BALAMA GRAPHITE PROJECT - UPDATE

20 October 2015.

Graphite Exploration Update - Priority drill targets identified at Balama Graphite Project, Mozambique

Highlights:

- **SkyTEM airborne electromagnetic survey successfully completed over all six graphite tenements within Balama Project area**
- **Multiple priority target anomalies have been identified for drilling program scheduled to commence Q4 2015**
- **Detailed analysis of target anomalies indicates possible strike extensions of world-class graphite deposits in the area**
- **Drill program to target shallow (<200 m) graphite mineralisation**

Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to announce that results from the SkyTEM airborne electromagnetic survey recently completed over the Balama Graphite Project have now been received.

Following a detailed analysis of all available geophysical data, the Company has identified a number of priority anomalies within the Balama Project area which will form the basis for the planned RC drilling program commencing Q4 2015.

Furthermore, the priority anomalies also represent possible extensions of nearby, high-grade graphite deposits including Triton Minerals' Nicanda Hill graphite project and Syrah Resources' Balama graphite project.

Mustang has rights to earn majority interests six of graphite prospecting licences located in the world-class Cabo Delgado graphite province in Northern Mozambique.

Following the drilling of the priority anomalies and further definition of graphitic mineralisation, the Company will look to rapidly advance the project with a detailed scoping study.

COMPANY INFORMATION

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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 $20.4 M as at 19 October 2015

Mustang Resources Chief Operating Officer, Andrew Law, commented, "We are very pleased with the positive results from our recently completed SkyTEM airborne electromagnetic survey, with early indications suggesting the Balama project could host possible strike extensions of nearby world-class deposits.

The Company's exploration team has identified a number of priority targets that we are eager to follow up with a drilling program which will commence Q4 2015.

Importantly, we know similar electromagnetic (EM) surveys have been used to great effect by several other graphite exploration companies in the Northern Mozambique region, and this provides the team with confidence as we look to accelerate the exploration and development of our Balama graphite project in coming months".

Scheduled Drilling Program

Mustang will commence a maiden drill program across its Balama graphite tenements with the aim of completing between 10-14 holes for approximately 3,000 metres. The total number of holes and the total metres drilled in the program will be dependent on the geology intersected. The Company is targeting shallow mineralisation along strike to known graphite mineralisation, as well as, previously untested areas within the Cabo Delgado province.

The drill program has been designed as an initial first pass program focused on testing the most promising EM anomalies located along strike from known graphite deposits and/ or anomalies (Figure 2 and Figure 3). The program aims to target shallow graphite mineralisation identified by initial scout drilling and rock chip sampling undertaken in September/ October 2014.

Planned Work Program

After the initial drilling of the 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 mineral resource confidence to the scoping study and feasibility stages.

The Company looks forward to updating shareholders with further progress updates in the near future.

Airborne Geophysics Survey

Mustang commissioned SkyTEM Australia Pty Ltd (SkyTEM) to complete the airborne electromagnetic (EM) geophysics survey. Post processing of the airborne EM data was undertaken by ASST Pty Ltd (ASST).

The initial 2,400 km line survey was focused over lithology regionally mapped as quartz mica gneiss and schist (P3Xqm) (Figure 1), which is known to be locally graphite-bearing. The orientation of the survey lines were designed perpendicular to the strike of the geology to ensure optimal EM coupling with mineralised zones. Given the Company's large land holding (666.64 km2), and limited access to parts of the project areas, Mustang considers that airborne EM geophysical survey methods have enabled the Company to quickly and cost-effectively identify graphite mineralisation target zones.

Results from the airborne EM survey were extremely encouraging and indicate the presence of a number of conductive anomalies across all of Mustang's tenements, including anomalies along strike of stratigraphic conductors hosting the mineralisation at both Triton Minerals' (Triton) Nicanda Hill deposit (Figure 2) and Syrah Resources' (Syrah) Balama deposit (Figure 3).

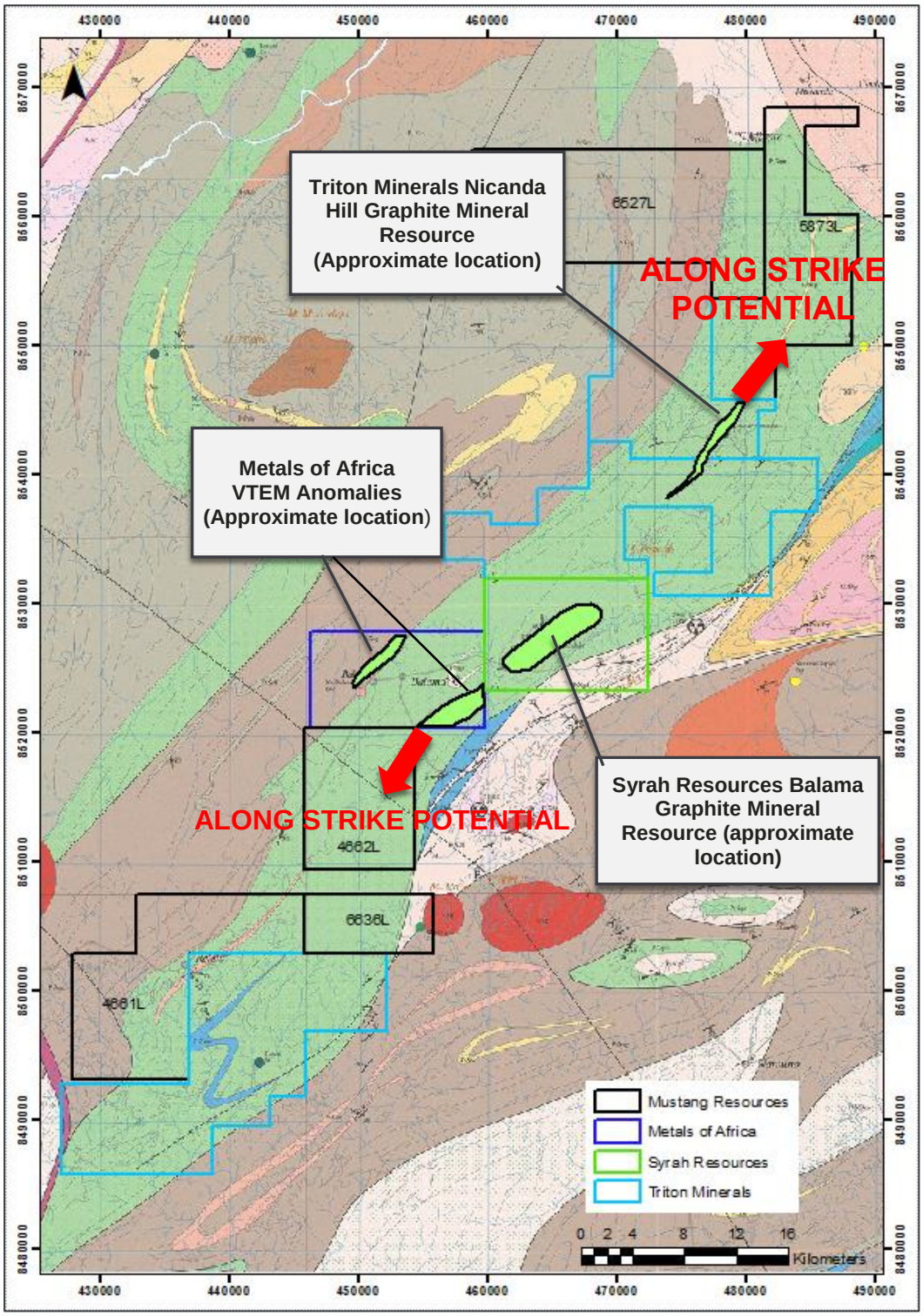

Figure 1: Location of Mustang's tenements with conceptual strike extension based on neighbouring results and known deposits.

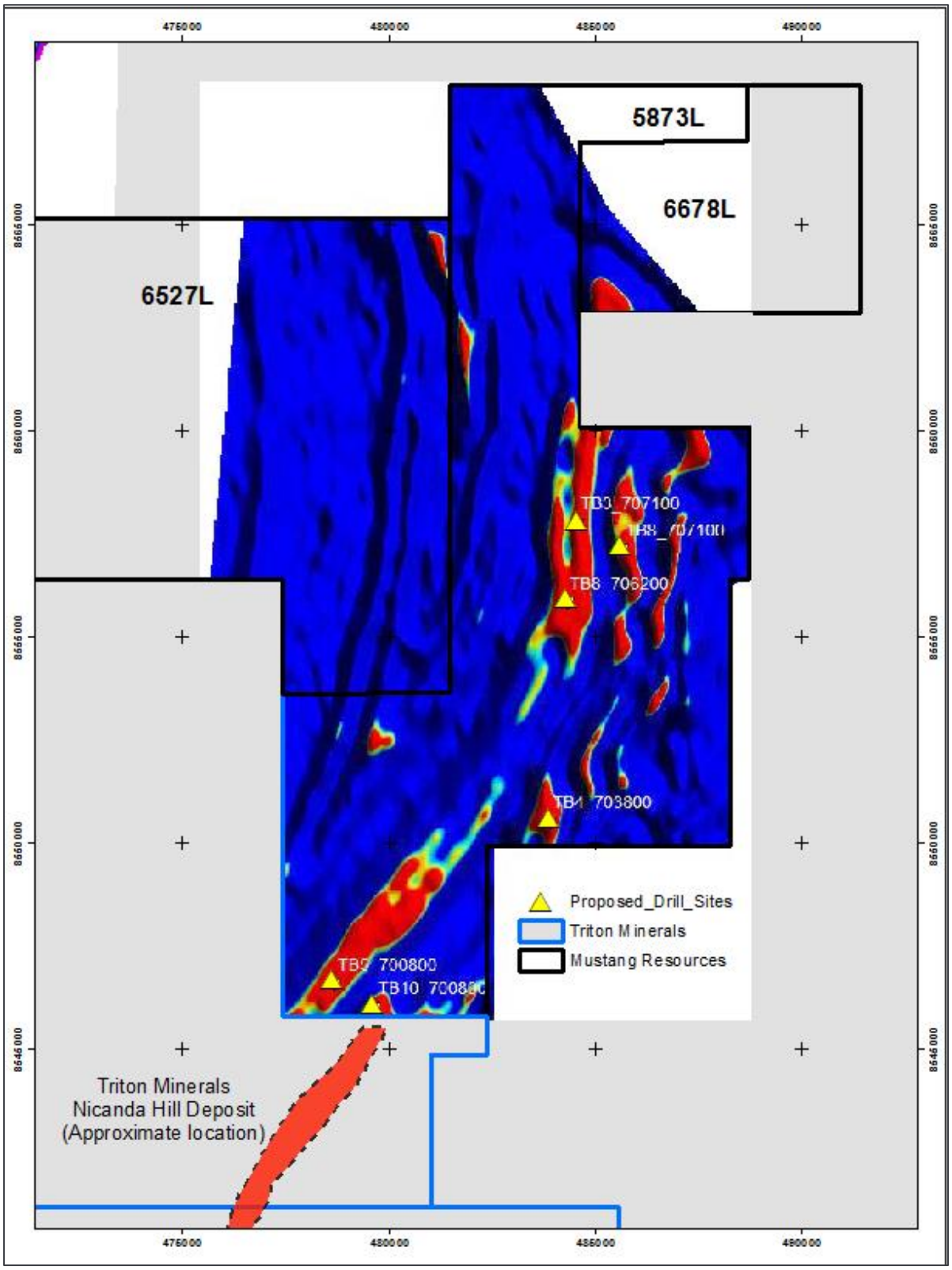

Figure 2: SkyTEM results within tenements 5873L and 6527L showing EM anomalies along strike from Triton's Nicanda Hill deposit and with proposed drillhole collar locations (yellow triangles).

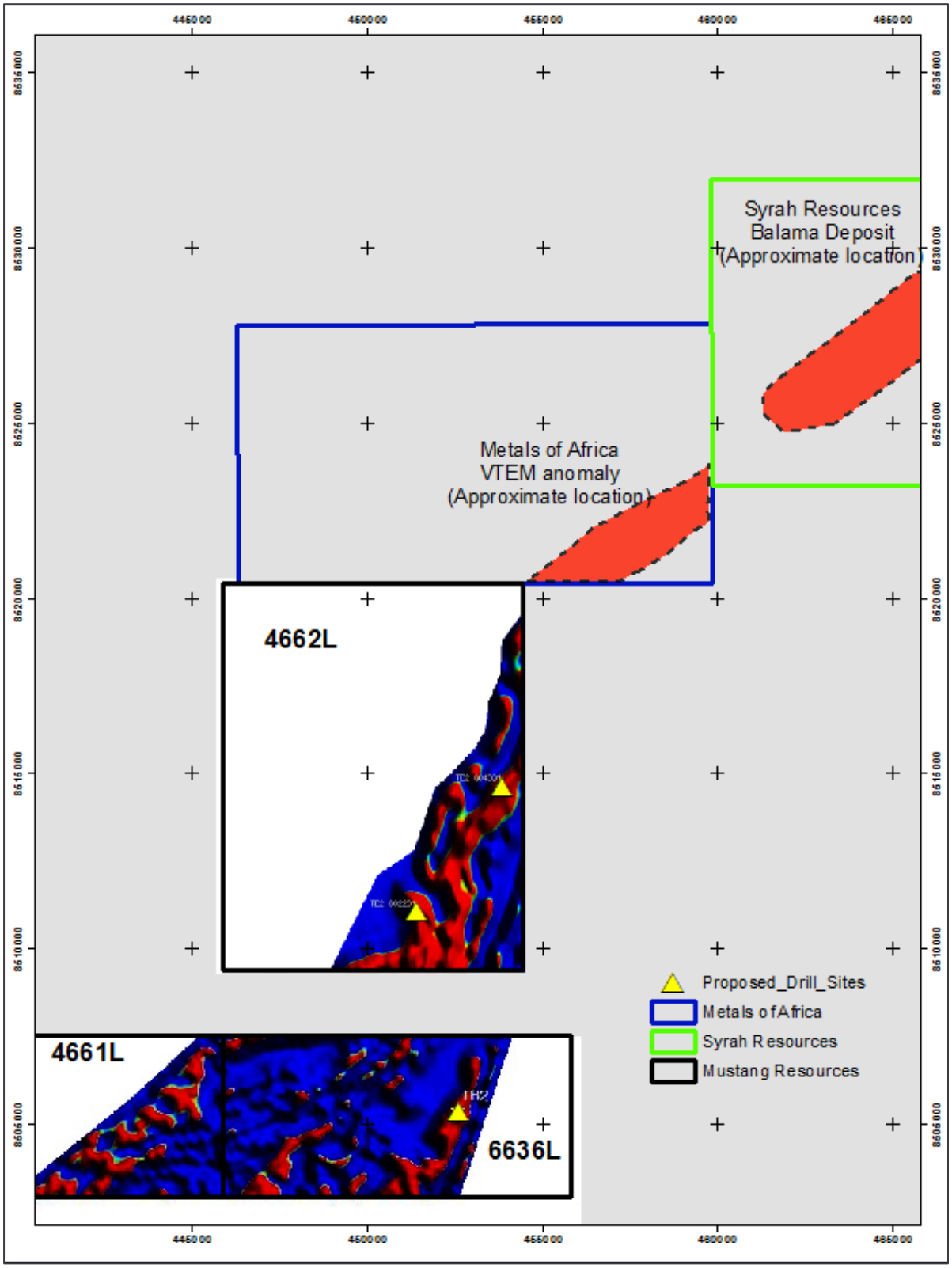

Figure 3: SkyTEM results within tenements 4661L, 4662L, and 6636L showing EM anomalies along strike from Syrah Resources Balama deposit and with proposed drillhole collar locations (yellow triangles).

For and behalf of the Company.

Ian C Daymond
Chairman

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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.

COMPETENT PERSON'S STATEMENT:

In this report, the information that relates to Exploration Targets and Geophysical Exploration Results and analysis, is based on information compiled by Mr Christiaan Mouton, a Competent Person who is a registered member of the Australian Institute of Geoscientists and also 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. Mr Mouton is a consultant with Applied Scientific Services and Technology (ASST) which was engaged by the company to undertake this work. Mr Mouton has sufficient experience in the application of geophysical methods and techniques that is relevant to the exploration of this 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 Mouton consents to the inclusion of the data in the form and context in which it appears.

JORC CODE, 2012 EDITION – TABLE 1 -

Appendix to Graphite Announcement – 20 October 2015.

Section 1 sampling techniques and data.

Criteria	JORC Code Explanation	MUS Commentary
Sampling techniques	• *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.* • *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 (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.*	Sampling undertaken as part of an initial exploration program (September/ October 2014), which included rock chip sampling from graphitic bearing surface outcrop within exploration licences 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. Two test RC holes were drilled in September/October 2014within prospecting licences 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. 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 riffling. 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. A total of eleven intervals from hole RC001 were selected for sampling; - 5 – 6 m - 9 – 10 m - 22 – 23 m

Criteria	JORC Code Explanation	MUS Commentary
		- 32 – 33 m - 37 – 38 m - 42 – 43 m - 43 – 44 m - 47 – 48 m - 50 – 51 m - 51 – 52 m - 57 – 58 m Two intervals from hole RC002 were selected for sampling; - 5 – 6 m, - 17 – 18 m. 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.
Drilling techniques	• *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).*	Reverse circulation drilling was used to drill two 5.5 inch diameter holes. 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 riffling.

Criteria	JORC Code Explanation	MUS Commentary
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.*	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. 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. 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.
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.*	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. 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. The drillholes were logged in full.

Criteria	JORC Code Explanation	MUS Commentary
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, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	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^{o}C), split (300g) and pulverising to a grind size of 85% passing 75 micron. The sample preparation for RC samples follows industry best practice. The majority of samples were dry, with some wet samples at depth in RC002. No field QC procedures were adopted (i.e. no certified standards or blanks were inserted and no field duplicates were collected). Due to the early nature of the project, nominal 1m composite sampling has been undertaken for this phase of the exploration program,
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*	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 V_2O_5) by XRF and underwent petrographic thin section analysis to determine graphitic carbon flake size distribution. 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. Detection limits for these analyses are considered appropriate for the reported

Criteria	JORC Code Explanation	MUS Commentary
	have been established.	assay grades and adequate for the phase of the exploration program. No geophysical tools were used to determine any element concentrations. No QC procedures were adopted (i.e. no certified standards or blanks were inserted and no field duplicates were collected). 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.
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.*	Mr. Johan Erasmus, an independent geologist, has visually verified the geological observations reported in the RC drillholes. No twin holes have been drilled to date. Sample information is recorded at the time of sampling in electronic and hard copy form. 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. Assay data is reported as received from the laboratory. No adjustments or calibrations have been made to any assay data.

Criteria	JORC Code Explanation	MUS Commentary
Location of data points	• *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.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	Collar locations and rockchip sample locations were surveyed with a Garmin 62/64 GPS Device. The Garmin devices typically have an error of +/- 7m. No downhole survey measurements were taken. All spatial data was collected in WGS 84 and the datum used is UTM Zone 37 South. 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.
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.*	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 licences 6527L and 5873L and three rock chip samples have been collected from surface outcrops in exploration licences 4661L and 4662L. 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 for the Mineral Resource and Ore Reserve estimation procedure. No sample compositing has been applied.
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*	RC drillholes were inclined at -60 ^{o} orientated on a bearing of 120^{o} (measured clockwise with North at 0 ^{o}. The orientation of the RC holes was designed based on regional geology interpretations and designed to test the broad stratigraphy. No sampling bias is considered to have been introduced at this early stage of the project.

Criteria	JORC Code Explanation	MUS Commentary
	material.	
Sample security	• *The measures taken to ensure sample security.*	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. Sample residue will be retained by SGS and Set Point for safekeeping until further analysis is needed.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	No external audits have been undertaken for this stage of work.

Section 2 reporting of exploration results

Criteria	Explanation	
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.*	Mustang's Balama Graphite Project area consists of 6 exploration licences covering an area of 666.64 km^2 that have been acquired by Mustang through an agreement with Balama Resources Pty Ltd. Refer to ASX announcement dated 20 October 2014 for full details regarding ownership and earn in rights. All statutory requirements were acquired prior to exploration work. All licences have been awarded and issued. The Company is not aware of any impediments relating to the licences or the area.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	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.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The area is predominantly underlain by Proterzoic rocks that form a number of gneiss complexes that range from Palaeo to Neoproterozoic in age (Boyd et al., 20 10). 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.

Criteria	Explanation	
	• *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.*	Refer to ASX announcement dated 10 June 2015 for drillhole information.

Criteria	Explanation	
Data aggregation methods	*•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.* *•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.*	No weighting averaging techniques have been applied.
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 (eg 'down hole length, true width not known').*	No relationship between mineralisation widths and intercept lengths is known at this stage. Assay grades have been reported and tabulated by sample interval.

Criteria	Explanation	
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 plans and maps are included in the body of 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 sample results have been reported in previous ASX announcements.
Other substantive exploration data	• *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.*	Regional geological mapping and regional airborne geophysics (magnetics and radiometrics) has been obtained from the Mozambican Government. In addition Mustang flew airborne electromagnetic surveys (SkyTEM) across 6 of its tenements (as per this ASX announcement). The geophysics dataset sets were used to aid in interpretations and plan drillhole collar locations. The drilling of priority targets identified from the SkyTEM survey will commence Q4 2015. Results will be announced as they become available.
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 drilling of priority targets identified from the SkyTEM survey will commence Q4 2015. Results will be announced as they become available.