	For the 1 st year of activities was paid upon collection of the licence and, therefore, in due time.	None	N/A
Encumbrances, dealings, overlappings and litigations	<p>Encumbrances: We are not in a position to confirm whether there are any encumbrances in place. However, as any encumbrance over a mining title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Dealings: We are not in a position to confirm whether there are any dealings in place. However, as any dealing implying the transfer of the title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Overlapping: No other mining title overlaps the PEL. However, it is not possible to determine whether there are any other rights on the license are (e.g. agriculture, forestry, etc), as such information can only be obtained after an extensive field work, which does not form part of our scope of our report;</p> <p>Litigations: There are no ongoing litigation with the Mining Authority. We are not in a position to confirm whether there are any litigations with other public and private entities, as such information is not publicly available.</p>		
Overall assessment	As a result of our review and subject to the qualifications and assumptions stated in this report, we are of the opinion that the PEL 6636L is in good standing.		

Findings

PEL 6678L: Details

Details	6678L
Holder	Mr. Tomás Frederico Mandlate
Area (in hectares)	3,185.76
Location	Montepuez District, Cabo Delgado Province
Minerals covered	Graphite and Ruby
Date of issue	18 March 2014
Date of expiry	18 March 2019

Findings**PEL 6678L: Compliance status**

Item	Status	Implication	Recommendation
Performance bond	Submitted	None	N/A
Reporting obligations	Submitted in March 2015, when it should have been submitted in January 2015.	Although complied outside the deadline foreseen by law, the obligations are considered to be complied with and therefore no adverse implication are expected.	N/A
EMP/ Environmental license	Not yet submitted	It must be submitted and approved within 90 days from the title issue date or collection date, whichever occurs last, otherwise it may be cancelled. However, in practice, the Mining Authorities are not enforcing such provision of the law when it comes to Prospecting and Exploration Licenses and, therefore, the risk of any adverse impact to the PEL is low.	To submit the Environmental Management Plan as soon as possible.
Surface tax	Surface tax for 1 st and 2 nd year of activities was paid in due time	None	N/A
Encumbrances, dealings, overlaps and litigations	<p>Encumbrances: We are not in a position to confirm whether there are any encumbrances in place. However, as any encumbrance over a mining title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Dealings: We are not in a position to confirm whether there are any dealings in place. However, as any dealing implying the transfer of the title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Overlapping: No other mining title overlaps the PEL. However, it is not possible to determine whether there are any other rights on the license are (e.g. agriculture, forestry, etc), as such information can only be obtained after an extensive field work, which does not form part of our scope of our report;</p> <p>Litigations: There are no ongoing litigation with the Mining Authority. We are not in a position to confirm whether there are any litigations with other public and private entities, as such information is not publicly available.</p>		
Overall assessment	As a result of our review and subject to the qualifications and assumptions stated in this report, we are of the opinion that the PEL 6678L is in good standing.		

Findings

PEL 5873L: Details

Details	5873L
Holder	COSEC, Lda
Holder's representative	Mr. Vasco Vicente Magumane Gune
Holder's shareholders	Mr. Vasco Vicente Magumane Gune; Mr. Ângelo Joaquim Custódio Mesa; Mr. Agostinho da Cruz Gabriel Mavanga; Mr. Teófilo João and Mr. Eugénio Henrique Zitha Mathlaba (we were not able to determine their shareholdings in the company)
Area (in hectares)	13,779.25
Location	Montepuez District, Cabo Delgado Province
Minerals covered	Graphite and base metals
Date of issue	17 November 2014
Date of expiry	17 November 2019

Findings**PEL 5873L: Compliance status**

Item	Status	Implication	Recommendation
Performance bond	Submitted	None	N/A
Reporting obligations	Not yet due, as the license was collected in January 2015.	None	N/A
EMP/ Environmental license	Not yet submitted	It must be submitted and approved within 90 days from the title issue date or collection date, whichever occurs last, otherwise it may be cancelled. However, in practice, the Mining Authorities are not enforcing such provision of the law when it comes to Prospecting and Exploration Licenses and, therefore, the risk of any adverse impact to the PEL is low.	N/A
Surface tax	Surface tax for the period from 17.11.14 to 17.11.15 was paid on 09.12.14, upon collection of the licence.	None	N/A
Encumbrances , dealings, overlapping and litigations	<p>Encumbrances: We are not in a position to confirm whether there are any encumbrances in place. However, as any encumbrance over a mining title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Dealings: We are not in a position to confirm whether there are any dealings in place. However, as any dealing implying the transfer of the title is subject to authorization from the Mining Authorities, we were able to confirm that no such authorization was sought.</p> <p>Overlapping: No other mining title overlaps the PEL. However, it is not possible to determine whether there are any other rights on the license are (e.g. agriculture, forestry, etc), as such information can only be obtained after an extensive field work, which does not form part of our scope of our report;</p> <p>Litigations: There are no ongoing litigation with the Mining Authority. We are not in a position to confirm whether there are any litigations with other public and private entities, as such information is not publicly available.</p>		
Overall assessment	As a result of our review and subject to the qualifications and assumptions stated in this report, we are of the opinion that the PEL 5873L is in good standing.		

Section 4

Appendix A: Mining Concessions

Regime applicable to Mining Concessions

Licence application

96. Under article 42, paragraph 4 of the New Mining Law, where a Mining Concession (“MC”) request emerges from a Prospecting and Exploration Licence, the holder of the Prospecting and Exploration Licence has the preferential right to acquire the concession in relation to any third party, provided such holder has fully complied with its obligations under the scope of the Prospecting and Exploration Licence.
97. In order to obtain a MC, an application addressed to the Minister of Mineral Resources must be submitted with the Directorate of Mines. Such application must include, in terms of article 44, paragraphs 4 and 5 of the Mining Regulations, evidence that the applicant has complied with its obligations under the Prospecting and Exploration License, has the required legal, technical and financial capacity to conduct the mining activities, which are naturally much more demanding when compared to the information required to obtain a Prospecting and Exploration License.

Holder’s entitlements under the concession

98. In terms of article 43 of the New Mining Law, MC permits the holder to:
- Use and occupy the land and carry out, on an exclusivity basis, the exploitation of the mineral resources identified during the Prospecting and Exploration phase and conduct the necessary operations and works;

Holder’s entitlements under the concession (cont.)

- Use the land and erect any installation, structures or buildings necessary for carrying out the operation related with the exploitation activities;
- Utilize water, timber and other materials in the licensed area for exploration activities, subject to the applicable laws;
- Use portion the land that are necessary for agriculture and cattle-breeding in a ratio that is adequate for self-consumption;
- Store, transport, process mineral resources and manage waste;
- Sell or dispose of the mineral products resulting from the exploitation operations

Term

99. Pursuant to article 42, paragraph 2 of the New Mining Law, MCs 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.

Area of the concession

100. MCs must be in respect of the area necessary to carry out the operations. Under article 56 of the Mining Regulations, licensed areas are extendable on application to the Minister of Mineral Resources, which must set out the reasons justifying the extension of the area.

Regime applicable to Mining Concessions

Holder of the concession

101. Pursuant to article 42, paragraph 1 of the New Mining Law and article 44, paragraphs 3 and 4 (a) of the Mining Regulations, only legal entities established and registered in Mozambique are entitled to hold a MC, irrespective of the nationality of its shareholders.

Holder's Obligations with respect to MCs

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

- Initiate the development of the mine within 24 months from the issuance of the last licence or authorization required (i.e Environmental Licence and the Right of Use and Exploitation of Land);
- 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 mining management, health and safety regulations;

Holder's obligations with respect to MCs (cont.)

- Comply with the obligations imposed by the environmental regulations;
- Allow the 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 infrastructures in the licensed area, provided that such activities/infrastructures 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 damages caused as a result of the mining activities;
- Demarcate the licence area with concrete beacons that can be easily identifiable, within 90 days from issuance of the Mining Concession;
- Perform the activities related with 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 commercialization 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 programme and minimum expenses schedule for the following year;
- Maintain workman's compensation insurance and insurance covering third party liability and damages on the mining equipment and;

Regime applicable to Mining Concessions

Holder's obligations with respect to MCs (cont.)

- 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.

Timeline to production

103. The MC can be obtained in advance of the Environmental Licence. Unlike many other countries, the MC, the Right of Use and Enjoyment of Land ("DUAT") and the Environmental Licence are not intimately linked together.

104. From the date of obtaining a MC, the licence holder has 3 years to obtain an Environmental Licence and the DUAT. Development must commence within 24 months of the grant of the Environmental Licence or the DUAT, whichever occurs last. Nevertheless, production must commence within 48 months of the grant of the MC.

105. Thus the MC can be obtained up to 4 years ahead of the commencement of production.

Sharing of benefits

106. Please refer to paragraphs 41 to 47.

Environmental management tools

107. Any mining operation is subject to the approval of an Environmental Impact Study (EIS), followed by the issue of an Environmental license, which is valid for the whole term of the Mining Concession, but is subject to review every 5 years (article 13, paragraph 3 of the Environment Regulations for Mining Activities)

Restoration bond

108. Mining concessionaires are required to provide, on an annual basis, a restoration bond to cover the costs of restoration of the environment during mine closure, as per article 24, paragraph 1 of the Environment Regulations for Mining Activities.

109. Under article 24, paragraphs 2 and 6 of the Environment Regulations for Mining Activities, the value of the bond is based on an estimate of the costs of such restoration and is set by the Ministry of Mineral Resources and reviewed every two years.

110. The restoration bond may take the form of an insurance policy, a bank guarantee or a deposit in cash in a bank account that the Ministry of Mineral Resources maintains specifically for the purpose (article 24, paragraph 5 of the Environment Regulations for Mining Activities).

Regime applicable to Mining Concessions

Taxation

Surface tax

111. Pursuant to articles 15 and 16, paragraph 3 of the Mining Tax Law and articles 12, paragraph 3, and 14 of the Tax Regulation for Mining Activities, Mining Concessionaires are required to pay surface tax of a fixed amount per square km of land comprised in the concession. Surface tax is payable at a fixed amount of 2,500 MZN (approx. US\$93) per square km for years one to five inclusive and 5,000 MZN (approx. US\$185) per square km in each year thereafter.

Production tax (Royalties)

112. Pursuant to article 2 of the Mining Tax Law and article 3 of the Tax Regulations for Mining Activities, Production tax is levied on the value of the quantity of mineral product extracted from the licensed area, as a result of the mining activity performed, with or without mining title, regardless of the sale, export or other form of disposal of the mineral product.

113. According with article 7 of the Mining Tax Law, the tax base for Production Tax is the value of the quantity of mineral product extracted from the earth, taking as a base, in general, the value of the taxpayer's sales, when the extracted product has been sold in the month or quarter to which the tax to be assessed corresponds. Unsold mineral product extracted in the month is evaluated based on the price of the last sale made by the taxpayer. If there are no sales, the base for the determination of the value of the quantity of mineral product extracted should be the market price.

Production tax (Royalties) (cont.)

114. Pursuant to article 9 of the Mining Tax Law and article 5 of the Tax Regulations for Mining Activities, the production tax rates are the following:

Mineral	Rate
Diamonds	10%
Precious metals and precious stones	10%
Semiprecious stones	6%
Base metals	5%
Coal and other mineral products	3%

115. Pursuant to article 10 of the Tax Regulations for Mining Activities, the Production tax is payable on a monthly basis and by no later than the 20th day of the following month to which it respects.

Tax on cash flow

116. Tax on cash flow (Imposto sobre Renda de Recurso Mineiro) is levied on net cash flow of a mining title, from the moment in which such cash flow starts generating an internal rate of return, before corporate income tax, equal or higher than 18%.

117. This tax is due when there are accrued net cash flow gains at the end of each financial year.

118. The tax on cash flow rate is 20%.

Section 5

Appendix B: Summary of the main Corporate Income Tax and VAT rules

Corporate Income Tax (“IRPC”)

General rules

119. According to Corporate Income Tax Code (CIRPC), companies and similar entities (e.g. branch) that are tax resident in Mozambique are liable to corporate tax, which is levied on taxable profits, defined as accounting profits adjusted to comply with tax law rules.

120. The main regime of computation of taxable income is the one applicable to companies with head office or effective management in Mozambique, i.e. with a tax residence in this country, which are engaged in industrial, commercial or services business, which in practice means economic activities in general.

Tax period

121. As per the CIRPC, companies and similar entities that are tax resident in Mozambique (branch) are required to keep accounts for tax purposes on a calendar year basis, unless a different year-end is agreed with the tax authorities, upon request.

Profits and gains

122. Taxable profits and gains are defined as those derived from any activities, normal or occasional, fundamental or ancillary to the company business. Such concept, amongst other, includes, proceeds or fees received from products sold or services provided, commissions received, property rent; interests, dividends, etc.

Costs and losses

123. A basic principle regarding acceptance of costs and expenditures requires that these are necessary for the company's/branch's activity, i.e. indispensable to generate the profits and gains obtained by the company, and are supported by legally accepted documentation.

124. This concept includes, among others, production or purchase costs of any products or services, distribution, transport, marketing and sales costs, interest and other financial costs, administrative, salary and wage costs, insurance premiums, rents, transport and communication costs, taxes and similar expenses, depreciation charges, provisions, realized capital losses and compensations paid.

125. However, some costs are not accepted as tax deductible costs and must be added back in the tax computation. These include, among others, the following costs:

- Corporate tax itself;
- The specific taxes due for petroleum and mining activities;
- Taxes paid by the company but legally due by third parties;
- Fines and other penalties paid due to any infringement, which do not have a contractual basis, including interest;
- Compensations paid when the respective risk can be insured;
- 50% of *per diem* expenses and compensations for the use of employee's own vehicle;
- 80% of expenses incurred with entertainment of clients, suppliers, and similar;

Corporate Income Tax (“IRPC”)

Costs and losses (cont.)

- 50% of expenses and costs incurred with passenger cars, including leases or rents, fuel, maintenance and repairs;
- Confidential and illegal expenses as well as any payments without proper supporting documentation, namely VAT invoicing requirements. Note that these expenses considered not duly documented are cumulatively taxed separately at 35%.

Depreciation

126. According to the tax code, in general, depreciation of fixed assets should be charged to the profit and loss account, either on constant charge method/straight line method or declining charge method/reducing balance method, according to rates established by law, which defines maximum specific rates to be used for each type of fixed assets.

127. However, depreciations made under the following circumstances are not accepted as costs, and, therefore, must be added back in the tax computation:

- Not reflected in statutory accounts;
- Beyond the maximum period of useful life;
- Elements of the fixed assets not subject to depreciation;
- Land (as in Mozambique the land belongs to the State)
- Passenger vehicles beyond the amount of MZM 800,000.00, considering the acquisition or revaluation amount;
- Re-investment of the sale value.

Losses carry-forward

128. Tax losses can be offset against taxable profits arising in the following five years.

129. However, if the object and purpose of the company that incurred the losses is altered, or if the nature of its activities is materially changed, the company loses the right to use the accumulated losses in the tax year when these modifications occur.

Main tax corrections

Thin capitalization

130. The Mozambican thin capitalization legal regime is applicable when an entity (“taxpayer”) that is subject to pay IRPC has excessive indebtedness situation with a non-resident entity with which it maintains a special relation, whenever any of their relevant debt to equity ratios exceeds a factor of two.

131. “Relevant debt to equity ratio”, within the context of the law, means the ratio between, on one hand, the amount of direct and indirect indebtedness of a Mozambican company towards a specially related non-resident, and on the other, the amount of equity that this non-resident holds in the Mozambican company.

132. A “specially related non-resident”, for these purposes, is an entity with special links with another, which comprises any entity that:

Corporate Income Tax (“IRPC”)

Thin capitalization (cont.)

- Holds, either directly or indirectly, at least, 25%, of the share capital of the Mozambican company, or
- Though holding less than 25%, has a significant influence on its management, or
- Both taxpayer and non-resident entity are under control of the same entity, which has participation in their share capital, either directly or indirectly.

Transfer pricing

133.The Tax Authorities may proceed with the necessary corrections for assessing the profits for tax purposes whenever:

- By virtue of special relations between the taxpayer and other entity, different conditions from those who should be normally agreed between independent entities have been established, and
- In consequence of those conditions, the profits for accounts purposes are different from those that would have resulted had such special relations not existed.

134.The corrections above shall be equally applicable whenever the profits for accounts purposes regarding non-resident entities are different of those that should have resulted if the non-resident entity were a separate entity carrying out similar activities in similar conditions and with total independence.

Transfer pricing (cont.)

135.The corrections referred above will also be applicable to entities that carry out activities simultaneously subject and non subject to the Corporate Income Tax Code, provided that similar evasion regarding such activities is verified.

136.Whenever these corrections are applicable to one taxpayer of Corporate Income Tax (Taxpayer 1) by virtue of special relations with another taxpayer of Corporate Income Tax or of Individual Income Tax (Taxpayer 2), the adjustments reflecting the corrections made in the calculation of the profits for tax purposes of the Taxpayer 1 shall be applicable in the assessment of the profits for tax purposes of the Taxpayer 2.

Withholding tax applicable to local and foreign service providers

137.Corporate income tax is withheld at source in respect to the following payments at the rate of 20%:

- Income from intellectual or industrial property;
- Utilisation of equipment;
- Capital and real estate income;
- Remuneration of statutory boards of companies;
- Intermediation of contracts;
- Rendering of services; and
- Payment of rents by companies to individuals or companies other than real estate or property management companies.

Corporate Income Tax (“IRPC”)

Withholding tax applicable to local and foreign service providers (cont.)

138. Amounts of corporate tax withheld at source are considered as payments on accounts of final tax due.

139. However, payments to non-residents without permanent establishment are taxed through definitive withholding taxes of 20% on the income listed above. The following income are taxed at a rate of 10%:

- Rendering of telecommunications and international transport services, as well as assembly and installation of the equipment made by such entities;
- Construction and rehabilitation of infrastructure related with the production, transport and distribution of electrical energy in rural areas, within the scope of public electrification projects;
- Freight of ships for performance of fishing activities and cobotage operations.
- Income derived from shares listed in the Mozambican Stock Exchange are also taxed at a rate of 10%.

Exceptions (only applicable to resident entities)

140. Corporate tax is not withheld at source in respect to the following payments:

- Interest on loans and interest due for late payments of debts owed to Mozambican credit institutions subject to corporate tax in respect of these amounts;

Exceptions (only applicable to resident entities (cont.))

- Interest from the deferral of payment of commercial debts as well as due to their late payment, paid to companies subject to corporate tax in respect of these payments;
- Profits paid to parent companies that holds a participation corresponding 20% or more of the share capital for at least two years, provided that both companies are registered in Mozambique;
- Income obtained by Holding Companies (SGPS), provided that these own for at least one year a minimum of ten per cent (10%) of the payer’s share capital with voting rights;
- Services and commissions between resident companies;
- Property rents paid to companies merely engaged in holding and managing their own property, provided that these are not subject to a transparency regime;
- Lease of equipment between resident companies.

Payment of withholding tax

141. By the 20th day of the following month all amounts withheld have to be delivered by the company to the tax authorities.

142. However if payments of income subject to withholding is to be made to foreign entities, proof of payment of the tax has to be presented to the commercial bank or central bank (when applicable) before the transfer is processed or approved. Therefore in these cases the withholding tax has to be paid to the State before the transfer is made.

Corporate Income Tax (“IRPC”)

Statutory compliance requirements

Payment of tax

143. The CIRPC establishes the following deadlines for payment of this tax:

- Advance on-account payments:
 - Companies or branches carrying out as principal a commercial, industrial or agricultural activity must proceed with the payment of advance on account payment in three equal instalments in May, July and September.
 - Advance on-account payments are correspondent to 80% of previous year's tax liability less withholdings.
- Special advance on-account payment:
 - The above referred entities must also proceed with special advance payments in three instalments in June, August and October.
 - Special advance payment is correspondent to the difference between 0,5% of the turnover referent to the previous tax year (with a minimum limit of MZN 30.000,00 and maximum of MZN 100.000,00), and the value of the advance payments made in the previous year.
 - Please note that in case of no turnover in the previous year, the special advance on account payment is calculated based on the amount of the last turnover had by the company in other previous years – the Corporate Tax Code does not fix a limit of how many years a company should go back to assess last turnover.

- Final tax

- As per the CIRPC, the deadline for payment of final tax is due by the last working day of May or 5th month after the tax year end in case a different tax period is adopted.

Other declarative obligations

144. Corporate taxpayers should also comply, amongst others, with the following declarative obligations:

Declarative Obligation	Deadline
Annual Income Tax Return (M/22)	By the last working day of May or by the last working day of the fifth month subsequent to the end of the tax period for the taxpayers authorized to adopt a different tax year
Annual Declaration of Accounting and Tax Information (M/20) and supporting documents	By the last working day of June or by the last working day of the sixth month subsequent to the end of the tax period for the taxpayers authorized to adopt a different tax year
Annual Communication on the Income Paid to Non-Resident Entities (M/20-I)	By the last working day of June
Declaration of commencement of activities	fifteen days before start of activities
Declaration of alterations	fifteen days after occurrence of alteration
Declaration of termination of activities	thirty days after termination
Declaration of substitution (applicable when tax assessed is less than tax due, or tax losses declared are higher than effective losses)	No legal deadline foreseen by law. However, it is recommended that such declaration be submitted together with the Annual Declaration of Accounting and Tax Information (M/20)

Corporate Income Tax (“IRPC”)

Taxation at year-end

145. In general, the standard rate applicable to taxable profits assessed at year is thirty two per cent (32%).

146. Note that final tax value due for the previous year has to be paid with the submission of M/22 and payment of 1st instalment of advance on-account payment for the current year.

Recent changes to the CIRPC applicable to mining companies

147. As per the Law no. 4/2012 of 23 of January and Law no. 28/2014, of 23 September, the following rules are applicable to mining companies:

- Ring fence regime is applicable, whereby the mining companies shall now organise statutory accounts and comply with tax and accounting obligations separately per license or concession;
- Mining companies shall report the annual profit earned by each license/concessions separately;
- It is not allowed to offset costs and revenues amongst licenses and concessions;
- Overhead costs or charges that are not directly imputable to a specific mining title, must be attributed pro-rata to all the existing mining titles;
- Each license/concession shall have its own tax registration number (NUIT);

Recent changes to the CIRPC applicable to mining companies (cont.)

- In addition to those that are generally not deductible, the following costs are also not deductible:
 - Exploration expenditures where there are no discoveries;
 - Expenditures resulting from infringements in relation to the management of the mining activity;
 - Expenditures resulting from hedging contracts;
 - Expenditures with professional training of expatriates and also those that are not aligned with the applicable legislation;
 - Financial offerings given to the State in return for awarding mining concessions;
 - Mining production tax;
 - Tax on cash flow;
 - Trading and transport expenditures beyond delivery point;
 - Expenditures with independent expert to determine the price of the mining product, when requested by the Government;
 - Commissions paid to intermediaries;
 - Arbitration costs, when not promoted by the Government;
 - Compensations paid as penal clauses;
 - Damages caused to third parties by the tax payer or a person acting on its behalf;
 - Expenditures in carrying out a social responsibility plan.

Corporate Income Tax (“IRPC”)

Recent changes to the CIRPC applicable to mining companies (cont.)

- The following depreciation rates are applicable to the following assets:

Asset type	Rate
Acquisition of mining rights	10%
Exploration expenditures	100%
Development expenditures	25%
Mining production assets	20%
Other assets	10%

- The assets are depreciable from the moment they can be used or when commercial production starts, whichever occurs last.
- In order for the depreciations to be deductible, the expenditures must be recognized in the tax payer’s books in the financial year in which they were incurred.
- When the mining rights are transferred, the purchaser must continue to depreciate the assets following the same terms that the seller was applying;
- The thin capitalization rules applies regardless of there being special relations or not and are also extended to indebtedness towards resident entities.
- The withholding tax rate on service income earned by non-resident entities in connection with mining activities is 10%;

Recent changes to the CIRPC applicable to mining companies (cont.)

- Capital gains earned in Mozambique by non-resident entities are subject to tax at a rate of 32%. The holder of the mining title or the acquiring entity are both joint and severally liable towards the seller in relation to payment of the tax resulting from capital gains.

Value Added Tax (“VAT”)

General rules

148. As per the VAT Code in force, VAT is levied on the **(i) supply of goods or (ii) services**, carried out in the national territory by a taxpayer acting as such and, in any case, on **(iii) the importation of goods**.

149. Mozambique (unique) VAT rate is 17%.

Taxable persons

150. For VAT purposes, the following are regarded as taxable persons:

- Any person carrying on an economic activity on an independent and regular basis;
- Any person carrying on an operation on an occasional basis;
- Non-residents carrying on operations;
- Importers (whether or not being entrepreneurs);
- Cases of self-assessment;
- Any person who unduly charges VAT on an invoice;
- State, except if those activities are not carried out in a significant manner (includes telecommunications, water, gas and electricity distribution, transports, ports and airports, TV and radio, etc).

Place of taxable transactions

151. Mozambican VAT is levied on the supply of goods or services carried out within the national territory without exceptions (territoriality concept), as well as on the imports (e.g. entry of goods in the territory, with a few exceptions).

Place of taxable transactions (cont.)

152. The main rules for determining where the taxable operation takes place are the following:

Supply of goods

- General rule: place where the transport to the person to which the goods are supplied begins or place where the goods are when the supply takes place.
- Exceptions: transactions by the importer before clearance of the goods upon import.

Rendering of services

- General rule – place where the supplier has established its business or permanent establishment from which the services are rendered or permanent address.
- Exceptions:
 - Services related to immovable property – place of property;
 - Works on movable goods – place where the service takes place;
 - Services of artistic, scientific, sports, recreational, educational and similar nature – place where the service takes place;
 - Transport - where effected, or distance covered;

Value Added Tax (“VAT”)

Rendering of services (cont.)

- Self-assessment rules: supplies of specific services listed in the VAT Code by foreign suppliers (e.g. telecommunications, royalties, licenses, trademarks, copyrights, advertising consulting, engineering, lawyers, economists, accountants and R&D services, supply of staff, lease - including financial leasing - of movable goods, etc) are taxable in Mozambique provided the customer is a taxable person (the same supplies would not be VAT able in the case the customer is a foreign entity - individual or corporate entity - even if the supplier is a resident entity). The self-assessment rules would be also applicable and, therefore, the supplies would be also taxable in Mozambique, whenever the services provider fails to register or appoint a VAT representative.

Exemptions

153. The Mozambican VAT Code establishes two types of exemptions, namely, single and complete exemptions.

Simple exemptions

154. In this case the taxpayer, when carrying out operations, does not charge VAT to the purchaser. However, such taxpayer is also not allowed to deduct input VAT. Within the country, the single exemptions are applied, amongst other, to the following operations:

- Bank and financial operations,
- Insurance and reinsurance,

Simple exemptions (cont.)

- Lease of immovable property for habitation purposes and for commercial, industrial purposes provided that the immovable is located in a rural zone. Commercial lease of immovable property in urban areas is VATable.

Complete exemptions or zero-rated operations

155. In this case the taxpayer, when carrying out operations, does not charge VAT to the purchaser but is allowed to deduct input VAT. The exports (like transactions and international transport) benefit from a complete exemption.

156. Within the country, without prejudice of other transactions referred in the applicable legislation, as far as it concerns to mining activities, the acquisition of services related to drilling, exploration and construction of infrastructures within the mining or oil industries during exploration and development phases are defined as complete exemptions:

VAT deduction

157. The taxpayer may only exercise the right to deduct the tax mentioned in the issued invoice or similar document, in his name and possession and only in the statement of the period in which the receipt of invoices or similar document occurred, without prejudice to any potential corrections provided by the VAT Code.

158. If the deductible VAT exceeds the VAT amount paid, the excess may be carried forward to the next month.

Value Added Tax (“VAT”)

VAT deduction (cont.)

159. Under the VAT regime, whenever tax credits exceed the amount of MZN 50.000,00 or if, during a period of 12 consecutive months, the taxpayer is entitled to a credit right, he may request a refund of the VAT.

Exceptions

160. The VAT paid is generally recoverable by the taxpayers who engage in activities subject to VAT. However, certain costs are excluded from the right of deduction, including:

- VAT included on invoices that do not meet the requirements stipulated by Law;
- VAT incurred on the purchase, manufacture or import, including leasing, use, modification and repair of passenger cars, recreational boats, helicopters, planes, bikes and motorcycles;
- VAT paid on fuel normally used in automobiles, except the purchase of diesel fuel, which tax is deductible at a rate of 50%;
- VAT incurred on transportation and travels of the taxpayer and respective staff;
- VAT paid regarding accommodation, food, beverages, tobacco and entertainment expenses, including those relating to welcome people from outside the company;
- VAT charged with telephone communications, except those relating to landline services, in the taxpayer’s name;
- VAT paid on expense for entertainment and leisure.

Section 6

Appendix C: Caveats and limitations

Caveats and limitations

161. The analysis and opinions in this Report are based on:

- The information and documentation provided by the management Regius group entities and also by the management of Mustang Resources Ltd.
- Our knowledge and interpretation of the relevant law and practice, which are likely to change over time. Such changes may affect the analysis and opinions. Accordingly, you should keep abreast of developments and, if necessary, again consult us.

162. This opinion may not, in whole or in part, without our prior written consent be:

- Relied upon by any other person, except as required by law or the rules of any stock exchange;
- Disclosed, except as required by law or the rules of any stock exchange or except to persons who in the ordinary course of the businesses of the persons permitted to rely on this opinion have access to their papers and records and on the basis that they will make no further disclosure of it; or
- filed with a government or other agency or quoted or referred to in any public document, except as required by law or the rules of any stock exchange.

163. In carrying out the due diligence, we have assumed that:

- Unless otherwise stated herein, all copies made from original documents are true and complete and that such original documents are authentic and complete;
- All signatures appearing on documents supplied to us as copies of originals are genuine;

161. This Report is subject to the following caveats:

- This Report is limited to the Tenements and does not extend to any other mining tenement;
- Our lawyers are qualified to practice law only in Mozambique and we express no opinion as to any other laws;
- We accept no responsibility whatsoever to update this Report for events or circumstances occurring after the date of this Report and cannot accept responsibility for information supplied to us by, or obtained by us from, third parties which may have become out of date at the date of this Report;
- There can be no assurance that the information supplied to us is complete or accurate in all respects or that there is no material information in relation to the Tenements of which we have not been made aware.

164. This Report makes disclosure of the legal matters which are referred to in it. However, we accept no responsibility whatsoever for any inaccuracy or incompleteness in this Report to the extent that any inaccuracy or incompleteness of the information and/or documentation on which we report would not be apparent from a careful and thorough appraisal of such information and documentation as it has been supplied to us and reviewed and after appropriate enquiry arising therefrom.

165. This Report is limited to the effect of the laws of Mozambique as they, and the facts bearing upon this Report, existed on the date of this Report.

11. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

11.1 Directors, Proposed Director and key personnel

Biographies for the Directors and Proposed Director are set out in Section 4.18.

11.2 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website (www.mustangresources.com.au).

Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$200,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing

director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

11.3 Departures from Recommendations

The Company is required to disclose the extent to which it follows the Recommendations during each financial year in its annual financial report and where applicable any departures from the Recommendations must be separately identified and explained.

The Company's departures from the Recommendations as at the date of this Prospectus are explained below.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.	YES	<p>The Company has adopted a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is available on the Company's website.</p>
Recommendation 1.2 A listed entity should: <ul style="list-style-type: none"> (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director. 	YES	<ul style="list-style-type: none"> (a) The Company undertakes appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	<p>The Company requires that each director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p>

<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>YES</p>	<p>The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.</p>
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <ul style="list-style-type: none"> (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <ul style="list-style-type: none"> (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: <ul style="list-style-type: none"> (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012. 	<p>YES</p>	<p>(a) The Company has adopted a Diversity Policy.</p> <ul style="list-style-type: none"> (i) The Diversity Policy provides a framework for the Company to develop a list of measurable objectives that encompass gender equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting the measurable objectives. <p>(b) The Diversity Policy is available on the Company website.</p> <p>(c) (i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition, the Board will review progress against the objectives in its annual performance assessment.</p> <ul style="list-style-type: none"> (ii) The Board will include in the annual report each year, the measurable objectives, progress against the objectives and the proportion of male and female employees in the whole organisation, at senior management level and at Board Level.
<p>Recommendation 1.6</p>		<p>(a) The Chairman is responsible for evaluating the performance of the Board, its committees and</p>

<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p>	<p>individual directors on an annual basis. The Chairman does so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan.</p> <p>(b) The Company requires that disclosure of whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Corporate Governance Statement in the annual report</p>
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p>	<p>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</p> <p>(b) The Company requires the Board to conduct annual performance of the senior executives. Schedule 6 "Performance Evaluation" requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Corporate Governance Statement.</p>

Principle 2: Structure the board to add value

Recommendation 2.1

The board of a listed entity should:

(a) have a nomination committee which:

- (i) has at least three members, a majority of whom are independent directors; and
- (ii) is chaired by an independent director, and disclose:
- (iii) the charter of the committee;
- (iv) the members of the committee; and
- (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.

NO

Company does not have a separate nomination committee but has established a nominations committee charter. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board.

Given the size and nature of the Company's activities the Board does not believe that any material effectiveness or enhancements would be achieved by the creation of a separate nomination committee.

The Board periodically reviews its structure and skills base to ensure that the Board has the optimal spread and depth of skills.

Recommendation 2.2

A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

NO

As at this date the Board has not created a board skills matrix. Full details as to each Director and senior executive's relevant skills and experience are available in Prospectuses, Annual Reports, Corporate Governance Statement and on the Company's website.

<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director</p>	<p>YES</p>	<p>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in Prospectuses, Annual Reports, Corporate Governance Statement and Company's website;</p> <p>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the board in light of the interests disclosed by Directors. Details of the Directors' interests, positions associations and relationships are provided in Prospectuses Annual Reports, Corporate Governance Statement, and on the Company's website; and</p> <p>(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in Prospectuses, Annual Reports, Corporate Governance Statement and the Company's website.</p>
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>YES</p>	<p>2 of the 3 current Directors are independent. Following the appointment of Mr van Wyk on completion of the Acquisitions 2 of 4 directors will be independent.</p> <p>The Board Charter requires that where practical the majority of the Board will be independent.</p> <p>Details of each Director's independence are provided in Prospectuses, Annual Reports, Corporate Governance Statement and the Company's website.</p>

<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	YES	<p>Mr Ian Daymond is an independent director.</p> <p>The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	YES	<p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Remuneration Committee (when active, but currently the full Board assumes this responsibility) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p>
<p>Principle 3: Act ethically and responsibly</p>		
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	YES	<p>(a) The Corporate Code of Conduct applies to the Company's Directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct is available on the Company's website.</p>
<p>Principle 4: Safeguard integrity in financial reporting</p>		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p>	NO	<p>The Company does not have a separate audit committee but has established an Audit & Risk Committee Charter. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board.</p> <p>Given the size and nature of the Company's activities the Board does not believe that any material effectiveness or</p>

<p>(ii) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>enhancements would be achieved by the creation of a separate audit committee.</p> <p>The Audit and Risk Committee Charter is available on the Company's website.</p>
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>YES</p>	<p>Before the Board approves the entity's financial statements for a financial period, the CEO and CFO must have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>YES</p>	<p>The Board invites the Company's external auditor to attend its AGM and is available to answer questions from security holders relevant to the audit.</p>

Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.</p>
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.</p> <p>A copy of the Shareholder Communications Strategy can be found on the Company's website.</p>
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly

		<p>reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.</p>
<p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	YES	<p>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>
<p>Principle 7: Recognise and manage risk</p>		
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, <p>and disclose:</p> <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and 	NO	<p>The Company does not have a separate risk committee but has established an Audit & Risk Committee Charter. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board.</p> <p>Given the size and nature of the Company's activities the Board does not believe that any material effectiveness or enhancements would be achieved by the creation of a separate risk committee.</p> <p>A copy of the Audit and Risk Committee Charter is available on the Company's website.</p>

<p>the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>		
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	YES	<p>(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.</p> <p>(b) Details of the number of times that the Board has met and the individual attendances of members at those meetings will be provided in the Company's Annual Reports.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	NO	<p>The Company does not have an internal audit function. Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p>

<p>Recommendation 7.4</p> <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>YES</p>	<p>The Board Charter details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p>
<p>Principle 8: Remunerate fairly and responsibly</p>		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior</p>	<p>NO</p>	<p>The Company does not have a separate remuneration committee but has established a Remuneration Committee Charter. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board.</p> <p>Given the size and nature of the Company's activities the Board does not believe that any material effectiveness or enhancements would be achieved by the creation of a separate remuneration committee.</p> <p>Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the managing director and the executive team. It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board and executive team by remunerating fairly and appropriately with reference to relevant employment market conditions. To assist in delivering this objective the Board links the nature and amount of executive directors'</p>

executives and ensuring that such remuneration is appropriate and not excessive.		and officers' emoluments to the Company's financial position and operational performance.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	The Board discloses its policies and practices regarding the remuneration of non-executive, executive and other senior Directors. A copy of the Remuneration Committee Charter is available on the Company's website.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	N/A	The Company does not currently have an equity-based remuneration scheme.

12. MATERIAL CONTRACTS

12.1 Acquisition Agreements

The Company has entered into conditional share purchase agreements with:

- (a) the shareholders of Save River Diamonds Pty Ltd (ACN 169 674 177) (**SRD**) to acquire 78% of the issued capital of SRD (**SRD Agreement**).
- (b) the shareholders of Sese Diamonds Pty Ltd (ACN 169 674 186) (**Sese**) to acquire 74% of the issued capital of Sese (**Sese Agreement**).
- (c) the shareholders of Balama Resources Pty Ltd (ACN 601 395 368) (**Balama**) to acquire 100% of the issued capital of Balama (**Balama Agreement**).

(the **Acquisitions**) (the **Acquisition Agreements**).

The shareholders of SRD, Sese and Balama (**Vendors**) from whom the Company will acquire its holding in the respective entities are as follows:

Vendor	SRD % ownership	Sese % ownership	Balama % ownership
Alimold	30%	25%	9%
Elba	38%	42%	33%
Regius	-	-	49%
Keras	10%	7%	9%
Total	78%	74%	100%

Regius Exploration Pty Ltd, a wholly owned subsidiary of Regius will hold the remaining 22% of SRD and Regius Diamonds Pty Ltd, a wholly owned subsidiary of Regius, will hold the remaining 26% of Sese.

Regius is entitled to have one representative on the board of each of the Company, SRD, Sese and Balama.

The material terms of the Acquisition Agreements are as follows:

- (a) (**Conditions precedent**): Each Acquisition is conditional upon the following conditions precedent:
 - (i) any and all authorisations and approvals which may be required by law (Australian or Mozambique) to implement the relevant Acquisition having been obtained, including under the ASX Listing Rules, the Corporations Act, any provision of a party's constitution or as may be required by ASIC or ASX, including (without limitation) the approval of the Company's Shareholders for all relevant purposes;
 - (ii) there being no event, occurrence or change after the date of the relevant agreement that has or is reasonably likely to have a material adverse effect on the financial condition, assets, liabilities, results of operations, profitability or prospects of SRD, Sese or Balama as the context requires or the respective projects, in the reasonable opinion of the Company;

- (iii) there being no event, occurrence or change after the date of the relevant agreement that has or is reasonably likely to have a material adverse effect on the financial condition, assets, liabilities, results of operations, profitability or prospects of the Company, in the reasonable opinion of the Vendors;
- (iv) each party obtaining all third party consents, approvals or waivers required to effect the relevant Acquisition, each of which is unconditional or subject only to conditions reasonably acceptable to the parties; and
- (v) the Company receiving from ASX conditional approval to the reinstatement of the Company to trading on ASX following the completion of the relevant Acquisition.

on or before the Closing Date of the Offer and reinstatement of the Company to trading on ASX.

- (b) **(Consideration):** The Company will satisfy the consideration for the Acquisitions through the issue of the following Securities:

Agreement	Shares	Options	Performance Rights	Cash Consideration
SRD	11,140,030	1,119,403 ⁽¹⁾	3,358,209 ⁽³⁾	\$Nil
Sese	11,140,030	1,119,403 ⁽²⁾	3,358,209 ⁽⁴⁾	\$Nil
Balama	10,000,000	Nil	42,000,000 ⁽⁵⁾	US\$100,000 ⁽⁶⁾ US\$1,500,000 ⁽⁷⁾
Total	32,280,060	2,238,806	48,716,418	US\$1,600,000

Notes:

- (1) Exercisable at \$0.21 each on or before the date which is two years after completion of the acquisition of SRD.
- (2) Exercisable at \$0.21 each on or before the date which is two years after completion of the acquisition of Sese.
- (3) Comprising:
 - (a) 2,238,806 Class A Performance Rights, which will vest on 1 July 2016 if the Bulk Sampling Program has been completed and generated gross proceeds of at least US\$5,000,000 from the direct mining of 4969L during the period 1 January 2015 to 30 June 2016; and
 - (b) 1,119,403 Class B Performance Rights, which will vest following a successful US\$10,000,000 facility being provided to SRD on or before 30 June 2018.
- (4) Comprising:
 - (a) 2,238,806 Class C Performance Rights, which will vest on 1 July 2016 if the Bulk Sampling Program has been completed and generated gross proceeds of at least US\$2,500,000 from the direct mining of 4525L during the period to 30 June 2016; and
 - (b) 1,119,403 Class D Performance Rights, which will vest following a successful US\$2,500,000 facility being provided for the mining of 4525L and 4969L on or before 30 June 2018.
- (5) Comprising:
 - (a) 14,000,000 Class F Performance Rights, which will vest upon proving a JORC Compliant Inferred Graphite Resource of a minimum of 50 million

- tonnes at >5% Total Graphite Content (**TGC**) on or before 31 December 2019, on any of the licences acquired under the Balama Agreement;
- (b) 14,000,000 Class G Performance Rights, which will vest upon proving a JORC Compliant Inferred and Indicated Graphite Resource of a minimum of 100 million tonnes at >5% TGC on or before 31 December 2019, on any of the licences acquired under the Balama Agreement; and
 - (c) 14,000,000 Class H Performance Rights, which will vest upon proving a JORC Compliant Inferred and Indicated Graphite Resource of a minimum of 500 million tonnes at >5% TGC on or before 31 December 2019, on any of the licences acquired under the Balama Agreement.
- (6) Payable to Regius Resources on completion of the Acquisitions. Mr van Wyk, a Proposed Director, is a director of, and holds 75% of the issued capital in Regius Resources.
 - (7) Payable to all Balama shareholders (at the date of completion of the Balama Agreement) following the vesting of Class F Performance Rights.
- (c) **(Reimbursement):** On completion of the Acquisitions, the Company will reimburse costs incurred by Elba and Alimold on the Balama Project up to US\$200,000 subject to the receipt of invoices substantiating the expenses.
 - (d) **(Debt conversion):** Elba and Alimold have agreed, subject to Shareholders approval, to convert a portion of the debt owing to them by SRD (\$100,000 and \$50,000 respectively) on completion of the Acquisitions at a deemed issue price per Share of \$0.20 being the same price as the Shares being issued under the Offer.

12.2 Underlying Agreements

Save River Diamonds Project

SRD acquired the right to earn a 65% interest in 4969L from Regius Exploration Pty Ltd (ACN 152 460 627), a wholly owned subsidiary of Regius in consideration for a 22% shareholding interest in SRD.

Sese has the right to acquire a 70% interest in 4525L, which sits adjacent to L4969, from Regius Diamonds Pty Ltd (ACN 152 970 646), a wholly owned subsidiary of Regius, in consideration for a 26% shareholding interest in Sese.

SRD and Sese Joint Ventures

SRD and Sese will fund the exploration on 4969L and 4525L in two phases:

- (a) Phase 1: A budget of US\$2.5 million has been approved to complete a bulk sampling program on 4969L and 4525L. SRD and Sese, through loan facilities with the Company, have obtained commitments for financing the total budgeted costs of the bulk sampling program. SRD and Sese have until 29 December 2015 to complete the bulk sampling. Any diamonds recovered from the bulk sampling program on 4969L and 4525L will be sold on the international market by open tender with SRD and Sese entitled to 100% of the net revenue until their respective loans and accrued interest are repaid in full. Any unpaid loan balance and accrued interest after completion of Phase 1 will be carried over and repaid from revenue generated from any subsequent exploration phase.
- (b) Phase 2: Subject to a satisfactory bankable feasibility study SRD and Sese will aim to secure a loan facility for an aggregate of US\$10,000,000 to undertake full-scale mining on 4969L and 4525L. In the event the full

\$10,000,000 cannot be obtained then full scale mining will be undertaken to the level of capital obtained and all proceeds from mining derived by SRD and Sese will be re-invested until an aggregate of US\$10,000,000 has been invested by SRD and Sese on full-scale mining on 4969L and 4525L. Any diamonds recovered from full-scale mining on 4969L and 4525L will be sold on the international market by open tender with SRD or Sese as the context requires entitled to 50% of the net revenue until the loan and accrued interest is repaid in full with the remaining 50% distributed to shareholders of the legal owner of the licence (of which SRD will be a 65% holder for 4969L and Sese a 70% holder for 4525L).

In addition, for SRD to complete the acquisition of a 65% interest in the 4969L, an amount of US\$1,000,000 to US\$1,500,000 is payable to the licence holder on conclusion of the Phase 1 exploration program with the amount to be mutually agreed based on the results of the Phase 1 exploration program. Where the revenue from the Phase 1 exploration program is insufficient to satisfy the cash consideration to complete the acquisition of a 65% interest in 4969L, SRD can elect at its sole discretion whether to proceed with the acquisition and if it does then any payment made to satisfy the cash consideration amount in excess of the revenue generated from the Phase 1 exploration program will be treated as a loan to be repaid in priority from any subsequent exploration phase.

Balama Project

Balama has acquired the right to earn-in to the following licences from Regius Exploration Limitada and Regius, in consideration for a 49% shareholding interest in Balama (which will be acquired by the Company under the Balama Agreement):

Vendor	Licence	Earn-in Interest
Regius Exploration Limitada	4661L	60%
Regius Exploration Limitada	4662L	60%
Regius	5873L	75%
Regius	6527L	75%
Regius	6636L	75%
Regius	6678L	80%

Balama Joint Ventures

Regius and Regius Exploration Limitada are parties to joint venture agreements with the current registered holders of the licences comprising the Balama Project. These joint venture agreements set out the obligations to be satisfied to earn an interest in these licences. Balama, on completion of its acquisition with Regius and Regius Exploration Limitada, will assume the position of Regius and Regius Exploration Limitada in these agreements and acquire these rights to earn-in to these licences. The material terms of these joint venture agreements are set out below.

(a) 4661L and 4662L

Balama will free carry the minority holder until a maiden JORC Code compliant indicated and inferred resource is delineated on either of the licences on or before 30 June 2017. The minority holder can then elect to fund on a pro-rata basis or elect to sell its interest to Balama at a valuation

to be determined by an independent expert (with Balama obligated to buy the minority holder's interest).

(b) 6527L, 6636L and 6678L

Balama will free carry the respective minority holder until a decision to mine is made on the relevant licence. The minority holder can then elect to fund on a pro-rata basis or elect to sell its interest to Balama at a valuation to be determined by an independent expert (with Balama obligated to buy the minority holder's interest). Funding provided by Balama will be in the form of a shareholder loan which will bear interest at the rate of 12 month LIBOR (London Interbank Offered Rate) plus 3%.

In respect of 6527L only, on completion of the exploration phase (i.e. at a decision to mine) the minority holder has the right to acquire some or all of Balama's interest in the licence.

(c) 5873L

Balama will have the exclusive right to sole fund exploration and prospecting works on the licence until 31 July 2016. In addition, to complete the acquisition of a 75% interest in the licence, an aggregate of US\$4,000,000 is payable as follows:

- (i) US\$200,000 on or before 15 December 2014. This payment has been made;
- (ii) US\$700,000 on or before 15 February 2016; and
- (iii) US\$3,100,000 on or before 31 July 2016.

12.3 Loan Facilities

SRD and Sese Loan Facility

To assist in funding Phase 1 of the SRD and Sese Joint Ventures, the Company has agreed to provide up to an aggregate of US\$2,500,000 to SRD and Sese to be used for the bulk sampling program on 4969L and 4525L. Interest will accrue on the amounts outstanding at 2.5% above LIBOR (London Interbank Offered Rate). In the event the Acquisitions do not proceed any portion of the funds that have been advanced together with accrued interest will be due and payable within 3 months.

The Company has the right to secure funds advanced under this facility against the material used in the bulk sampling program on 4969L and 4525L and all products derived from that program.

Balama Loan Facility

To assist Balama in ensuring it continues to maintain the licences in which it has rights to earn interests and meet its obligations under the various Balama Joint Ventures, the Company has agreed to provide up to a total of US\$500,000 to Balama. Interest will accrue on the amounts outstanding at 2.5% above LIBOR (London Interbank Offered Rate). In the event the Acquisitions do not proceed any portion of the funds that have been advanced together with accrued interest will be due and payable within 3 months.

12.4 Employment, Consultancy and Management Agreements

Refer to summaries set out at Section 4.21.

12.5 Underwriting Agreements – Termination Events

The occurrence of each and any of the events set out below prior to the issue of Shares under the Offer will entitle an Underwriter to terminate their Underwriting Agreement:

- (a) **(No Quotation Approval):** the Company fails to lodge a listing application in relation to the new Shares with ASX by the time required by the Corporations Act, the ASX Listing Rules or any other regulation;
- (b) **(Restriction on allotment):** the Company is prevented from issuing the new Shares within the time required by the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (c) **(Default):** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
- (d) **(Contravention of constitution or Act):** a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (e) **(Prescribed Occurrence):** a Prescribed Occurrence occurs;
- (f) **(Event of Insolvency):** an Event of Insolvency occurs in respect of a Relevant Company;
- (g) **(Judgment against a Relevant Company):** a judgment in an amount exceeding US\$200,000.00 is obtained against a Relevant Company and is not set aside or satisfied within 7 days; or
- (h) **(Breach of Material Contracts):** any of the material contracts to which the Company is a party is terminated or substantially modified.

For the purposes of the termination events to the Underwriting Agreements the capitalised terms not otherwise defined in this Prospectus have the following meanings:

Event of Insolvency means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 21 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
 - (i) appointing a person referred to in paragraphs (a) or (b);

- (ii) winding up a corporation; or
- (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any insolvency provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within seven days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts; or
- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

Prescribed Occurrence means:

- (a) a Relevant Company converting all or any of its shares into a larger or smaller number of shares;
- (b) a Relevant Company resolving to reduce its share capital in any way;
- (c) a Relevant Company:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under Section 257D or 257E of the Corporations Act;
- (d) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares or any other securities, or agreeing to make such an issue or grant such an option (other than pursuant to the Offer);
- (e) a Relevant Company issuing, or agreeing to issue, convertible notes;
- (f) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) a Relevant Company charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) a Relevant Company resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of a Relevant Company;
- (j) the making of an order by a court for the winding up of a Relevant Company;

- (k) an administrator of a Relevant Company, being appointed under Section 436A, 436B or 436C of the Corporations Act;
- (l) a Relevant Company executing a deed of company arrangement; or
- (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company.

Relevant Company means the Company and each Subsidiary.

Subsidiary means each company which is now, or before the issue of all the Shares contemplated by the Offer becomes, a subsidiary of the Company as that term is defined in the Corporations Act.

13. ADDITIONAL INFORMATION

13.1 Litigation

Mr Paul Page and Petro-Raider LLC, "Petro Raider" together a party to a previous agreement with a subsidiary of Arturus Capital Limited in connection with the Permian project leases (which the Company sold on 11 June 2014) have enjoined the Company in an action to enforce an option agreement previously entered into by Arturus Capital Limited with the parties prior to the sale of the leaseholds to the Company. The parties reached a settlement on 1 April 2015. Under the terms of the settlement the purchaser is to pay Petro Raider US\$400,000. No further funds are payable to the Company.

Napoleonville project

The Company is also a party to a legal dispute in relation to the Hensarling #1 Well in the Napoleonville project, commenced by a previous joint venture partner, Princeton Energy, who is trying to reinstate its 5.4% working interest. Should the claim be successful, the Company's working interest in this well may be reduced from 3.99% to approximately 3.78%. The matter is being dealt with by an arbitrator presently.

As at the date of this Prospectus, several class action suits have been filed in the United States against the operator of the Dugas & Leblanc #1 well and the joint venture partners. Commercial settlement has been reached between the landowners affected by the well blowout and the joint venture partners. The settlement was achieved without additional cash outlay by the Company.

In addition, the Company has recently settled all other personal injuries cases, which will be covered by insurance. There are no further cases outstanding in respect of the Napoleonville Blowout. In addition, under the settlement with the landowners, the joint venture partners remain obligated to complete the remaining remediation of the land affected by the blowout. As at the date of this Prospectus, the Company does not expect any material costs to eventuate given the level of the Company's insurance. Any eventuating costs and insurance reimbursements are unable to be quantified at this time. As part of the sale of Birdwood, all of the Company's liability will be transferred to the sale of the company to Grand Gulf Energy.

As part of the sale of the Napoleonville assets (which is subject to the Company completing acquisition of the Mozambique assets), the litigation on the Napoleonville assets will be released.

Other than as noted above, as at the date of this Prospectus the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

13.2 Rights attaching to Shares

The Shares offered under this Prospectus will be fully paid ordinary shares in the issued capital of the Company and will, upon issue, rank equally with all other Shares then on issue.

The rights and liabilities attaching to Shares are regulated by the Constitution, the Corporations Act, the ASX Listing Rules, the ASX Settlement Rules and common law. The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of

the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

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

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

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, and a fraction of a vote for each partly paid share held equivalent to the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share.

(c) **Dividend rights**

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

Subject to any rights or restrictions attached to a Share or class of Shares, all dividends in respect of a Share must be paid in the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share.

(d) **Winding-up**

Subject to the Constitution and to the rights or restrictions attaching to any Shares or class of Shares, if the Company is wound up and the property of the Company is more than sufficient to pay all of the debts and liabilities of the Company and the costs, charges and expenses to the winding up, the excess must be divided among the members in proportion to the Shares held by them, irrespective of the amounts paid or credited as paid on the Shares.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders the whole or any part of the property of the Company, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) **Shareholder liability**

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

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to (among other things) formal requirements and the registration of the transfer not resulting in a breach of a law of Australia.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, may be varied with the written consent of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

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

13.3 Interests of Directors and Proposed Director

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offers.

13.4 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (d) the formation or promotion of the Company; or
- (e) the Offers.

Agricola Mining Consultants Pty Ltd has acted as Independent Geologist and has prepared the Independent Geologist's Report which is included in Section 8. The Company estimates it will pay Agricola Mining Consultants Pty Ltd a total of \$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Agricola Mining Consultants Pty Ltd has received a total of \$5,000 fees from the Company for other services.

BDO Corporate Finance (WA) Pty Ltd (**BDO**) has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 9. The Company estimates it will pay BDO a total of \$8,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO has received \$18,000 in fees from the Company for other services.

Business Development Corporation (**BDC**) has acted as the Mozambican Legal Advisers to the Company and has prepared the Legal Report on Tenements which is included in Section 10. The Company estimates it will pay BDC a total of US\$34,000 (excluding GST) for these services (equivalent to \$38,100). Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDC has not received fees from the Company for any other services.

Steinepreis Paganin has acted as the Australian solicitors to the Company in relation to the Offers. The Company estimates it will pay Steinepreis Paganin \$100,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received \$80,527.50 in fees from the Company for any other services.

Alimold Pty Ltd has acted as an underwriter to the Offer. The Company estimates it will pay Alimold Pty Ltd \$195,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Alimold Pty Ltd has received \$20,746 in fees from the Company for other services.

Pegari Pty Limited has acted as an underwriter to the Offer. The Company estimates it will pay Pegari Pty Limited \$15,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Pegari Pty Limited has received no fees from the Company for other broking services.

13.5 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Agricola Mining Consultants Pty Ltd has given its written consent to being named as Independent Geologist in this Prospectus, the inclusion of the Independent Geologist's Report in Section 8 in the form and context in which the report is included and the inclusion of statements contained in Section 6 in the form and context in which those statements are included. Agricola Mining Consultants Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

BDO Corporate Finance (WA) Pty Ltd (**BDO**) has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 in the form and context in which the information and report is included. BDO has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Business Development Corporation, Sociedade Unipessoal, Lda (**BDC**) has given its written consent to being named as Mozambican Legal Advisers to the Company in this Prospectus and to the inclusion of the Legal Report on Tenements in Section 10 in the form and context in which the report is included. BDC has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the Australian solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Alimold Pty Ltd has given its written consent to being named as an underwriter to the Offer in this Prospectus. Alimold Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Pegari Pty Limited has given its written consent to being named as an underwriter to the Offer in this Prospectus. Pegari Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Advanced Share Registry Services has given its written consent to being named as the Share Registry to the Company in this Prospectus. Advanced Share Registry Services has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

13.6 Expenses of the Offers

The total expenses of the Offer (excluding GST) are estimated to be approximately \$407,714 are expected to be applied towards the items set out in the table below:

Item of Expenditure	Full Subscription (\$)
ASIC fees	2,290
ASX fees	69,424
Underwriters fees	210,000
Independent Geologist's Fees	10,000
Investigating Accountant's Fees	8,000
Mozambique Legal Fees	38,100
Australian Legal Fees	100,000
Miscellaneous	8,000
TOTAL	407,714

There are no additional expenses related to the Cleansing Offer.

13.7 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price-sensitive information will continue to be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also continue to be managed through disclosure to the ASX. In addition, the Company will continue to post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

13.8 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

13.9 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

13.10 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

14. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director and Proposed Director has consented to the lodgement of this Prospectus with the ASIC.



Ian Daymond
Chairman
For and on behalf of
Mustang Resources Limited

15. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means an Australian dollar.

Acquisitions means the proposed acquisitions by the Company of 78% of the issued capital of SRD, 74% of the issued capital of Sese and 100% of the issued capital of Balama pursuant to the Acquisition Agreements.

Alimold means Alimold Pty Ltd.

Acquisition Agreements means the SRD Agreement, the Sese Agreement and the Balama Agreement, and all amendments thereto, as further described in Section 12.1.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

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

ASX Listing Rules means the official listing rules of ASX.

Balama means Balama Resources Pty Ltd (ACN 601 395 368).

Balama Agreement means the share purchase agreement, and all amendments thereto, between the Company and Balama pursuant to which the Company has agreed, subject to satisfaction of various conditions, to acquire 100% of the issued capital in Balama.

Balama Shareholders means the current shareholders of Balama, being the Vendors under the Balama Agreement.

Board means the board of Directors as constituted from time to time.

Cleansing Offer means the offer of 500 Shares pursuant to this Prospectus as further described in Section 5.

Cleansing Offer Application Form means the application form attached to or accompanying this Prospectus relating to the Cleansing Offer.

Closing Date means the closing date of the Offer or the Cleansing Offer as the context requires as set out in the indicative timetable in the Investment Overview in Section 3 (subject to the Company reserving the right to extend the Closing Date or close the Offers early).

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

Constitution means the constitution of the Company.

Convertible Note means a convertible note issued by the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Elba means Elba Investments Pty Ltd.

General Meeting means the general meeting of the Company held on 23 January 2015 at which Shareholder approval for the Acquisitions and associated matters was obtained.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Notice of Meeting means the notice of meeting in relation to the General Meeting released by the Company to ASX on 22 December 2014.

Offer means the offer of up to 17,500,000 Shares pursuant to this Prospectus as further described in Section 5.

Offers means the Offer and the Cleansing Offer.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Performance Right means a class of performance right in the capital of the Company.

Projects means the projects the subject of the Acquisition Agreements and as described in Section 6.2.

Prospectus means this prospectus.

Regius means Regius Resources Group Ltd (Company Number 8718309), a company registered under the laws of England and Wales.

Section means a section of this Prospectus.

Security means a Share, an Option, a Convertible Note and / or a Performance Right (as the case may be).

Sese means Sese Diamonds Pty Ltd (ACN 169 674 186).

Sese Agreement means the share purchase agreement between the Company and Sese pursuant to which the Company has agreed, subject to satisfaction of various conditions, to acquire 74% of the issued capital in Sese.

Sese Shareholders means the current shareholders of Sese, being the Vendors under the Sese Agreement.

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

Shareholder means a holder of Shares.

SRD means Save River Diamonds Pty Ltd (ACN 169 674 177).

SRD Agreement means the share purchase agreement between the Company and SRD pursuant to which the Company has agreed, subject to satisfaction of various conditions, to acquire 78% of the issued capital in SRD.

SRD Shareholders means the current shareholders of SRD, being the Vendors under the SRD Agreement.

Tenements means the prospecting and exploration licences in which the Company has an interest as further described in the Legal Report on Tenements set out in Section 10 or any one of them as the context requires.

Vendors means the vendors under the Acquisition Agreements.

WST means Western Standard Time as observed in Perth, Western Australia.