



10 JUNE 2015

LARGE FLAKE GRAPHITE POTENTIAL CONFIRMED FOR MUSTANG LICENCES IN MOZAMBIQUE

Highlights:

- Field reconnaissance completed in October 2014 & final lab results now received by Mustang.
- Ground EM results from 6 lines confirm strong conductors.
- Grab samples collected from outcrop returning up to 13.5% TGC with high percentages of large to super-jumbo flake graphite.
- Scout drilling samples collected returning up to 17% TGC with high percentages of large to super-jumbo flake graphite.
- Extensive airborne EM Survey planned in June/July 2015 followed up with a full season drilling program from August 2015.

Mustang Resources Ltd (ASX: **MUS**) ("Mustang" or the "Company") is pleased to announce an update on exploration activities on its Balama Graphite Project located in northern Mozambique.

The Company has received laboratory assay results from initial rock chip sampling and from its scout drilling program.

Project Background

Through its agreement to acquire 100% of Balama Resources Pty Ltd (refer to ASX announcement 20 October 2014), the Company has interests in 6 tenements collectively covering an area of 66,664 ha (666.64 km²) in the highly prospective Cabo Delgado graphite province.

The Prospecting Licences (Figure 1), which are held in joint venture agreements with several Mozambican entities (Table 1 and Appendix 1), are located along strike and/or adjacent to the world-class graphite discoveries made by Syrah Resources (ASX:SYR) and Triton Minerals Ltd (ASX: TON). Prospecting licences 4661L, 4662L and 6636L are referred to by MUS as the 'Balama Southern Graphite Licences', and 6527L, 5873L and 6678L are referred to by MUS as the 'Balama Northern Graphite Licences'.

COMPANY INFORMATION

Mustang Resources Ltd
ABN 34 090 074 785

COMPANY DIRECTORS

Ian Daymond: Chairman
Mark Freeman: Director
Chris Ritchie: Director

MANAGEMENT

Chris Ritchie: CFO / Co Sec

STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: MUS

Current Shares on Issue:
90,231,336

Market Capitalisation to be
determined upon relisting later
today.

CURRENT PROJECTS

Diamonds
- Save River Project
Graphite
- Balama Project

mustangresources.com.au

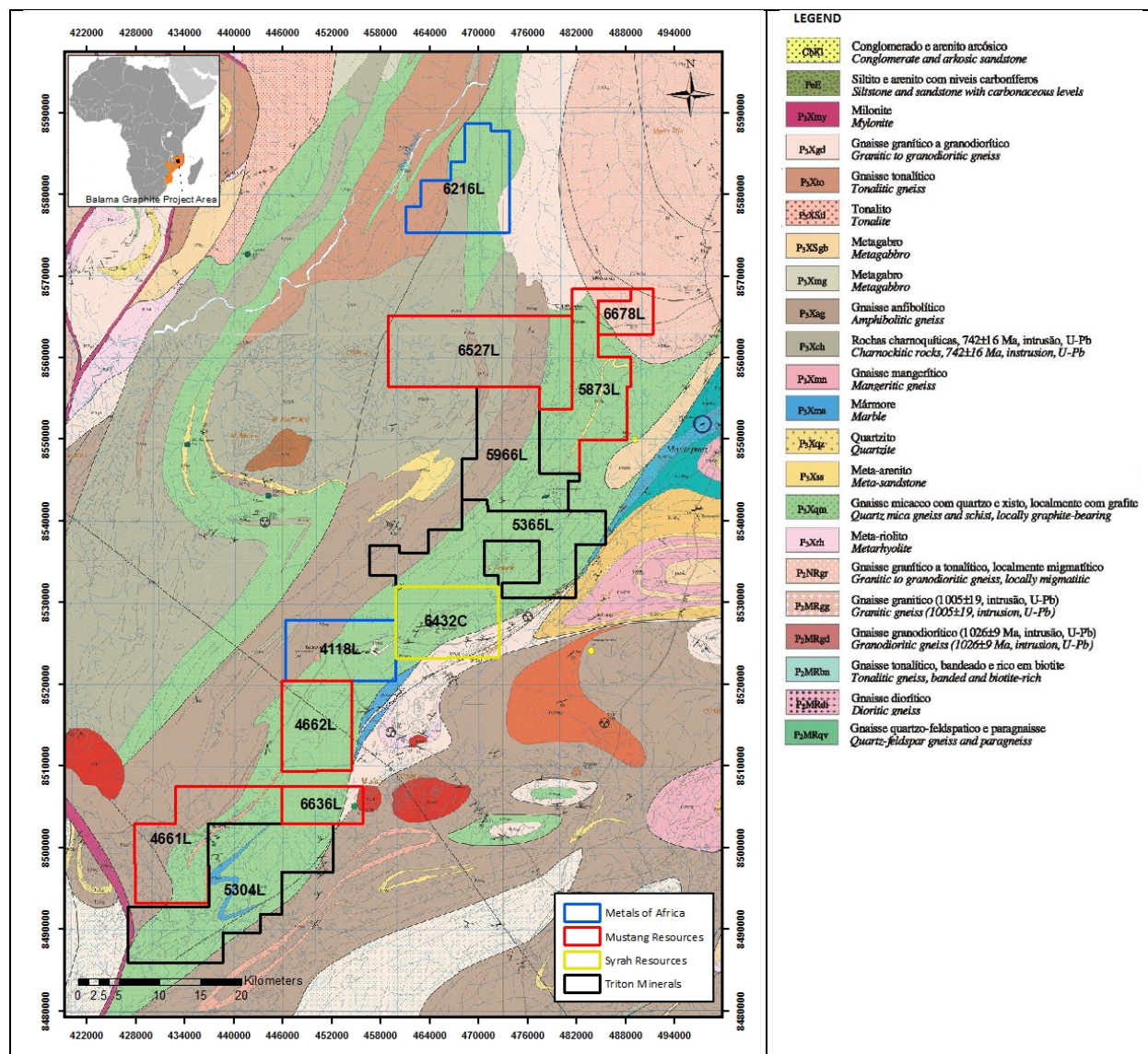


Figure 1 Location of Mustang Prospecting Licences overlaying the Xixano and Namuno regional geological mapping and depicting the location of ground held by Syrah Resources, Triton Minerals and Metals of Africa.

Table 1 Balama graphite project licence details

| Licence No. | Area (km ²) | Status | Issue Date | Valid Until | Interest |
|-------------|-------------------------|---------|------------|-------------|----------|
| 4661L | 147.5 | Granted | 11-09-2013 | 11-09-2018 | 60% |
| 4662L | 94.8 | Granted | 01-10-2012 | 01-10-2017 | 60% |
| 5873L | 137.8 | Granted | 17-11-2014 | 17-11-2019 | 75% |
| 6636L | 45.7 | Granted | 16-07-2014 | 16-07-2019 | 75% |
| 6678L | 31.9 | Granted | 18-03-2014 | 18-03-2019 | 80% |
| 6527L | 209 | Granted | 07-03-2014 | 07-03-2019 | 75% |

NOTE: Refer to Appendix 1 for further details regarding earn-in rights

Initial Exploration Program

Initial field work undertaken by Mustang during September and October 2014 included geological mapping and reconnaissance over areas regionally mapped as quartz mica gneiss and schist (P3Xqm), which is known to be locally graphite bearing (the green coloured unit in Figure 1). Outcropping graphitic mineralisation was identified (Figure 2) in the southern tenement group (4661L,

4662L and 6636L) and rock chip samples were collected from two locations within 4661L (Figure 3), which returned grades ranging between 7.9% to 13.5% graphitic carbon content (Refer to Appendix 4 for full assay results).



Figure 2 Surface outcrops of graphitic schist

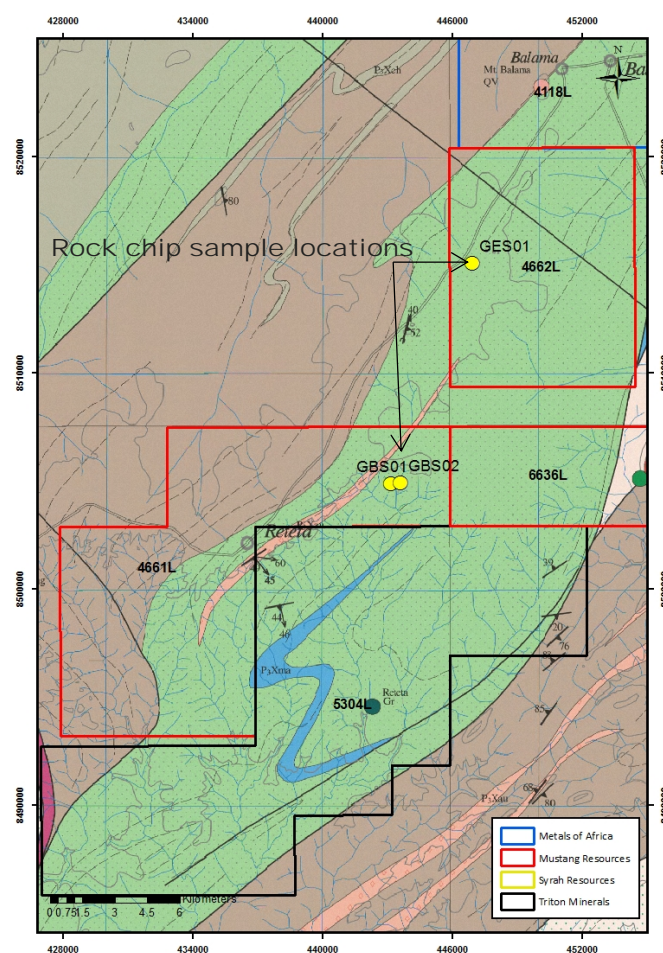


Figure 3 Location of rock chip sample locations

Reconnaissance over the northern group of licences revealed limited outcrop of the prospective graphite bearing quartz mica gneiss and schist unit (P3Xqm) due to the presence of a weathering profile in excess of 5 m deep across most areas.

As part of the initial exploration program a six (6) line ground electromagnetic (EM) ground survey, totaling 41 km, was carried out over the Balama group of prospecting licences. Results of the EM survey (Figure 5 and Figure 6) were positive and identified several target areas for further exploration work.

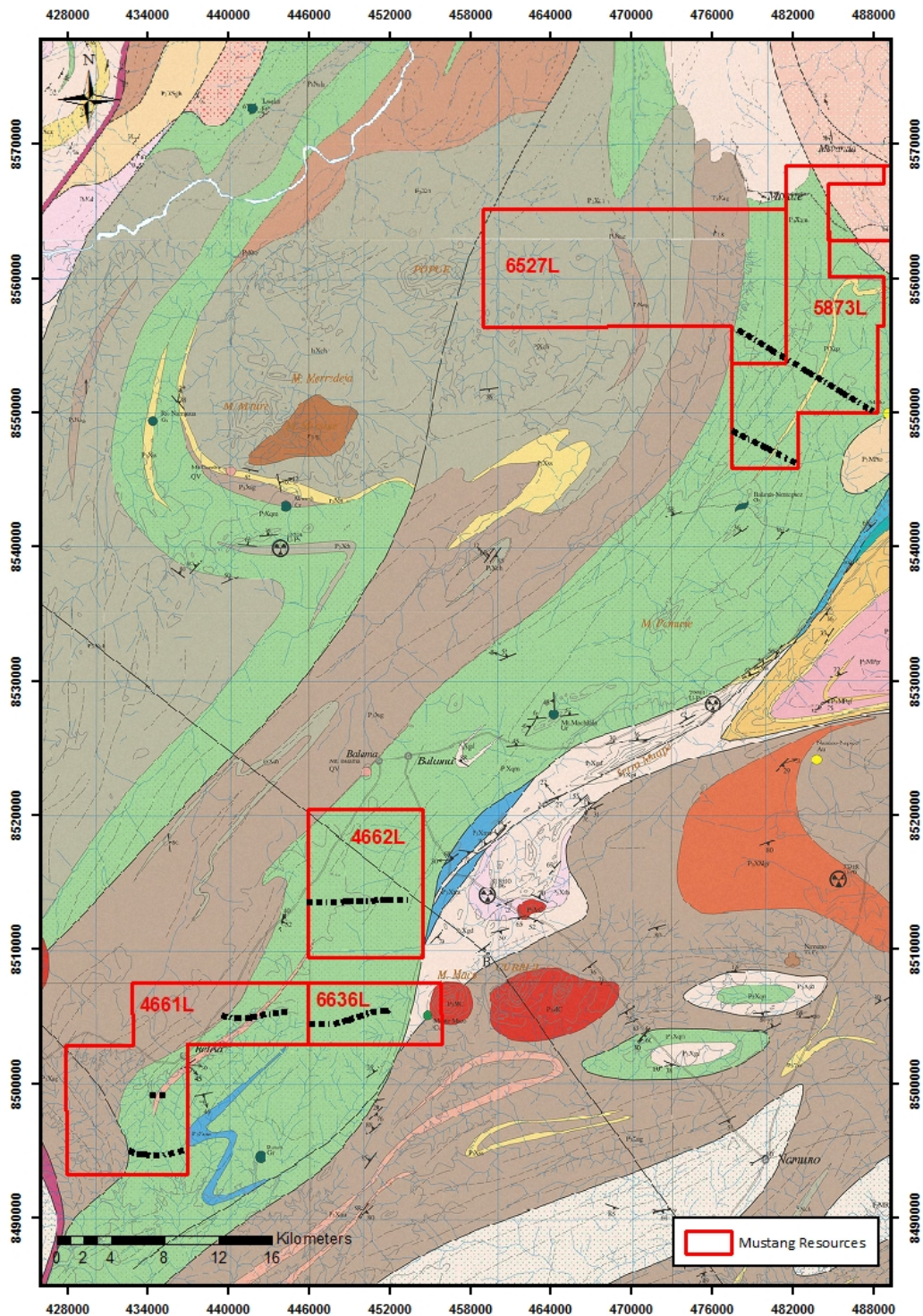


Figure 4 Location of EM ground survey lines (black dashed lines)

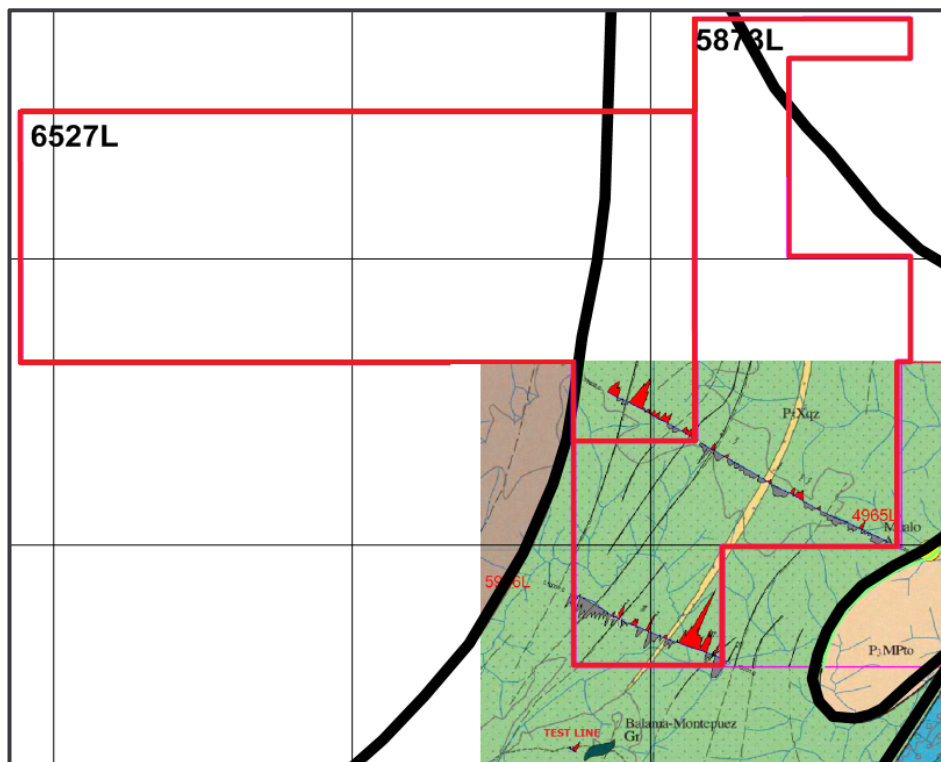


Figure 5 Ground EM results over the northern group of tenements

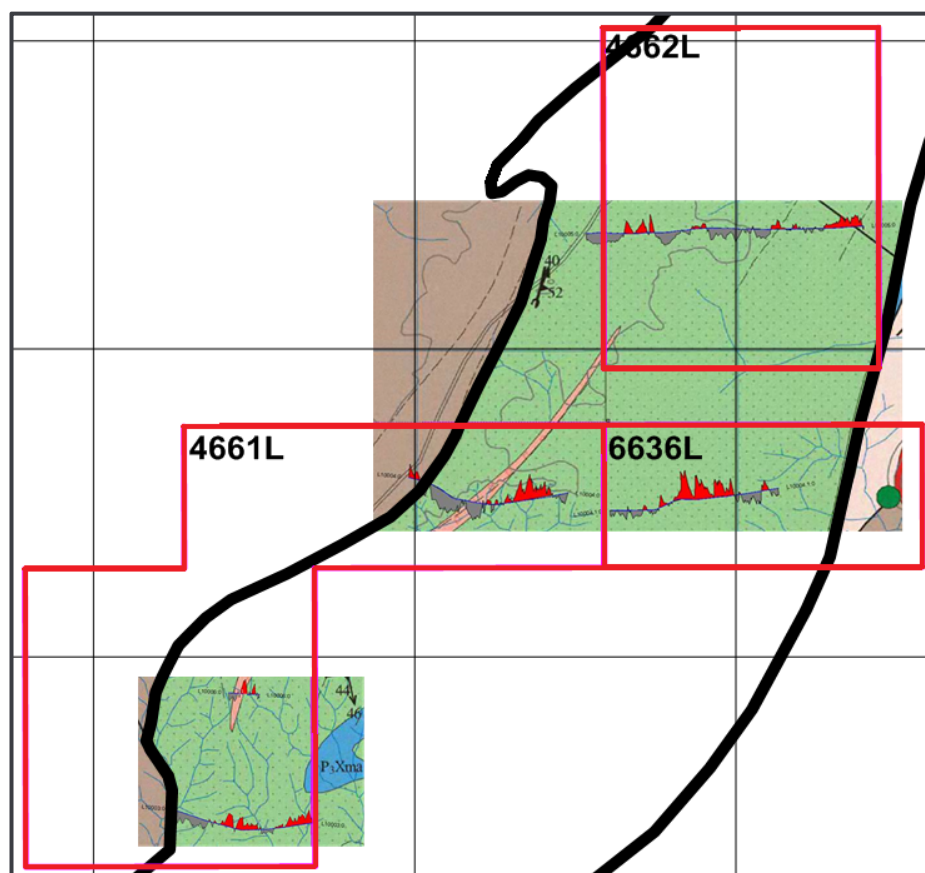


Figure 6 Ground EM results over the southern group of tenements

Initial Scout Drilling

Due to the presence of cover in the northern group of tenements, two shallow Reverse Circulation (RC) test holes (RC001 and RC002) (Figure 7) were drilled on licences 5873L and 6527L to test for the presence of graphite mineralisation. The drill target locations were generated based on results from the initial ground EM survey and airborne magnetic data (Figure 8).

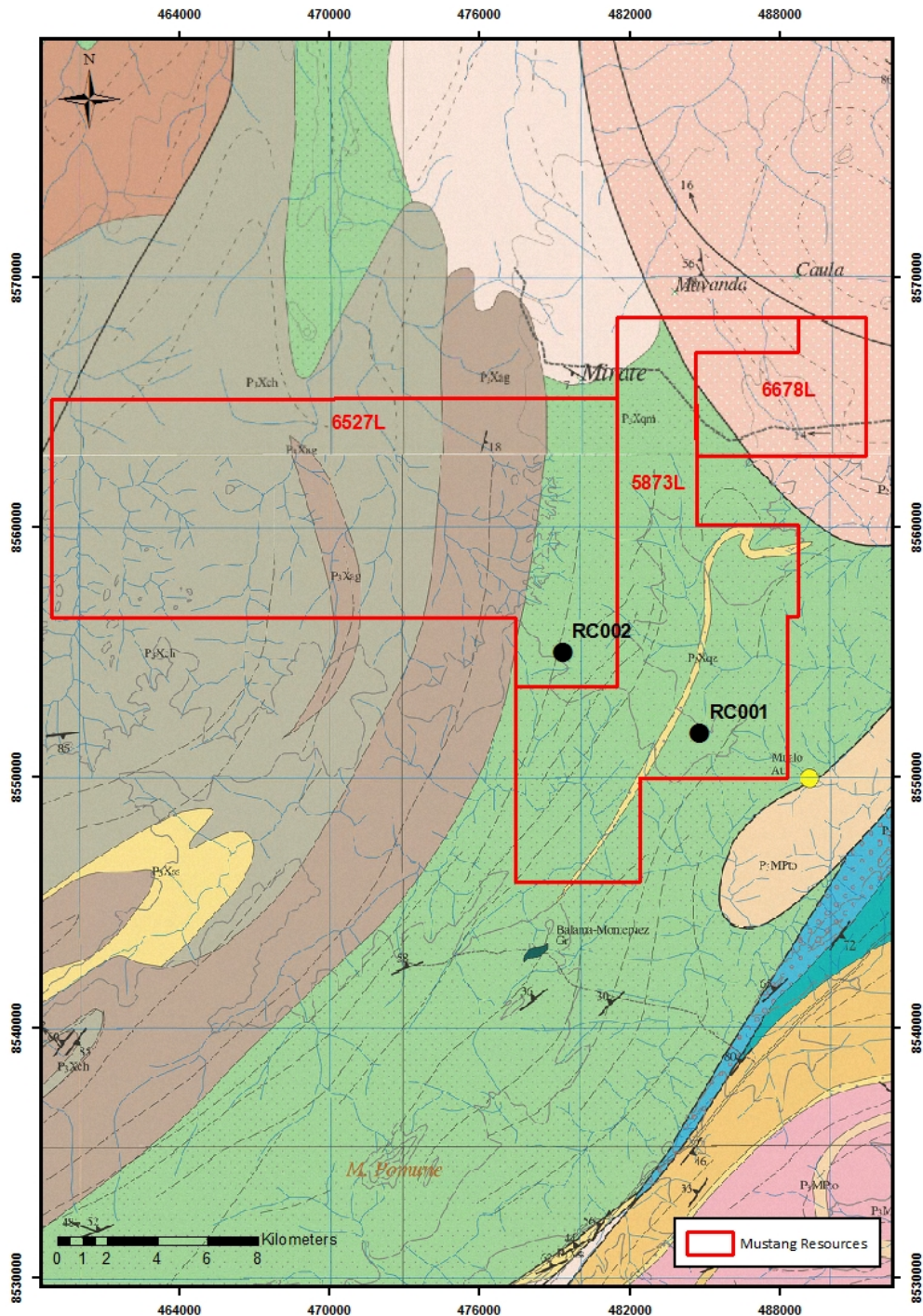


Figure 7 Location of RC drillholes

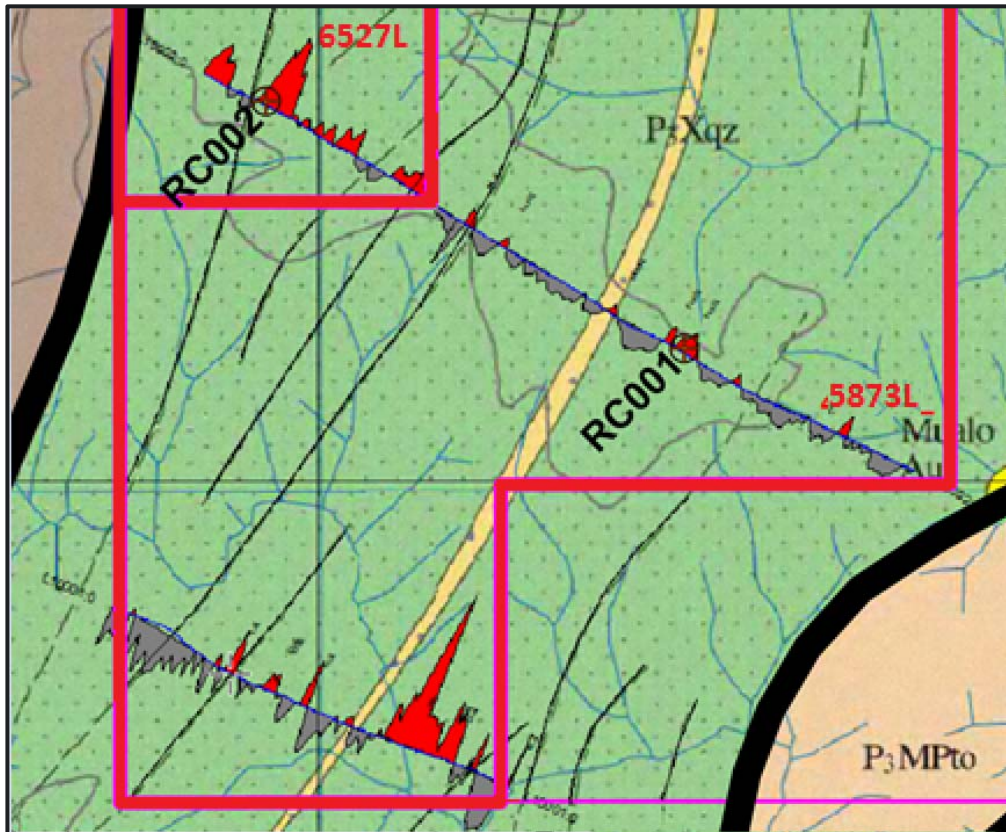


Figure 8 The location of drillholes RC001 and RC002 in relation to EM ground survey lines

A total of 13 drillhole intervals were selected for sampling based on geological logging and only zones logged as graphitic rich were submitted to the laboratory for analysis. Laboratory assay results confirm the presence of graphite mineralisation in both drillholes (Table 2). A broad semi-continuous graphitic zone was intersected within RC001 from 4 to 60m (open at depth), whilst RC002 intersected two narrow graphitic rich zones. Please refer to Appendix 2 for geological log sheets and Appendix 4 for full assay results (including multi-element results).

Table 2 Drillhole assay results from sampled intervals

| BHID | From (m) | To (m) | Sample Length (m) | Graphitic Carbon (%) |
|-------|----------|--------|-------------------|----------------------|
| RC001 | 5 | 6 | 1 | 9.16 |
| RC001 | 9 | 10 | 1 | 7.51 |
| RC001 | 22 | 23 | 1 | 6.72 |
| RC001 | 32 | 33 | 1 | 9.73 |
| RC001 | 37 | 38 | 1 | 7.18 |
| RC001 | 42 | 43 | 1 | 4.18 |
| RC001 | 43 | 44 | 1 | 11.0 |
| RC001 | 47 | 48 | 1 | 6.54 |
| RC001 | 50 | 51 | 1 | 17.1 |
| RC001 | 51 | 52 | 1 | 13.7 |
| RC001 | 57 | 58 | 1 | 2.3 |
| RC002 | 5 | 6 | 1 | 5.5 |
| RC002 | 17 | 18 | 1 | 11.6 |

Samples submitted for analysis for graphitic carbon grades were also submitted for petrographic description by optical microscopy as part of a flake size analysis. Results indicate high percentages of large to super-jumbo flake graphite in both rock chip samples and drillhole samples (Table 3).

Table 3 Flake size frequency results

| Sample No. | From (m) | To (m) | Sample Length (m) | Flake Size Frequency % (area Per size class) | | | | | | |
|------------|----------|--------|-------------------|--|-------------------|-------------|--------------|-------|------|------|
| | | | | Super Jumbo | Jumbo-Super Jumbo | Large-Jumbo | Medium-Large | Fine | Fine | Fine |
| | | | | +1180µ | +425µ | +212µ | +150µ | +106µ | +75µ | -75µ |
| GBS01 | | | | 3.54 | 62.46 | 23.46 | 4.26 | 3.64 | 1.01 | 1.62 |
| GBS02 | | | | | 49.65 | 32.09 | 9.78 | 4.82 | 1.75 | 1.92 |
| GES01 | | | | 57.9 | 30.82 | 7.54 | 1.8 | 1.08 | 0.49 | 0.36 |
| RC1 5-6 | 5 | 6 | 1 | | 40.05 | 37.37 | 8.46 | 7.67 | 2.25 | 4.22 |
| RC1 9-10 | 9 | 10 | 1 | | 43.60 | 31.41 | 10.08 | 6.54 | 4.15 | 4.24 |
| RC1 22-23 | 22 | 23 | 1 | | 43.02 | 36.47 | 8.25 | 6.06 | 1.58 | 4.61 |
| RC1 32-33 | 32 | 33 | 1 | | 58.83 | 17.14 | 11.98 | 5.25 | 2.92 | 3.88 |
| RC1 37-38 | 37 | 38 | 1 | | 45.1 | 26.23 | 11.78 | 7.78 | 3.46 | 5.64 |
| RC1 42-43 | 42 | 41 | 1 | 59.56 | 4.81 | 13.97 | 10.01 | 4.08 | 3.52 | 4.05 |
| RC1 43-44 | 43 | 44 | 1 | NC | NC | NC | NC | NC | NC | NC |
| RC1 47-48 | 47 | 48 | 1 | | 62.77 | 22.74 | 5.46 | 3.57 | 2.3 | 3.16 |
| RC1 50-51 | 50 | 51 | 1 | NC | NC | NC | NC | NC | NC | NC |
| RC1 51-52 | 51 | 52 | 1 | 4.02 | 52.09 | 28.75 | 5.87 | 5.43 | 2.21 | 1.62 |
| RC1 57-58 | 57 | 58 | 1 | 21.11 | 31.85 | 20.82 | 10.01 | 7.91 | 4.05 | 4.25 |
| RC2 5-6 | 5 | 6 | 1 | | 54.64 | 27.85 | 5.97 | 6 | 1.66 | 3.88 |
| RC2 17-18 | 17 | 18 | 1 | 51.04 | 17.33 | 20.09 | 5.08 | 3.87 | 1.14 | 1.45 |

NC: Not Calculated

Planned Work

- **Airborne EM Survey:** due to the presence of cover over the northern project areas, the rough terrain and sometimes limited access combined with the fact that the known prospective graphite bearing quartz mica gneiss and schist unit (P3Xqm) covers a large surface area, an airborne geophysics survey will enable the rapid identification of potential conductors, which will be used to isolate high priority targets in order to optimise drillhole planning.

Once the Airborne EM survey has been completed and analysed, a phased drilling program will be planned. After the initial drilling of main anomalies, and having defined the graphitic mineralisation, the aim will be to advance the project from the exploration target stage through the various levels of resource confidence to scoping study and feasibility stages.

For and behalf of the Company

Ian C Daymond

Chairman

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Reference 1: Exploration Report, 23 October 2014, The Graphite bearing potential of Prospecting Licences 6527L, 6636L, 4661L, 4662L and 5873L in the north-eastern Cabo Delgado Province of Mozambique.

Competent Person's Statement

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

Forward-Looking Statements

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

APPENDIX 1 – BALAMA GRAPHITE PROJECT LICENCE DETAILS

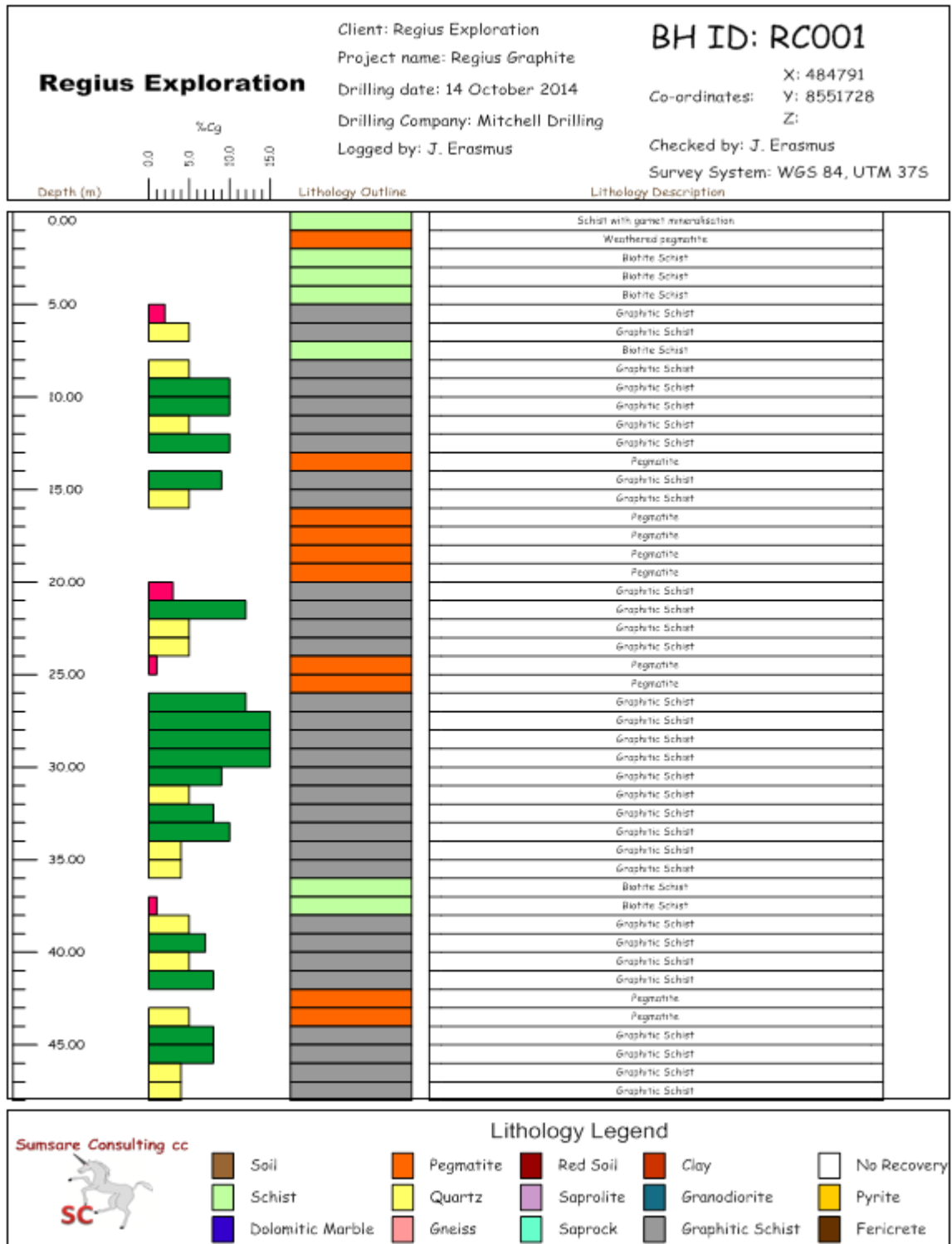
| Licence No. | Earn-in Rights | Area (km ²) | Status | Issue Date | Valid Until | Interest |
|-------------|---|-------------------------|---------|------------|-------------|----------|
| 4661L | 60% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Duplo Dragao Industrial Limitada | 147.5 | Granted | 11-09-2013 | 11-09-2018 | 60% |
| 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 | 94.8 | Granted | 01-10-2012 | 01-10-2017 | 60% |
| 5873L | 75% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Cosec Limitada | 137.8 | Granted | 17-11-2014 | 17-11-2019 | 75% |
| 6636L | 75% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Mr Jacinto Gabriel Siteo. | 45.7 | Granted | 16-07-2014 | 16-07-2019 | 75% |
| 6678L | 80% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Mr Tomas Frederico Mandlate. | 31.9 | Granted | 18-03-2014 | 18-03-2019 | 80% |
| 6527L | 75% interest in licence through JV with licence holder. Agreement between Regius Exploration Limitada (wholly owned subsidiary of Regius in Mozambique) and Green Energy Minerals Limitada | 209 | Granted | 07-03-2014 | 07-03-2019 | 75% |

APPENDIX 2 – DRILLHOLE SUMMARY TABLE

| BHID | UTM East | UTM North | mRL | Azimuth | Dip | Depth | Hole Type | Licence No. |
|-------|----------|-----------|-----|---------|-----|-------|-----------|-------------|
| RC001 | 484791 | 8551728 | | 120 | -60 | 60 | RC | 5873L |
| RC002 | 479332 | 8554960 | | 120 | -60 | 50 | RC | 6527L |

APPENDIX 3 – DRILLHOLE LOGS

NOTE: logged carbon percentages are visual estimates and not laboratory assays



Lithology Description



APPENDIX 4 – SUMMARY TABLE OF SAMPLES SUBMITTED FOR LABORATORY ANALYSIS

| Laboratory | Sample No. | Total Carbon | Graphitic Carbon | Flake size Frequency % (Length Direction) | | | | | | | Flake size Frequency % (Area per size class) | | | | | | |
|--------------|------------|------------------|------------------|---|---------------------|---------------|----------------|---------|--------|--------|--|---------------------|---------------|----------------|---------|--------|--------|
| | | C _t % | C _g % | Super Jumbo | Jumbo - Super Jumbo | Large - Jumbo | Medium - Large | Fine | Fine | Fine | Super Jumbo | Jumbo - Super Jumbo | Large - Jumbo | Medium - Large | Fine | Fine | Fine |
| | | | | + 1180 µ | + 425 µ | + 212 µ | + 150 µ | + 106 µ | + 75 µ | - 75 µ | + 1180 µ | + 425 µ | + 212 µ | + 150 µ | + 106 µ | + 75 µ | - 75 µ |
| SGS-Jhb | GBS01 | ND | 13.5 | 0.41 | 16.05 | 23.46 | 9.47 | 14.81 | 7.82 | 27.98 | 3.54 | 62.46 | 23.46 | 4.26 | 3.64 | 1.01 | 1.62 |
| SGS-Jhb | GBS02 | ND | 9.31 | | 11.11 | 22.88 | 9.8 | 10.46 | 6.54 | 39.22 | | 49.65 | 32.09 | 9.78 | 4.82 | 1.75 | 1.92 |
| SGS-Jhb | GES01 | ND | 7.93 | 9.06 | 20.98 | 21.82 | 9.88 | 11.52 | 8.64 | 18.11 | 57.9 | 30.82 | 7.54 | 1.8 | 1.08 | 0.49 | 0.36 |
| SGS-Jhb | RC1 5-6 | ND | 9.16 | | 6.74 | 20.25 | 11.66 | 18.4 | 7.98 | 34.97 | | 40.05 | 37.37 | 8.46 | 7.67 | 2.25 | 4.22 |
| SGS-Jhb | RC1 9-10 | ND | 7.51 | | 7.38 | 18.79 | 12.75 | 11.41 | 13.42 | 36.25 | | 43.6 | 31.41 | 10.08 | 6.54 | 4.15 | 4.24 |
| SGS-Jhb | RC1 22-23 | ND | 6.72 | | 8 | 14.29 | 12.57 | 16.57 | 6.86 | 41.72 | | 43.02 | 36.47 | 8.25 | 6.06 | 1.58 | 4.61 |
| SGS-Jhb | RC1 32-33 | ND | 9.73 | | 5.59 | 12.18 | 14.21 | 11.68 | 14.21 | 42.13 | | 58.83 | 17.14 | 11.98 | 5.25 | 2.92 | 3.88 |
| SGS-Jhb | RC1 37-38 | ND | 7.18 | | 5.43 | 9.96 | 10.41 | 15.84 | 10.86 | 47.5 | | 45.1 | 26.23 | 11.78 | 7.78 | 3.46 | 5.64 |
| SGS-Jhb | RC1 42-43 | ND | 4.18 | 0.62 | 1.23 | 9.87 | 11.73 | 12.35 | 14.81 | 49.38 | 59.56 | 4.81 | 13.97 | 10.01 | 4.08 | 3.52 | 4.05 |
| Set Pt - Pta | RC1 43-44 | 11.4 | 11.0 | 10.0 | 9.2 | 19.3 | 10.2 | 12.5 | 13.3 | 25.4 | NC | NC | NC | NC | NC | NC | NC |
| SGS-Jhb | RC1 47-48 | ND | 6.54 | | 11.94 | 14.6 | 8.41 | 10.62 | 9.73 | 44.69 | | 62.77 | 22.74 | 5.46 | 3.57 | 2.3 | 3.16 |
| Set Pt - Pta | RC1 50-51 | 18.0 | 17.1 | 12.7 | 11.7 | 23.5 | 10.5 | 10.4 | 11.2 | 20.0 | NC | NC | NC | NC | NC | NC | NC |
| SGS-Jhb | RC1 51-52 | ND | 13.7 | 0.33 | 9.9 | 18.81 | 10.23 | 19.8 | 13.86 | 27.06 | 4.02 | 52.09 | 28.75 | 5.87 | 5.43 | 2.21 | 1.62 |
| SGS-Jhb | RC1 57-58 | ND | 2.3 | 1.14 | 2.86 | 8 | 9.14 | 13.14 | 12.6 | 55.15 | 21.11 | 31.85 | 20.82 | 10.01 | 7.91 | 4.05 | 4.25 |
| SGS-Jhb | RC2 5-6 | ND | 5.5 | | 7.27 | 16.36 | 8.48 | 15.15 | 7.27 | 45.45 | | 54.64 | 27.85 | 5.97 | 6 | 1.66 | 3.88 |
| SGS-Jhb | RC1 17-18 | ND | 11.6 | 0.7 | 4.92 | 21.12 | 14.08 | 17.61 | 6.3 | 35.21 | 51.04 | 17.33 | 20.09 | 5.08 | 3.87 | 1.14 | 1.45 |

ND: Not Determined, NC: Not Calculated

| Laboratory | Sample No. | Element - XRF 79 V (%) | | | | | | | | | | | | |
|-----------------------|------------|------------------------|-------|------|--------|-------|------|-------|------|------|------|-------|------|-------|
| | | SiO2 | Al2O3 | CaO | MgO | Fe2O3 | K2O | MnO | Na2O | P2O5 | TiO2 | Cr2O3 | V2O5 | LOI |
| SGS-Jhb | GBS01 | 69.2 | 7.66 | 0.08 | 0.66 | 2.19 | 2.36 | 0.09 | 0.09 | 0.03 | 0.66 | 0.05 | 0.25 | 15.85 |
| SGS-Jhb | GBS02 | 78.7 | 5.24 | 0.05 | 0.37 | 2.07 | 1.68 | 0.01 | 0.08 | 0.06 | 0.36 | 0.05 | 0.16 | 10.95 |
| SGS-Jhb | GES01 | 65.6 | 14.7 | 0.14 | 0.65 | 0.77 | 4.48 | 0.07 | 0.48 | 0.02 | 1.13 | 0.04 | 0.15 | 10.69 |
| SGS-Jhb | RC1 5-6 | 77.4 | 6.69 | 0.04 | 0.28 | 2.11 | 1.86 | <0.01 | 0.13 | 0.04 | 0.51 | 0.2 | 0.2 | 10.84 |
| SGS-Jhb | RC1 9-10 | 82 | 5.76 | 0.05 | 0.25 | 0.86 | 1.82 | <0.01 | 0.12 | 0.04 | 0.39 | 0.08 | 0.14 | 9.14 |
| SGS-Jhb | RC1 22-23 | 70.1 | 8.44 | 0.05 | 0.39 | 5.57 | 2.65 | 0.08 | 0.23 | 0.12 | 0.75 | 0.12 | 0.2 | 10.99 |
| SGS-Jhb | RC1 32-33 | 74.8 | 4.92 | 0.15 | 0.43 | 3.12 | 1.16 | 0.01 | 0.22 | 0.13 | 0.52 | 0.1 | 0.12 | 13.59 |
| SGS-Jhb | RC1 37-38 | 72.2 | 9.26 | 0.71 | 0.37 | 2.57 | 1.48 | 0.01 | 1.49 | 0.08 | 0.7 | 0.03 | 0.15 | 11.45 |
| SGS-Jhb | RC1 42-43 | 76.6 | 8.83 | 0.78 | 0.06 | 2.38 | 2.14 | <0.01 | 2.01 | 0.08 | 0.23 | 0.05 | 0.08 | 6.77 |
| Set Pt - Pta (SD/ICP) | RC1 43-44 | ND | ND | ND | ND | ND | ND | ND | ND | ND | ND | ND | 0.05 | ND |
| SGS-Jhb | RC1 47-48 | 77.4 | 7.33 | 0.36 | 0.28 | 1.5 | 1.86 | <0.01 | 1 | 0.1 | 0.45 | 0.07 | 0.11 | 9.05 |
| Set Pt - Pta (SD/ICP) | RC1 50-51 | ND | ND | ND | ND | ND | ND | ND | ND | ND | ND | ND | 0.13 | ND |
| SGS-Jhb | RC1 51-52 | 59.7 | 8 | 0.39 | 0.21 | 7.6 | 0.87 | 0.01 | 0.24 | 0.09 | 0.28 | 0.04 | 0.25 | 20.66 |
| SGS-Jhb | RC1 57-58 | 63.8 | 13.3 | 0.54 | < 0.05 | 8.32 | 4.81 | <0.01 | 2.2 | 0.15 | 0.07 | 0.02 | 0.19 | 6.97 |
| SGS-Jhb | RC2 5-6 | 65.5 | 11.1 | 0.96 | 0.92 | 3.65 | 1.73 | 0.05 | 1.72 | 0.08 | 0.83 | 0.02 | 0.1 | 11.7 |
| SGS-Jhb | RC1 17-18 | 63.2 | 9.1 | 0.46 | 0.45 | 5.71 | 1.59 | 0.04 | 0.5 | 0.07 | 0.45 | 0.03 | 0.19 | 17.5 |

ND: Not Determined, NC: Not Calculated

JORC CODE, 2012 EDITION – TABLE 1 APPENDIX TO ANNOUNCEMENT

SECTION 1 SAMPLING TECHNIQUES AND DATA

| Criteria | JORC Code Explanation | MUS Commentary |
|---------------------|---|---|
| Sampling techniques | <ul style="list-style-type: none"> <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> | <p>Sampling undertaken as part of the initial exploration program included rock chip sampling from graphitic bearing surface outcrop within exploration licenses 4661L and 4662L. Three representative rock chip samples were collected from two outcrop locations and were submitted to SGS Laboratories and Set Point laboratories in Johannesburg for Cg % analysis (LECO), as well as XRF (major elements) and petrographic description by optical microscopy.</p> <p>Two test RC holes were drilled within prospecting licenses 6527L and 5873L to test prospective stratigraphy for the presence of graphite mineralisation. The drillhole locations were generated based on results from the initial ground EM survey and airborne magnetic data. A total of 13 drillhole intervals were selected for sampling based on geological logging and only zones logged as graphitic rich were submitted to the laboratory for analysis.</p> <p>Reverse circulation drilling was used to collect 1 m samples (roughly 35 kg) via an air cyclone which was reduced to a 3 kg sample by riffing. The bagged 3kg samples were submitted to SGS Laboratories and Set Point laboratories in Johannesburg for Cg % analysis (LECO), as well as XRF (major elements) and petrographic description by optical microscopy.</p> <p>A total of eleven intervals from hole RC001 were selected for sampling;</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 - 43 – 44 m |

| Criteria | JORC Code Explanation | MUS Commentary |
|-----------------------|---|--|
| | | <ul style="list-style-type: none"> - 47 – 48 m - 50 – 51 m - 51 – 52 m - 57 – 58 m <p>Two intervals from hole RC002 were selected for sampling;</p> <ul style="list-style-type: none"> - 5 – 6 m, - 17 – 18 m. <p>The initial exploration program was undertaken in order to confirm the presence of graphite mineralisation and results are not intended to be used for resource determination. Mustang is of the opinion that these assay results confirms the presence of graphite mineralisation in the MUS prospecting licences.</p> |
| Drilling techniques | <ul style="list-style-type: none"> • <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> | <p>Reverse circulation drilling was used to drill two 5.5 inch diameter holes.</p> <p>RC drill chips were collected via an air cyclone at 1 m intervals for logging and sampling. Approximately 35 kg per metre was collected and reduced to a 3 kg sample by riffing.</p> |
| Drill sample recovery | <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>The condition and qualitative estimates of RC sample recovery were determined through visual inspection of the 1m sample bags and recorded at the time of sampling. A hard copy and digital copy of the sampling log is maintained for data verification.</p> <p>The samples obtained are considered to be representative of the drilled intervals and no preferential loss or gain of fine or coarse material was identified during the initial exploration program.</p> <p>Due to the early stage of exploration works at the project, no relationship between sample recovery and grade is known to exist at this point.</p> |

| Criteria | JORC Code Explanation | MUS Commentary |
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| Logging | <ul style="list-style-type: none"> 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. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. | <p>RC drillchip samples were geologically logged by trained geologists. The drillholes are considered by MUS to be 'scout test drill holes' are were not drilled for the purpose of Mineral Resource estimation.</p> <p>Logging of RC drill holes includes recording of lithology, mineralogy, mineralisation, weathering, colour and other features of the samples. RC Chip trays are photographed. Geological descriptions of the mineral volume abundances and assemblages are semi-quantitative.</p> <p>The drillholes were logged in full.</p> |
| Sub-sampling techniques and sample preparation | <ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. | <p>RC samples are collected on the rig using riffle splitters to reduce the sample mass from 35 kg to 3 kg. Sample preparation of the RC chip samples follows industry best practice in sample preparation involving oven drying (105°C), split (300g) and pulverising to a grind size of 85% passing 75 micron. The sample preparation for RC samples follows industry best practice.</p> <p>The majority of samples were dry, with some wet samples at depth in RC002.</p> <p>No field QC procedures were adopted (i.e. no certified standards or blanks were inserted and no field duplicates were collected).</p> <p>Due to the early nature of the project, nominal 1m composite sampling has been undertaken for this phase of the exploration program,</p> |

| Criteria | JORC Code Explanation | MUS Commentary |
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| Quality of assay data and laboratory tests | <ul style="list-style-type: none"> <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i> | <p>Fourteen samples were analysed by SGS Laboratories in South Africa for Graphitic Carbon and Total Carbon on a Leco Combustion Infrared Detection instrument. In addition, these samples were analysed for multi element abundances (including V₂O₅) by XRF and underwent petrographic thin section analysis to determine graphitic carbon flake size distribution.</p> <p>Two samples were submitted to Set Point Laboratories for analysis of Graphitic Carbon and Total Carbon on a Leco Combustion Infrared Detection instrument, and vanadium by SD/ICP. Samples were also subjected to a size fraction distribution analysis.</p> <p>Detection limits for these analyses are considered appropriate for the reported assay grades and adequate for the phase of the exploration program.</p> <p>No geophysical tools were used to determine any element concentrations.</p> <p>No QC procedures were adopted (i.e. no certified standards or blanks were inserted and no field duplicates were collected).</p> <p>Both SGS and Set Point carried out sample preparation checks for fineness as part of their internal procedures to ensure the grind size of 85% passing 75 micron was being attained. Laboratory QAQC involves the use of internal lab standards using certified reference material, blanks, and repeats as part of their in house procedures.</p> |
| Verification of sampling and assaying | <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,</i> | <p>Mr. Johan Erasmus, an independent geologist, has visually verified the geological observations reported in the RC drillholes.</p> <p>No twin holes have been drilled to date.</p> <p>Sample information is recorded at the time of sampling in electronic and hard</p> |

| Criteria | JORC Code Explanation | MUS Commentary |
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| | <p><i>data verification, data storage (physical and electronic) protocols.</i></p> <ul style="list-style-type: none"> <i>Discuss any adjustment to assay data.</i> | <p>copy form.</p> <p>Data is documented by Mr. Johan Erasmus and primary data is kept in a Microsoft Access database. Assay data is received from the laboratory in electronic form and compiled into the Company's digital database. A copy of the data is stored in Mr. Erasmus' office as well as in Mustang's office in Pretoria, RSA.</p> <p>Assay data is reported as received from the laboratory. No adjustments or calibrations have been made to any assay data.</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>Collar locations and rockchip sample locations were surveyed with a Garmin 62/64 GPS Device. The Garmin devices typically have an error of +/- 7m.</p> <p>No downhole survey measurements were taken.</p> <p>All spatial data was collected in WGS 84 and the datum used is UTM Zone 37 South.</p> <p>No topographic surfaces have been generated to date. The generation of a topographic surface DTM, most likely via an aerial survey, is planned for the drilling phases of exploration.</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>Due to the early stage of the exploration program, there is no nominal sample spacing. Two scout test RC drillholes have been drilled to date in prospecting licenses 6527L and 5873L and three rock chip samples have been collected from surface outcrops in exploration licences 4661L and 4662L.</p> <p>Drilling data is at the exploration level and data is not considered to be sufficient to establish the degree of geological and grade continuity appropriate</p> |

| Criteria | JORC Code Explanation | MUS Commentary |
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| | | <p>for the Mineral Resource and Ore Reserve estimation procedure.</p> <p>Drillhole collar information is tabulated in Appendix 2.</p> <p>No sample compositing has been applied.</p> |
| <i>Orientation of data in relation to geological structure</i> | <ul style="list-style-type: none"> <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> | <p>RC drillholes were inclined at -60° orientated on a bearing of 120° (measured clockwise with North at 0°).</p> <p>The orientation of the RC holes was designed based on regional geology interpretations and designed to test the broad stratigraphy.</p> <p>No sampling bias is considered to have been introduced at this early stage of the project.</p> |
| <i>Sample security</i> | <ul style="list-style-type: none"> <i>The measures taken to ensure sample security.</i> | <p>Samples were kept in a locked room after collection, and shipped in sealed containers by Mustang to SGS and Set Point laboratories in South Africa.</p> <p>Sample residue will be retained by SGS and Set Point for safekeeping until further analysis is needed.</p> |
| <i>Audits or reviews</i> | <ul style="list-style-type: none"> <i>The results of any audits or reviews of sampling techniques and data.</i> | <p>No external audits have been undertaken for this stage of work.</p> |

SECTION 2 REPORTING OF EXPLORATION RESULTS

| Criteria | Explanation | |
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| <i>Mineral tenement and land tenure status</i> | <ul style="list-style-type: none"> <i>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.</i> <i>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.</i> | <p>Mustang's Balama Graphite Project area consists of 6 exploration licences covering an area of 666.64 km² that have been acquired by Mustang through an agreement with Balama Resources Pty Ltd.</p> <p>Refer to Table in Appendix 1 and ASX announcement dated 20 October 2014 for full details regarding ownership and earn in rights.</p> <p>All statutory requirements were acquired prior to exploration work. All licences have been awarded and issued</p> <p>The Company is not aware of any impediments relating to the licences or the area.</p> |
| <i>Exploration done by other parties</i> | <ul style="list-style-type: none"> <i>Acknowledgment and appraisal of exploration by other parties.</i> | <p>No prior exploration work done by other parties on the license areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country wide airborne magnetics and radiometric geophysical surveys flown over the region by the Government of Mozambique.</p> |
| <i>Geology</i> | <ul style="list-style-type: none"> <i>Deposit type, geological setting and style of mineralisation.</i> | <p>The area is predominantly underlain by Proterozoic rocks that form a number of gneiss complexes that range from Palaeo to Neoproterozoic in age (Boyd et al., 2010). The Mustang project area is underlain by metamorphic rocks of the Neoproterozoic Lurio Group within the Xixano Complex (Brice, 2012) in north-eastern Mozambique. The Xixano complex is composed dominantly of mafic to intermediate orthogneiss with intercalations of paragneiss, meta-arkose, quartzite, tremolite-rich marble and graphitic schist. Graphite rich units are comprised of sequences of metamorphosed carbonaceous pelitic and psammitic (sandstone) sediments within the Proterozoic Mozambique Belt (Brice, 2012). Metamorphic grade is typically amphibolite facies.</p> |

| Criteria | Explanation | |
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| | <ul style="list-style-type: none"> • <i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> • <i>easting and northing of the drill hole collar</i> • <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> • <i>dip and azimuth of the hole</i> • <i>down hole length and interception depth</i> • <i>hole length.</i> • <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i> | Refer to Appendix 2 – Drillhole Summary Table. |

| Criteria | Explanation | |
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| <i>Data aggregation methods</i> | <ul style="list-style-type: none"> • <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i> • <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> • <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> | No weighting averaging techniques have been applied. |
| <i>Relationship between mineralisation widths and intercept lengths</i> | <ul style="list-style-type: none"> • <i>These relationships are particularly important in the reporting of Exploration Results.</i> • <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> • <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i> | <p>No relationship between mineralisation widths and intercept lengths is known at this stage.</p> <p>Assay grades have been reported and tabulated by sample interval.</p> |

| Criteria | Explanation | |
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| <i>Diagrams</i> | <ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. | Appropriate plans and maps are included in the body of the announcement. |
| <i>Balanced reporting</i> | <ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. | All sample results have been tabulated in Appendix 4. |
| <i>Other substantive exploration data</i> | <ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. | All the data acquired to date has been reported. |
| <i>Further work</i> | <ul style="list-style-type: none"> The nature and scale of planned further work (e.g tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. | <p>Airborne electromagnetic survey is planned for Q2-2015 over the P3Xqm geological units of exploration licences 6527L, 5873L, 6678L, 4661L, 4662L & 6636L to delineate conductive graphitic horizons to aid in the planning of a resource drilling program in the dry season.</p> <p>Further announcements will be made regarding planned drillhole locations once airborne geophysical surveys have been completed and the data has been processed.</p> |