

15 June 2015

MUSTANG DISCOVERS DIAMONDS IN MOZAMBIQUE

HIGHLIGHTS:



- 16 diamonds, visually identified as gem quality, recovered from five initial sample pits
- Sample recovery plant successfully commissioned and first phase of bulk sampling completed
- Bulk sampling program is being scaled up from 100t to 1,000t per day
- All machinery successfully mobilised to site & exploration camp established
- The acquisition of a double stage Flow Sort
- The acquisition of a second 16ft Rotary Pan
- The acquisition of a 67 ton Excavator
- The acquisition of an RC drill rig to assist in accelerating the definition of palaeochannels & sampling targets is planned
- Field work continuing to confirm extent of gravel deposits

Mustang Resources Ltd (ASX: MS) ("Mustang" or the "Company") is pleased to provide an update on exploration activities at the Save River Diamonds Project. The Company has agreed to acquire majority interests in two diamond prospecting and exploration licences in Mozambique (Figure 1) which may host alluvial diamond deposits.

COMPANY INFORMATION

Mustang Resources Ltd
ABN 34 090 074 785

COMPANY DIRECTORS

Ian Daymond: Chairman
Cobus van Wyk: 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 as at 12
June 2015 was \$22.6m

CURRENT PROJECTS

Diamonds
- Save River Project
Graphite
- Balama Project

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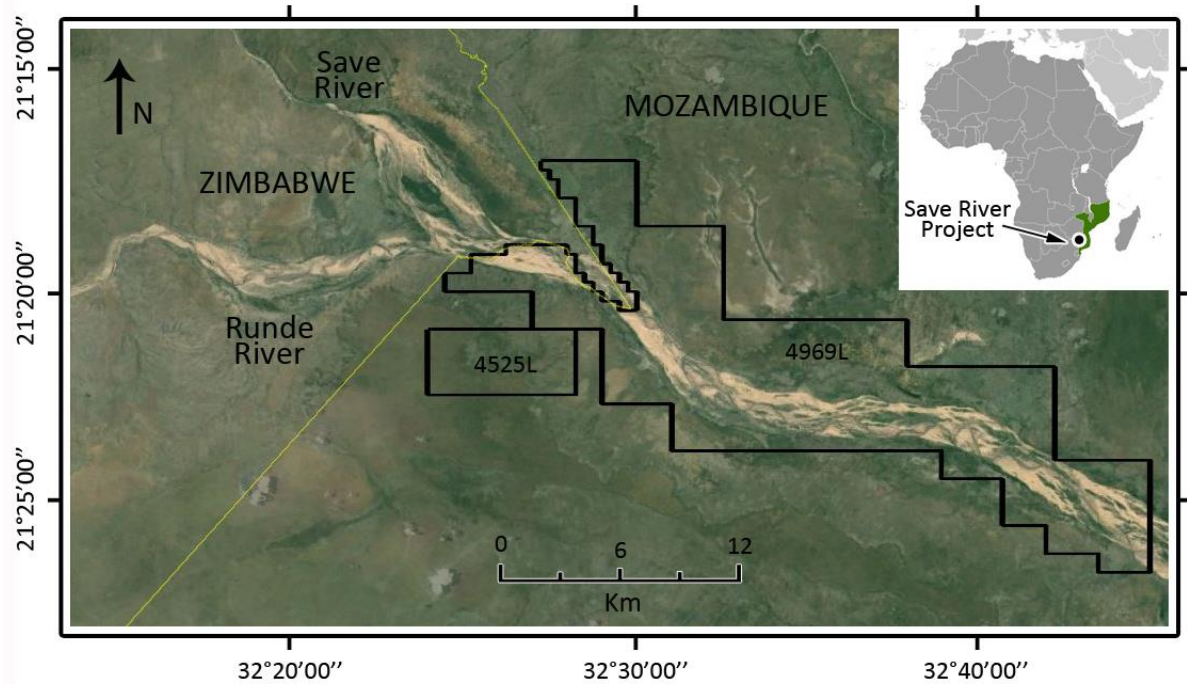


Figure 1: Mustang's Save River Diamonds Project

Recovery Plant Commissioning

The sampling plant and equipment were mobilised to site during the 2014/2015 rainy season and were successfully commissioned on 23 March 2015. Subsequently, gravels from five sample pits close to the plant and the camp were processed. As at 11 June 2015, 16 diamonds have been recovered, lending credence to the exploration model that diamonds may have travelled from Zimbabwe, down the Save and/or Runde rivers and been deposited downstream of their confluence on the Mozambican side of the border (downstream from Murowa and Marange diamond fields in Zimbabwe).



Figure 2: Mustang Trial Mining Plant in operation

Bulk Sampling Recovery Process

The gravel is excavated using a hydraulic excavator (20T Hitachi) and transported to site by Bell articulated dump trucks. The material is then fed into a 4m barrel-screen that screens out the +25mm oversize as well as remnant vegetation. The -25mm fraction is then fed into a 16-foot rotary plant by means of a conveyor belt (the 16-foot plant has a throughput capacity of some 60 tonnes per hour). The rotary pan plant works on two complementary principles of gravitational settling and centrifugal force. In this manner, the heavier concentrate is forced downwards and outwards towards an extraction point on the outer side of the pan, whereas the lighter, waste material remains suspended and flows over an outlet weir in the centre of the pan.

The pan concentrate is tapped off into mobile concentrate bins and towed to the final-recovery site. The concentrate bins are attached to the Bushman Jig's locking device so that the concentrate transfer is secure. The action of the Bushman Jig results in the lighter material being suspended and the denser material settling into the centre of the jig sieves. The sieve fractions are +14mm, -14+10mm, -10+8mm, -8+6mm, -6+4mm and -4+2mm. Each sieve is hand-sorted separately by two sorters, in the presence of a security guard.

Diamond Recovery during First Phase of Bulk Sampling

Bulk sampling began on 23 March 2015 with the first sample being excavated from **Pit 001**. This was followed by **Pit 002** on 8 April 2015, **Pit 003** on 16 April 2015, **Pit 004** on 18 May 2015 and **Pit 005** on 1 June 2015. These initial sites were selected due to their close proximity to the production plant and for convenience of access during the wet season. All the pits are within a radius of 1km from the camp. The pure size of these two concessions (26,000 hectares) with terraces identified over much of the concessions makes this project very exciting. Further, gem quality diamonds have only been recovered from the top gravels and the bottom gravels above bedrock have not yet been explored.

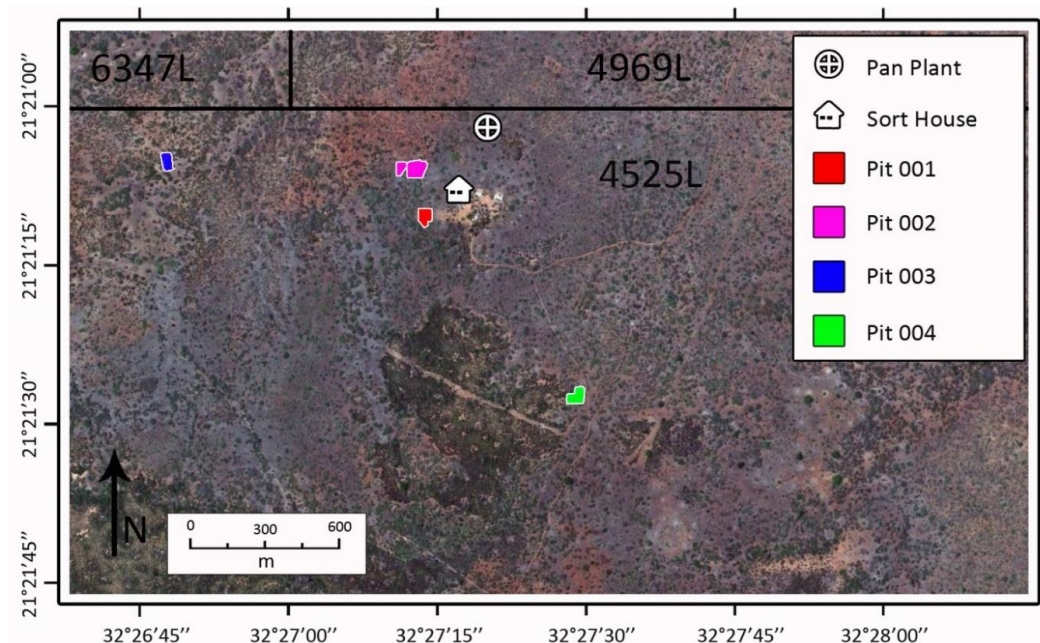


Figure 3: Sample locations

A total of 16 diamonds (9.67ct) have been recovered as at 11 June 2015 (Table 1 and Figures 4 and 5). All diamonds recovered to date have been visually confirmed as being gem quality.

Table 1: Initial exploration results (bottom cut-off size is 2mm)

Sample Pit	Volume (m ³)	Number of Stones	Total Carats (ct)	Average Stone Size (ct/st)
001	1,271	3	1.69	0.56
002	592	2	2.59	1.30
003	885	4	2.11	0.53
004 / 005	2,366	7	3.28	0.46
TOTAL	4,732	16	9.68	0.60



Figure 4. Diamonds from the Save River Diamonds Project. (i.) A 0.44ct stone recovered from Pit 001 and (ii.) A 1.64ct stone recovered from Pit 002.



Figure 5: The 16 diamonds recovered from initial sampling (photographed as recovered, prior to cleaning)

Future Planned Work

Due to the presence of a calcrete layer between 2.5 and 4 metres thick, the current 20 Ton excavator could not dig deeper than 4 metres and thus the gravels under the calcrete layer could not be tested and the bedrock could not be identified.

Now that the presence of diamonds has been confirmed and Phase 1 of the bulk sample has been completed the plant will be scaled up from 100 tonnes per day to be able to process up to 1000 tonnes per day. The current Bushman Jig will be replaced by a Flow Sort machine which will sort the concentrate from the rotary pans through dual stage X-ray machines. The Bushman Jig can only process 3 tons of concentrate where the Flow Sort will be able to process some 30 tons of concentrate per day. The Flow Sort is expected to automate some 95% of the manual work which is needed with the Bushman Jig and is significantly more efficient.

An additional 16ft rotary pan is being procured to enable the plant to run at optimum processing capability and to be able to provide the Flow Sort with 30 tons of concentrate per day. IN addition, a 67 ton excavator will be acquired to break through the calcrete layer and to open the pits to bedrock. An additional front end loader is also being acquired to improve processing capabilities.

Geology

To date, the main terraces identified from field mapping comprise the Plateau Beds, the 230m (metres above mean sea level) terrace, the 180m terrace and the 160m terrace. All mapping completed in the area has been based on surface characteristics and a few pits with a maximum depth of 3.5m. As more data is collected, a detailed geological map and model will develop, resulting in better insight into the palaeochannel migration as well as specific target areas.

In order to obtain information on the gravel stratigraphy and palaeochannel location, Mustang proposes to acquire a Reverse Circulation drilling rig. The rig will be used to locate buried gravel targets, to determine the stratigraphy and to characterise the different gravel units as well as to identify the bedrock. A systematic drilling and pitting programme will also be instituted in order to estimate the volume of available gravel with a reasonable level of confidence.

It is planned for representative gravel samples from all of the identified terraces to be processed in order to understand the diamond distribution, grade and value in an attempt to estimate the Diamond Resource present on the concession.

Commenting on the exploration results, Ian Daymond (Chairman) said:

“The discovery of gem quality diamonds in the Save River licence areas is an historic event for Mustang, as this discovery is the first known recovery of alluvial diamonds of marketable size and quality in Mozambique. It was an impressive achievement by the operations team to mobilise the plant and equipment to site, given this occurred in the rainy season and in a remote area of south-western Mozambique. This has been a truly pioneering effort and an excellent start to the project which Mustang considers to have great potential.

The Company will update shareholders on further progress on the Save River Diamonds Project as exploration and continued bulk sampling progress.”

For and behalf of the Company

Ian C Daymond

Chairman

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Competent Person's Statements

This report, that relates to Exploration Targets, Exploration results, Mineral Resources or Ore Reserves, is based on information reviewed by Tania R Marshall, a Competent Person who is a registered member of the South African Council for Natural Scientific Professions (SACNASP) which is an Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Dr Marshall is a consultant with Explorations Unlimited South Africa and was engaged by the Company to undertake this work. Dr Marshall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for reporting of Exploration Results. Dr Marshall 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.