SAVE RIVER DIAMOND PROJECT - UPDATE

19 October 2015

Additional diamonds recovered from lower level gravels at Save River Diamond Project, Mozambique

Highlights:

- **Excavation of initial trial pits at Save River Diamond Project has resulted in further diamond recoveries after breaking through a hard calcrete layer below surface deposits comprising Rooikoppie alluvial gravels**
- **To date, a total of 38 diamonds have been recovered from multiple layers across the project area totalling 23.70 carats**
- **Latest recoveries further validate existence of gem-quality diamonds**
- **Upgraded diamond recovery plant fully commissioned and operating at 1,000m3/day**
- **RC drill rig to be mobilised to site shortly to accelerate definition of paleo channels & sampling targets – targeting JORC compliant Mineral Resource**
- **Further recoveries expected as bulk sampling work continues from Rooikoppie and localised underlying gravel deposits**

Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to provide an update on ongoing project expansion and diamond recovery activities at the Save River Diamond Project in Mozambique.

Initial geological mapping of the Save River area in which pitting, sampling and processing is underway has shown the presence of well developed Rooikoppie deflations gravel deposits over large areas, and localised deeper calcretised gravel deposits reflecting scour pools or channel features. The delineation of these diamond-bearing deposits will be documented through further pitting and drilling.

COMPANY INFORMATION

Mustang Resources Ltd
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COMPANY DIRECTORS

Ian Daymond : Chairman
Cobus van Wyk : Director
Frank Petruzzelli : Director
Andrew Law : Director

MANAGEMENT

Andrew Law: COO
Cobus van Wyk: Executive Director
Chris Ritchie: CFO / Co Sec

STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: MUS

Current Shares on Issue: 90,679,097
Market Capitalisation
$22.2M as at 16 October 2015

As part of the second phase exploration activities, the introduction of an 87 tonne excavator has successfully opened up new pits, broken through the hard calcrete layer in some of the current working pits, and assisted in the understanding of the local stratigraphy. **Further gem quality diamonds have been recovered from the trial pits at Save River as a consequence of the latest pitting.**

The Company is pleased to report that **38 diamonds totalling 23.70 carats have been recovered from the initial bulk sampling activities to date. The average stone size is 0.67 carats with the largest diamond measuring 2.58 carats**.

As part of the scheduled project expansion activities, all seven trial pits will be opened to bedrock for additional exploration / bulk sampling.

Figure 1. Composite across Pit 4 showing coarse consolidated gravel scour (see close up in Figure 2)

Figure 2. Close up of Gravel scour, Pit 4

Figure 3. Additional gem-quality diamonds discovered at Save River after breaking through the calcrete layer

Mustang Resources Chief Operating Officer, Andrew Law, commented, "We are very pleased to be able to confirm the recovery of additional diamonds from sample Pit-4 after breaking through a calcrete layer underlying Rooikoppie deposits at Save River – with the total diamonds recovered now standing at 23.70 carats.

Coupled with the results from our initial bulk sampling program, these recoveries further reinforce the Company's view that the Save River Diamond Project has the potential to host excellent gem-quality alluvial diamonds.

We have implemented an active and aggressive exploration program and we expect to report on further recoveries of diamonds as part of our ongoing program. To have recovered diamonds after sampling multiple layers is geologically very encouraging for our technical team.

The Company remains committed to systematically unlocking the underlying shareholder value from Save River and we are now working diligently towards the definition of a JORC compliant Mineral Resource.

The Board looks forward to providing shareholders with additional updates on project development activities in the near future."

Planned Work Program

The second phase exploration program is well underway at Save River, with the diamond recovery plant now operating at 1,000m^3 per day.

The Company is also awaiting drilling results in order to determine new priority targets for bulk sampling. With the new Flow Sort recovery unit, it is expected that the recovery and quantity of diamonds will be increased as the exploration program is expanded in coming months.

Furthermore, the Company is currently finalising an exploration program at its Balama Graphite Project in Mozambique and will provide shareholders with an update on activities shortly.

For and behalf of the Company

Ian C Daymond
Chairman

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COMPETENT PERSON'S STATEMENT:

Information in this report that relates to the Save River Diamond Project's Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr. John Bristow, 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. Dr.Bristow is an independent consultant who was engaged by the company to undertake this work. Dr. Bristow has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Bristow consents to the inclusion of the data in the form and context in which it appears.

FORWARD-LOOKING STATEMENTS:

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

JORC CODE, 2012 EDITION – TABLE 1 –
Appendix to Diamond Announcement – 19 October 2015.

Section 1 sampling techniques and data.

Criteria	Explanation	Mustang Commentary
Sampling techniques	• *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.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (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.*	A number of (industry standard) issues peculiar to alluvial diamond sampling have been identified, which impact directly on the number and size of the samples and the complexity of Resource estimations. <u>Depositional environments</u> Alluvial streams are highly transient environments. The braided channels are unstable through time and gravel bars are formed and destroyed continuously. Shifting bars and channels cause wide variations in local flow conditions resulting in varied depositional assemblages. Common features in braided stream deposits include irregular bed thicknesses, restricted lateral and vertical variations within the sediments, and abundant evidence of erosion and re-deposition. On a broad scale, most deposits are complex with units of no great lateral extent. Locally, bedrock features play an important role in diamond concentration of the alluvial deposits, with diamonds occurring preferentially in natural traps such as gullies, potholes and gravel bars and, typically, reworked through one or more post-depositional colluvial or eluvial. <u>Low grades</u> The grade of a diamond deposit is the estimated number of carats contained in one hundred tonnes (cpht) or one hundred cubic metres (ct/100m^3) of gravel and, typically, averages are in parts per million (ppm) or even parts per billion (ppb). <u>Grade variation</u> In a single gravel unit (even within a few metres), diamond grades may vary from barren to over 100cpht, due to the development of localised trap-sites under favourable bedrock conditions, or hydraulic fractionation within a channel or bar. Consequently, the diamond distribution pattern (grade) of alluvial deposits is such that there is no repeatability of small sample results, even from adjacent samples. <u>Large individual diamond size</u> Diamonds constitute discrete units of varying size (weight). Consequently, they form discrete particle deposits as opposed to disseminated particle deposits. Often the size and value distribution from stone to stone is erratic and it is

Criteria	Explanation	Mustang Commentary
		possible that the majority of the value of a parcel is attributed to a single stone. <u>Low homogeneity of diamond distribution</u> Individual diamonds are not evenly or uniformly distributed throughout an alluvial deposit; neither are they randomly distributed. Rather, their distribution has been described as a random distribution of clusters of points, where the clusters are both randomly distributed in space, and the point density of each cluster is also random. <u>Lack of associated minerals or geochemical signature</u> In contrast to kimberlite deposits, alluvial diamond deposits are not characterised by any standard (or deposit-specific) satellite/indicator mineral assemblage that may occur in higher, more easily measurable, concentrations than the diamonds. Neither do the deposits have any associated geochemical signatures that can vary according to diamond grade (or any other geological characteristic). In order to account for all of these issues and ensure representivity, alluvial diamond deposits can only be sampled through bulk-samples comprising tens-hundreds of thousands of cubic metres of gravel. Diamond deposits, especially alluvial deposits, cannot be sampled by means of drilling. Drilling is used for stratigraphic information and to estimate thickness of overburden, gravel and the depth and nature of the bedrock. Bulk-sampling is completed in much the same manner as the production mining would be, except on a smaller scale. With positive results, bulk-sampling naturally progresses to trial-mining (and advanced technical studies), during which all of the modifying parameters are determined to allow a decision of whether to proceed to full production. Diamond recovery is dependent on mechanical recovery through the application of physical properties of both diamond and gravel – density and size variation (to concentrate the heavy mineral portion from the bulk gravel) and fluorescence and wettable properties of the diamond during final recovery. The processing and recovery plants are affected by various issues such as the nature and amount of calcrete in the gravels as well as the amount of sand in the matrix.

Criteria	Explanation	Mustang Commentary
	• *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, whether core is oriented and if so, by what method, etc.).*	No drilling results are reported in this document. Stratigraphic information has been obtained from limited pitting by hydraulic excavator. The pits are excavated from surface down to a hard calcrete layer (some 3-4m below surface), which cannot be penetrated by the equipment currently on site. The objective, however, is to pit from surface to bedrock.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	Drill recovery data is not applicable at this stage. Stratigraphic pitting does not entail sampling at all. Details regarding bulk-sampling is presented in section 5.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to 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.*	All excavated faces of the pits (stratigraphic pits and sample trenches) are logged and photographed. Logging is semi-quantitative with stratigraphic and lithological units described and thicknesses noted.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected,*	The bulk-sampling programme is industry standard for low-grade alluvial deposits. As a result of the generally low grades associated with (braided) alluvial systems, representative bulk-sample sizes have to be large – in the range of tens to hundreds of thousands of cubic metres. As at 18 October 2015, total bulk-sample size is less than 15,000m^3 (individual sample sizes range from 592m^3 to 3,926m^3). These size samples are not considered sufficient to estimate Mineral Resources, but are appropriate as Exploration Results, simply to identify the presence of diamonds.

Criteria	Explanation	Mustang Commentary
	including for instance results for field duplicate/second-half sampling. • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	Due to the nature of alluvial diamond deposits, samples are not taken for assay as would be normal for precious or base metal prospects. Consequently, no samples are dispatched to any analytical or testing laboratories. Further, sample splitting and reduction methods were not employed. At the inception of sampling a small Bushman jig was used to test material for the presence of diamonds and subsequently the gravel was processed through a 16-foot rotary pan plant on the concession. Since 12 September 2015, a second 16-foot rotary pan has been put in place to increase the volume of gravel processed. Since the samples were processed through the Company plant, Mustang personnel were involved from the excavation of the gravels through to the final recovery of the diamonds. The rotary pan plant, the Bushman Jigs and FlowSort efficiencies are all monitored using industry standard tracer tests. A rigorous audit process is also in place to track samples, sample processing, and diamond recoveries. This audit process also extends to the handling and storage of diamonds. The audit process has been reviewed by the CP (Dr J Bristow) and will be reviewed and revised as the project progresses.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	The diamond distribution pattern (grade) of alluvial deposits is such that there is limited repeatability of bulk-sample results, even from adjacent samples of tens of thousand cubic metres in size. Consequently, "check-samples" such as are standard in the precious and base-metal industries, are not possible. All exploration data is entered into a sampling database which is QA/QC'd by the Project Geologist (the database is currently GIS based). Data is stored both on-site as well as at the Company's office in Pretoria, RSA.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other*	Bulk-sample sites were located using a hand held Garmin GPS (GPSMap64S). These handsets have an inherent accuracy variance of 7m in the X and Y dimension. The vertical/elevation dimension (Z) of

Criteria	Explanation	Mustang Commentary
	locations used in Mineral Resource estimation. • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	handheld instruments is not reliable and is hence not reported. The grid currently in use is the Geographic system (degrees, minutes and seconds). However, the Company is in the process of converting everything to UTM WGS 84 – Zone 36s. Currently, topographic control is based on available 1:250,000 topographic maps. Since the landscape is relatively flat, this is sufficient for the initial exploration program. As the programme progresses, elevation data will be provided by professional survey.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	Bulk-samples are not taken along a systematic grid, neither are they sited so as to intersect specific areas of high or low grade. The key reasons for this are: • The large size of the individual samples. • The anticipated mining plan for the gravels is based on high volumes and, therefore, the samples have to address average recoveries. Consequently, samples are not sited so as to intersect areas of anticipated higher (or lower) grade. The bulk-sampling to date is not considered representative of the deposit and significantly more (and larger) samples will need to be taken on all of the identified terraces before a Mineral Resource can be estimated. The reconnaissance bulk-sample results have not been composited, but are presented on a pit by pit basis.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	The stratigraphic pitting and mini bulk-samples (along with future drilling) are considered as reconnaissance exploration data which will assist in determining the extent and orientation of the gravel units. However, the target terraces are expected to roughly parallel the present Save channel within the confines of the post-Karoo Save River valley. Insufficient data currently exists to determine whether sample bias is present.
Sample security	• *The measures taken to ensure sample security.*	Since the grades expected on alluvial diamond deposits are so low and the sampling is all mechanised, it is extremely improbable that diamonds will be picked up during the excavation process or at the plant stockpile. Consequently, no security is employed at the sample pit.

Criteria	Explanation	Mustang Commentary
		At the plant site, security is limited to caging around the processing pans; as the operation progresses and volumes are increased, cages will also be installed around conveyor feeder belts. It is only at the final-recovery sort-house that sample security becomes a significant issue, where operations are monitored by Company security personnel and Closed Circuit Television ("CCTV") monitors.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	The sampling techniques are industry standard for alluvial diamond deposits. During the period 10-13 May 2015, the independent CP, Dr T R Marshall, visited the site in order to review sampling techniques and data. During the period 7-10 October, the independent CP, Dr. J Bristow, visited the site in order to review sampling techniques and data.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	Explanation	Mustang Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	Ownership of land and Mineral Rights in Mozambique is vested in the State. Companies may apply for Prospecting and Exploration or Mining Licences from the Minister of Mineral Resources. The issue of any licence is contingent on compliance with environmental regulations and risk management as well as the provision of a socio-economic upliftment program. Obligations for holders of Prospecting and Exploration Licences include the submission of an annual report, an investment plan, a work plan and a proposed budget. For Prospecting and Exploration Licences, a Performance Bond (in the form of a bank guarantee, which must be equivalent to some 10-20% of the amount defined in the work program and minimum budget) must be lodged with the Department of Mineral Resources. Further, a surface tax of a fixed amount per hectare of land under the permit is payable to the State. This amount is variable, and increases annually. In addition, upon sale of diamonds for valuation purposes, a production tax of 10% (of diamond income) is payable to the State. The Save River Diamond project area comprises two Prospecting and Exploration Licences; 4525L (2,384.23ha) and 4969L (21,698.20ha). 4525L is valid for the period 22/11/2011 – 22/11/2016

Criteria	Explanation	Mustang Commentary
		4969L is valid for the period: 26/04/2012 – 26/04/2017 These licences to the concessions comprising the Save River project have all been awarded in the name of the relevant Mozambican registered companies with which Mustang has legal agreements. All licences are considered in good standing (according to a Legal Due Diligence ("LDD"), completed by BDC (Mozambique) on 13 January, 2015. Exploration licences allow for the exploration (including bulk-sampling) of mineral resources but not exploitation. Licences are valid for up to five years but can be extended for up to three further years on application to the Minister of Mineral Resources. After eight years (or sooner), the licence must be converted into a Mining Concession Licence or a new licence must be applied for. In terms of a Legal Opinion provided by BDC (Mozambique) in January 2015, Mustang Resources Ltd (ASX: MUS) is to acquire 74% of Sese Diamonds Pty Ltd (the holder of 4525L) and 78% of Save River Diamonds (Pty) Ltd (holder of 4969L). AUD 3.5M, was raised by the sale of 17.5M shares in Mustang Resources Ltd on the Australian Securities Exchange. The LDD notes that the State is entitled to a participating interest of some 5-20% To the best knowledge of the Company (and confirmed by the Directors of Mustang), there are no known impediments to obtaining/maintaining any licences to operate on the Save River concessions.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	No prior prospecting has been done on the properties by anyone. However, the mouth of the Save River (some 300km downstream) was prospected in 1965 without any tangible results. These results are not considered material to this project, since the local geological conditions and depositional environments differ significantly. During mid-2009, a listed junior exploration company is known to have completed limited reconnaissance prospecting along the lower Save River in Zimbabwe, upstream from the project. While two small diamonds were recovered from terrace gravels, the project never progressed due to non-technical reasons.

Criteria	Explanation	Mustang Commentary
Geology	• *Deposit type, geological setting and style of mineralisation.*	The Save River project is located on the south-eastern edge of the Kaapvaal Craton. To the north and west-southwest of the project area lie the Proterozoic Zambesi (Irumide) and Limpopo Mobile Belts, respectively. The Save-Limpopo dyke swarms strike 70˚ and comprises both Proterozoic and Jurassic age dolerite dykes. The regional bedrock consists of the post-Karoo (Jurassic?) sediments, consisting of calcareous sandstones and carbonates, overlain by continental sandstones, gritstones, pebbly gritstones and conglomerates of Late Cretaceous age and younger (mid-Tertiary to Quaternary) sediments flanking the river. The current exploration target is based on the precept that diamonds from kimberlites in the Zimbabwean headlands may have washed down the Runde and Save Rivers and become entrained in the Cainozoic sediments of the palaeo Save River downstream of the escarpment. It is proposed that the alluvial diamonds would be associated with coarse gravel bars within ancient braidplains (and/or fluvial fans) that flank the current river.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* • *easting and northing of the drill hole collar* • *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* • *dip and azimuth of the hole* • *down hole length and interception depth* • *Hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	No drilling is reported in this document. Only stratigraphic information is obtained from prospecting pits. No details are provided for the pits as they have not been used for the purposes of volume estimation. At this stage, the pits have been excavated simply as a means of understanding the local geology. All pitting to date has been located on the A (high) terrace.

Criteria	Explanation	Mustang Commentary
Data aggregation methods	• *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.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	Data aggregation methods are not, typically, applicable to alluvial diamond deposits. All results are shown as obtained. Insufficient data has been obtained to estimate grade and/or diamond value at even a conceptual level.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill-hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	Drilling/pitting results are used, primarily, to define the presence of gravel units and to estimate their thicknesses, which data will, eventually, be used in the estimation of Resource volumes. The pits are all vertical and the gravel deposits are horizontal (since they are very young, geologically, and are not affected by large scale tectono-structural upheavals). Therefore, the gravel thicknesses (as determined from drilling/pitting) are true thicknesses.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Appropriate scale map and plans with scale and north points are included in the announcement.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	All available exploration results have been reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey*	To date, four main terraces have been identified from field mapping, viz. the Plateau Beds; the 230m (metres above mean sea level) terrace; 180m terrace; and the 160m. All mapping completed in the area has been based on surface characteristics

Criteria	Explanation	Mustang Commentary
	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.	and a few prospect pits (stratigraphic) with a maximum depth of 10.6m. Geophysical and geochemical surveys are not appropriate to alluvial diamond deposits. Bulk-sampling is described below in Section 5.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	The results to date simply identify the presence of commercially sized (macro) diamonds in alluvial gravel deposits on the Save River concession. A prospecting program is being drawn up, which is planned to culminate in the estimation of Mineral Resources present on the property. The program is planned to include both drilling and representative bulk-sampling. <u>Drilling</u> Currently, phase 1 comprises plans for some 1,000m of reverse circulation ("RC") drilling to identify bedrock variation, gravel distribution and Resource estimation. <u>Bulk-sampling</u> By 18 October 2015, nine sample pits had been excavated to identify the presence of diamonds. The initial samples only sampled colluvial and Rooikoppies deflation deposits. Hard calcrete present in the geological concessions below the Roiikoppie gravels has thus far prevented the excavation and sampling of possible deeper basal gravels though one such example of these gravels has been located and mapped through the use of the large 87 tonne excavator which is now on site. A drilling program and excavation of deeper pits with the large excavator will be used to prospect for potential gravel horizons that might exist below the hard calcrete. Additional well controlled sampling (including sampling of basal gravels) will be conducted to obtain representative grade and diamond value data. The locations of these bulk-sample areas will be identified from the results of the pitting and drilling program. Further, the gravel from the pits will be characterised to determine what additional exploration techniques might be applied.

Section 5: Estimation and Reporting of Diamonds and Other Gemstones

Criteria	Explanation	Mustang Commentary
Indicator minerals	*Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.*	Indicator minerals have not been sampled for and no reports have been prepared as such minerals are not applicable to alluvial diamond deposits
Source of diamonds	*Details of the form, shape, size and colour of the diamonds and the nature of the source of diamonds (primary or secondary) including the rock type and geological environment.*	Since only 38 stones (23.70ct) have been recovered to date, no diamond studies have been undertaken. The diamonds have been recovered from a (palaeo) braided river environment. The gravel profile comprises two distinct stratigraphic units – a primary fluvial-alluvial gravel unit overlain by a colluvial/eluvial deflated gravel, locally known as "Rooikoppie" gravel. The fluvial-alluvial unit, which is variably calcreted, can be further subdivided into a hanging gravel and a basal gravel. The current (conceptual) geological model anticipates that the primary source to the diamonds will be kimberlites located in the headwaters of the Save and Runde Rivers in Zimbabwe. The nature and exact location of the primary source(s) of the alluvial diamonds is not entirely germane to the project and will not form a significant part of current investigations.
Sample collection	• *Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (e.g. large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).* *Sample size, distribution and representivity.*	The reconnaissance samples have been mini bulk-samples designed simply to establish the presence of diamonds in the different gravel units. These will be expanded (in size and number) in order to estimate grade, value and stone size distribution and relevant confidence levels. As of 18 October 2015, eight samples (total of 11,112m^3) had been excavated from the 230 mamsl (metres above mean sea level) and one sample (total of 1,799) has been excavated from the 200 mamsl level and, as such, the results are not considered representative, either of the specific terrace, or of the project as a whole. Further, only the colluvial and very limited amounts of hanging gravel layer have been sampled. The basal gravels have not yet been sampled, so the results to date cannot even be considered representative of the known stratigraphic profile.
Sample treatment	• *Type of facility, treatment rate, and accreditation.* • *Sample size reduction. Bottom screen size, top screen size and re-crush.* • *Processes (dense media*	Gravel samples have been recovered from five separate pits, namely Pits 001, 002, 003, 004, 005, 006, 007, 009 and 010. These samples have all been derived from the A terrace. Bulk samples cannot be processed at a laboratory –

Criteria	Explanation	Mustang Commentary
	separation, grease, X-ray, hand-sorting, etc.). • *Process efficiency, tailings auditing and granulometry.* *Laboratory used, type of process for micro diamonds and accreditation.*	but are processed on site, through the Mustang plant, by Mustang personnel. The gravel is excavated using a hydraulic excavator (20T Hitachi up until 8 September 2015 when a 87T Hitachi arrived on site) and transported to site by Bell articulated dump trucks ("ADT"). Sample area visually inspected and all gravels are excavated to bedrock (where the bedrock is friable, the sample includes some 10-15cm of bedrock to ensure collection of gravel and diamonds that may have penetrated the bedrock). Sample pits are measured (with measuring tape by the geological staff) to estimate volumes. The material is then fed into a 4m barrel-screen that screens out the +25mm oversize up until 8 October 2015 when the barrel-screen was fitted with 40mm sieves which screens out +40mm oversize and remnant vegetation. The -40mm fraction is then fed into two 16-foot rotary pan plant as of 12 September (prior only one pan plant was operational) by of a Komatsu front-end loader onto of a conveyor belt (the 16-foot plant has a throughput capacity of some 60 tonnes per hour). The rotary pan plant works on the two complimentary 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 then towed to the finial-recovery site. From inception to 12 September 2015 the concentrate bins were attached to the Bushman Jig's locking device so that 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, -4+2mm. Each sieve is hand-sorted separately by two sorters in the presence of a security guard. As of 12 September 2015, a dual stage FlowSort X-ray recovery machine was commissioned on site, the gravels are run through a dewatering and classer system before entering the Flow Sort. The entire gravel sample (-40+2mm fraction) is processed. Diamonds smaller than 2mm have very little commercial potential and their loss is not at issue. Diamonds greater than 40mm (+500ct) are

Criteria	Explanation	Mustang Commentary
		not expected to occur in this environment. Mustang currently has the following plant & equipment on site: Earth-moving Fleet: 2 x Bell B20 dump trucks, 1 x Hitachi 210 Excavator 20 ton, 1 x Komatsu front-end loader 1 x Caterpillar TLB 1 x Massey Ferguson 399 As of September 2015 additional Earth moving Fleet on site: 1 x Hitachi 870 Excavator 1 x Komatsu front-end-loader 470 1 x SAMil-mounted water truck 1 x Massey Ferguson 165 tractor Processing Plant: 1 x barrel screen (25mm screen, now 40mm) 1 x 16-foot rotary-pan plant which has a design throughput of 60 tph 2 x Bushman Jigs (processing up to 3 tons a day) As of September 2015 additional Processing Plant equipment: 1 x Dual stage Flow Sort X-ray recovery machine 1 x 16-foot rotary-pan plant Microdiamonds are not applicable to alluvial deposits and, therefore, are not considered.
Carat	*One fifth (0.2) of a gram (often defined as a metric carat or MC).*	Metric carats ("ct") have been used throughout this document
Sample grade	• *Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.* • *The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.* *In addition to general requirements to assess volume*	Insufficient data has been recovered to estimate sample grades or diamond size frequency distribution, as yet.

Criteria	Explanation	Mustang Commentary
	and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).	
Reporting of Exploration Results	• *Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.* • *Sample density determination.* • *Per cent concentrate and undersize per sample.* • *Sample grade with change in bottom cut-off screen size.* • *Adjustments made to size distribution for sample plant performance and performance on a commercial scale.* • *If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples.* *The weight of diamonds may only be omitted from the report when the diamonds are considered too small to be of commercial significance. This lower cut-off size should be stated.*	As of 18 October 2015 (Table 1), 38 stones with a total weight of 23.70ct have been recovered (with a bottom cut-off size of 2mm). All of the diamonds have, thus far, been recovered from the colluvial ("Rooikoppie") gravel unit. The current sample is considered too small to complete any sort of analysis. This will be reported when an appropriate size diamond sample has been recovered.
Grade estimation for reporting Mineral Resources and Ore Reserves	• *Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.* • *The sample crush size and its relationship to that achievable in a commercial treatment plant.* • *Total number of diamonds greater than the specified and reported lower cut-off sieve size.* • *Total weight of diamonds greater than the specified and reported lower cut-off sieve size.*	Mineral Resources and/or Ore Reserves have not yet been estimated for this project.

Criteria	Explanation	Mustang Commentary
	The sample grade above the specified lower cut-off sieve size.	

Value estimation	• *Valuations should not be reported for samples of diamonds processed using total liberation method, which is commonly used for processing exploration samples.*
	• *To the extent that such information is not deemed commercially sensitive, Public Reports should include:*
	  ○ *diamonds quantities by appropriate screen size per facies or depth.*
	  ○ *details of parcel valued.*
	  ○ *number of stones, carats, lower size cut-off per facies or depth.*
	• *The average $/carat and $/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.*
	• *The basis for the price (e.g. dealer buying price, dealer selling price, etc.).*
	
	An assessment of diamond breakage.
		The diamond sample recovered to date is considered too small to be representative in terms of value and no such valuations have yet been undertaken.

Security and integrity	• *Accredited process audit.* • *Whether samples were sealed after excavation.* • *Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.* • *Core samples washed prior to treatment for micro diamonds.* • *Audit samples treated at alternative facility.* • *Results of tailings checks.* • *Recovery of tracer monitors used in sampling and treatment.* • *Geophysical (logged) density and particle density.* • *Cross validation of sample*	All diamonds are weighed, sealed and stored in a Category 4 safe on site. As yet, diamonds have not been transferred from site to valuer location. Bulk-samples are not processed at an alternative facility. No audit of tailings has yet taken place. The rotary pan plant, the Bushman Jig and the Flow Sort efficiencies are monitored using industry standard tracer tests.

Criteria	Explanation	Mustang Commentary
	weights, wet and dry, with hole volume and density, moisture factor.	
Classification	• *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.*	The uncertainty of the project is such that only Exploration Results are presented as conceptual Exploration Targets. The results to date simply identify the presence of commercially sized (macro) diamonds in alluvial gravel deposits on the Save River concession. The limited information gathered thus far does not allow for the identification of Mineral Resources.