



**MUSTANG**  
RESOURCES LTD

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5 June 2015

**MUSTANG RESOURCES LTD (ASX: MUS) ASX ANNOUNCEMENT**

**COMPLETION OF SHARE PURCHASE AGREEMENTS AND COMPLIANCE WITH ASX LISTING RULES**

We refer to the Company's application for reinstatement of its securities to official quotation and provide the following details.

**1. Distribution Schedule of Fully Paid Ordinary Shares**

Distribution	Holders	Units	%
1 – 1,000	4,397	606,061	0.67
1,001 – 5,000	376	795,545	0.88
5,001 – 10,000	113	955,164	1.06
10,001 – 100,000	245	8,943,372	9.91
100,001 +	126	78,931,194	87.48
	5,257	90,231,336	100.00

**2. 20 Largest Shareholders – Fully Paid Ordinary Shares**

#	Holder	Units	%
1	Elba Investments Pty Ltd	15,820,201	17.53
2	Alimold Pty Ltd	9,499,322	13.28
3	Regius Resources Group Ltd	4,900,000	5.43
4	Keras Capital Pty Ltd	2,882,925	3.2
5	MAPD Nominees Pty Ltd	2,488,158	2.75
6	Mr S W Tritton <Investment A/C>	1,525,890	1.69
7	Highland Timbers Pty Ltd	1,306,671	1.45
8	Chifley Portfolios Pty Ltd <D Hannon retirement a/c>	1,149,041	1.27
9	J W Douglass Superannuation Pty Ltd	1,073,768	1.19
10	Pegari Pty Ltd	1,023,562	1.13

## 2. 20 Largest Shareholders – Fully Paid Ordinary Shares (Continued)

#	Holder	Units	%
11	Edenbridge Investments Pty Ltd <Neglasaru Super Fund A/C>	1,022,466	1.13
12	Barton Place Holdings Pty Ltd <Barton Place Holdings S/F A/C>	1,021,101	1.13
13	Shah Nominees Pty Ltd <Louis Carsten S/F A/C>	1,017,808	1.13
14	Gorann Pty Ltd <A Gordon Super Fund A/C>	1,000,000	1.11
15	Weach Pty Ltd <Lennox Family S/F A/C>	914,590	1.01
16	Mr D Hannon	893,699	0.99
17	LPS Holdings LLV	828,934	0.92
18	Mr P G Sharbanee <The Scorpion Fund>	764,178	0.85
19.	Superb Merino Pty Ltd	750,000	0.83
20.	Ka Yee Gigi Lai	689,610	0.76
		50,566,924	58.78

## 3. Securities Subject to Escrow

Security	Units	Escrow Period
Fully Paid Ordinary Shares	27,380,060	12 months from date of issue
Fully Paid Ordinary Shares	5,650,000	24 months from the date of reinstatement to official quotation of the securities of the Company
Unlisted Options Exercise Price of \$0.21 Expiry Date of 22 May 2017	2,238,806	12 months from date of issue
Unlisted Options Exercise Price of \$0.20 Expiry Date of 31 October 2016	500,000	24 months from the date of reinstatement to official quotation of the securities of the Company
Unlisted Options Exercise Price of \$0.20 Expiry Date of 1 December 2016	1,500,000	24 months from the date of reinstatement to official quotation of the securities of the Company
Unlisted Class A Performance Rights	2,238,806	12 months from date of issue
Unlisted Class B Performance Rights	1,119,403	12 months from date of issue
Unlisted Class C Performance Rights	2,238,806	12 months from date of issue
Unlisted Class D Performance Rights	1,119,403	12 months from date of issue
Unlisted Class E Performance Rights	7,140,000	12 months from date of issue
Unlisted Class E Performance Rights	6,860,000	24 months from the date of reinstatement to official quotation of the securities of the Company

### 3. Securities subject to escrow (Continued)

Security	Units	Escrow Period
Unlisted Class F Performance Rights	7,140,000	12 months from date of issue
Unlisted Class F Performance Rights	6,860,000	24 months from the date of reinstatement to official quotation of the securities of the Company
Unlisted Class G Performance Rights	7,140,000	12 months from date of issue
Unlisted Class G Performance Rights	6,860,000	24 months from the date of reinstatement to official quotation of the securities of the Company

### 4. Completion of Acquisitions

The Company confirms satisfaction of the conditions precedent and completion of the acquisition of 78% of the issued capital of Save River Diamonds Pty Ltd ("Save") and the issue of 11,140,030 shares, 1,119,403 options exercisable at \$0.21 on or before two years after the date of issue and the issue of 3,358,209 Performance Rights pursuant to the Save River Share Purchase Agreement dated 31 July 2014 (as subsequently amended). The Company confirms the satisfaction of the conditions precedent and completion of the acquisition by Save River Diamonds Pty Ltd of the interest of Regius Resources Group Ltd ("Regius") in Exploration Licence 4969L pursuant to the 4969 Acquisition Agreement.

The Company confirms satisfaction of the conditions precedent and completion of the acquisition of 74% of Sese Diamonds Pty Ltd and the issue of 11,140,030 shares, 1,119,403 options exercisable at \$0.21 on or before two years after the date of issue and the issue of 3,358,209 Performance Rights pursuant to the Sese Diamonds Share Purchase Agreement dated 3 September 2014 (as subsequently amended). The Company confirms the satisfaction of the conditions precedent and completion of the acquisition by Sese Diamonds Pty Ltd of the interest of Regius in Mozvest Mining Limitada with respect to Exploration Licence 4525L pursuant to the 4525 Acquisition Agreement.

The Company confirms satisfaction of the conditions precedent and completion of the acquisition of 100% of the issued share capital of Balama Resources Pty Ltd ("Balama") and the issue of 10,000,000 shares and 42,000,000 Performance Rights pursuant to the Balama Share Purchase Agreement dated 16 October 2014. The Company confirms the satisfaction of the conditions precedent and completion of the acquisition by Balama of the interest of Regius in Exploration Licences 6527L, 6636L, 6678L, 4661L, 4662L and 5873L, pursuant to the Balama Graphite Acquisition Agreement.

The Company confirms the conversion of debt owing to Elba Investments Pty Ltd ("Elba") and Alimold Pty Ltd ("Alimold") by Save has been converted into 500,000 shares in the Company, with respect to the debt owed to Elba and 250,000 shares in the Company, with respect to the debt owed to Alimold.

The Company confirms the conditions to the Prospectus dated 2 April 2015 have been satisfied.

## 5. Capital Structure of the Company as of 22 May 2015

Security	Unrestricted Units	Restricted Units	Total
Ordinary Shares	57,201,276	33,030,060	90,231,336
Unlisted Options, Exercise Price \$0.2412, Expiry Date: 10 November 2017	149,253	-	149,253
Unlisted Options, Exercise Price \$0.21, Expiry Date: 22 May 2017	-	2,238,806	2,238,806
Unlisted Options, Exercise Price: \$0.20, Expiry Date: 31 October 2016	-	500,000	500,000
Unlisted Options, Exercise Price: \$0.20, Expiry Date: 1 December 2016	-	1,500,000	1,500,000
Unlisted Class A Performance Rights	-	2,238,806	2,238,806
Unlisted Class B Performance Rights	-	1,119,403	1,119,403
Unlisted Class C Performance Rights	-	2,238,806	2,238,806
Unlisted Class D Performance Rights	-	1,119,403	1,119,403
Unlisted Class E Performance Rights	-	14,000,000	14,000,000
Unlisted Class F Performance Rights	-	14,000,000	14,000,000
Unlisted Class G Performance Rights	-	14,000,000	14,000,000

## 6. No Material Subsequent Events

The Company confirms that there have been no material subsequent events to alter the Company's statement of financial position as detailed in section 8 of the Prospectus.

## 7. Detailed Disclosure of Material terms of Agreements

### Save River Acquisition, Sese Diamonds Acquisition & Balama Graphite Acquisition

The Company has entered into 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 has acquired its holdings 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%
<b>Total</b>	<b>78%</b>	<b>74%</b>	<b>100%</b>

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 <sup>(1)</sup>	3,358,209 <sup>(3)</sup>	\$Nil
Sese	11,140,030	1,119,403 <sup>(2)</sup>	3,358,209 <sup>(4)</sup>	\$Nil
Balama	10,000,000	Nil	42,000,000 <sup>(5)</sup>	US\$100,000 <sup>(6)</sup> US\$1,500,000 <sup>(7)</sup>
<b>Total</b>	<b>32,280,060</b>	<b>2,238,806</b>	<b>48,716,418</b>	<b>US\$1,600,000</b>

**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.

**4969L Acquisition Agreement, 4525L Acquisition Agreement, JV agreement with Manuel Matusse (“MRM”)**

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 acquired a 70% interest in 4525L, which sits adjacent to 4969L, 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 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 (under the MRM Agreement) 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 the MRM agreement requires 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.

#### **Graphite Acquisition Agreement**

Balama has conditionally agreed to acquire 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):

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



Balama's acquisition remains conditional upon the following conditions precedent:

- (a) any and all authorisations and approvals which may be required by law (Australian or Mozambique) to implement the transaction 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;
- (b) 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 licences, in the reasonable opinion of Balama; and
- (c) each party obtaining all third party consents, approvals or waivers required to effect the transaction, each of which is unconditional or subject only to conditions reasonably acceptable to the parties.

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

**Joint Venture Agreement – Duplo Gragao Industrial Limitada (4661L & 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).

**Joint Venture Agreements – Green Energy & Minerals LDA, Jacinto Siteo and Tomas Mandlate (6527L, 6636L & 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.

**Joint Venture Agreement – Cosec Limitada (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.
- (ii) US\$700,000 on or before 15 February 2016; and
- (iii) US\$3,100,000 on or before 31 July 2016.

## 8. Terms of Options

The terms and conditions of the New Options are set out below.

### (a) Entitlement

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

### (b) Exercise Price

Subject to paragraph (k), the amount payable upon exercise of each New Option will be:

- (i) \$0.21 for New Options issued pursuant to Alimold, Elba and Keras; and
- (ii) \$0.20 for New Options issued pursuant to Superb Merino Pty Ltd, CPS Capital Group Pty Ltd and Barton Place Holdings Pty Ltd & Mr David Cassidy.

**(Exercise Price).**

### (c) Expiry Date

Each New Option will expire at 5:00 pm (WST) on:

- (i) that date which is two years after the date of issue of the New Options for New Options issued pursuant to Alimold, Elba and Keras;
- (ii) 1 December 2016 for New Options issued pursuant to Superb Merino Pty Ltd; and
- (iii) 31 October 2016 for New Options issued pursuant to CPS Securities and Barton Place Holdings Pty Ltd & Mr David Cassidy,

**(Expiry Date).** A New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### (d) Exercise Period

The New Options are exercisable at any time on or prior to the Expiry Date **(Exercise Period)**.

### (e) Notice of Exercise

The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the New Option certificate **(Notice of Exercise)** and

payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

**(f) Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment or the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

**(g) Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect of the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information;

but in any case no later than 20 Business Days after the Exercise Date, the Company will;

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(v) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

**(h) Shares issued on exercise**

Shares issued on exercise of the New Options rank equally with the then issued fully paid ordinary shares of the Company.

**(i) Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

**(j) Unquoted**

The Company will not apply for quotation of the New Options on ASX.

**(k) Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**(l) Participation in new issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

**(m) Change In exercise price**

Subject to paragraph (k) a New Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the New Option can be exercised.

**(n) Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

**9. Terms and Conditions of Performance Rights**

(a) Subject to the satisfaction of the vesting condition set out in paragraph (b), each Performance Right vests to one Share.

(b) The Performance Rights will vest on satisfaction of the Vesting Condition.

(c) Upon:

(i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and;

(A) having received acceptances for not less than 50.1% of the Company's shares on issue; and

(B) been declared unconditional by the bidder; or

(ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

then, to the extent the Performance Rights have not vested due to satisfaction of the Vesting Condition, the Performance Rights automatically vest to that number of Shares which when issued together with all Shares issued under any other class of Performance

Rights then on issue, is equal to the lesser of one Share per Performance Right and 10% of the total Shares on issue in the Company at that time. Performance Rights that are not vested and converted into Shares will continue to be held by the holder on the same terms and conditions.

- (d) The Performance Rights shall expire and lapse in the event that the Company determines and gives written notice to the holder of the Performance Rights (in the absence of manifest error) that the Vesting Condition has not been satisfied.
- (e) The Performance Rights will be issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights into Shares on the satisfaction of the Vesting Condition.
- (f) Immediately following the satisfaction of the Vesting Condition the Company shall give written notice of that event to the holder of the Performance Rights that have vested and shall, unless otherwise directed by the holder allot and issue the associated number of Shares within 10 Business Days (meaning Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day) of the date of that notice.
- (g) The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares allotted and issued pursuant to the vesting of Performance Rights on ASX within 10 Business Days after the date of allotment and issue of those Shares and in any event, in compliance with the ASX Listing Rules.
- (h) All Shares allotted and issued upon the vesting of Performance Rights will upon allotment and issue rank pari passu in all respects with other Shares.
- (i) The Performance Rights are not transferable.
- (j) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the terms of the Performance Rights will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the holder as a result of such corporate actions and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (k) Subject to paragraph (j), there are no participating rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights unless the Vesting Condition has been satisfied or the Performance Rights have vested pursuant to paragraph (c) and the relevant Shares have been issued prior to the record date for determining entitlements. However, the Company will give notice to the holders of any new issues of capital prior to the record date for determining entitlements.

A Performance Right does not confer the right to vote or receive dividends.

## **Vesting Conditions**

### **Class A**

On 1 July 2016 if the Company has successfully completed the Bulk Sampling program and generated gross proceeds of \$5,000,000 from the direct mining of licence 4969L in the period from 1 January 2015 to 30 June 2016 (inclusive of both dates).

**Class B**

Upon a \$10,000,000 facility being provided to SRD on or before 30 June 2018.

**Class C**

On 1 July 2016 if the Company has successfully completed the Bulk Sampling program and generated gross proceeds of \$2,500,000 from the direct mining of licence 4525 in the period from 1 January 2015 to 30 June 2016 (inclusive of both dates).

**Class D**

Upon a \$2,500,000 facility being provided for the mining of licences L4525 and L4969 on or before 30 June 2018.

**Class E**

Upon proving a JORC Compliant Inferred Graphite Resource of a minimum of 50 Million tonnes @ >5% TGC, on any of the Balama licences on or before 31 December 2019.

**Class F**

Upon proving a JORC Compliant Inferred & Indicated Graphite Resource of a minimum of 100 Million tonnes @ >5% Total Graphitic Content, on any of the Balama licences on or before 31 December 2019.

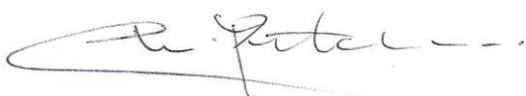
**Class G**

Upon proving a JORC Compliant Inferred & Indicated Graphite Resource greater than 500 Million tonnes @ >5% TGC, on any of the Balama licences on or before 31 December 2019.

**10. Compliance with Listing Rules**

The Company confirms that it is in compliance with the Listing Rules and in particular listing rule 3.1.

For and on behalf of the board

A handwritten signature in blue ink, appearing to read 'Chris Ritchie', with a long horizontal stroke extending to the right.

**Chris Ritchie**  
**Executive Director & Company Secretary**