



## COMPANY INFORMATION

Mustang Resources Ltd  
ABN 34 090 074 785  
Twitter: @Mustang\_Res

## 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  
\$18.1 M as at 20 Oct 2015

22 October 2015

## MUSTANG ACQUIRES HIGHLY PROSPECTIVE ASSETS IN WORLD-CLASS RUBY PROVINCE, MOZAMBIQUE

- **Mustang to acquire 80% of Montepuez Minerals Pty Ltd ("MM") with rights to earn 70% - 80% of three highly prospective ruby licences covering 15,800 hectares in the Montepuez area, Mozambique**
- **Montepuez area is a renowned ruby province and has become the largest single source of ruby production globally**
- **Gemfields PLC (AIM:GEM) discovered the world's largest known ruby deposit located adjacent to Montepuez licences**
- **Gemfields recently realised US\$122 million in four separate auctions for approximately 6 million carats of the 16 million carats of rubies mined during its bulk sampling phase**
- **Strong global demand for coloured gemstones with Mozambique alluvial rubies selling for >US\$600 per carat with quality that matches Burmese 'Pigeon-Blood' rubies**
- **Mustang conservatively targeting 170,000 carats of ruby recoveries during first 12 months of bulk sampling operations**
- **Mustang currently finalising funding plans for bulk sampling program and will provide update shortly**

Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to announce that it has agreed to acquire majority interests in three highly prospective ruby prospecting and exploration licences located in the world-class Montepuez area in Northern Mozambique (subject to a number of conditions precedent, including shareholder approvals at an EGM).

The strategic acquisition of 80% of the shares and performance rights in Montepuez Minerals Pty Ltd ("MM"), a private Australian company majority owned by Regius Resources Group Ltd, will provide Mustang with the capability to generate significant near-term cash flows with minimal upfront capital expenditure required.

Significantly, the assets which cover 15,800 hectares, are located in a proven ruby producing jurisdiction and are in close proximity to reportedly the world's single largest ruby deposit held by AIM-listed Gemfields PLC (market capitalisation circa A\$600 million).



**Figure 1: Rubies from Mozambique. Source: Gemfields PLC**

**Mustang Resources Chief Operating Officer, Andrew Law, commented,** “The Board is excited about the acquisition of these highly prospective ruby assets in the world-class Montepuez province as we believe it has the potential to add significant shareholder value in the near term.

Importantly, the acquisition is very closely aligned with Mustang’s vision to develop a portfolio of world-class mining projects in the Republic of Mozambique that have the potential to generate significant cash flows with relatively limited capital outlay.

The acquisition of the ruby licences is an important milestone for the Company and will form a key pillar in the Company’s multi-asset development strategy which is focused on driving value and growth from its diamond, graphite and ruby projects respectively.

After detailed analysis of the project area and of the nearby work currently being completed by Gemfields, we strongly believe these licences form part of a much larger geologically unique occurrence, which to date remains largely unexplored and under-developed.

We look forward to providing our shareholders with additional updates on both our corporate and operational activities in the near future as we enter what is a very exciting phase in the evolution of Mustang.”

## **Mozambique Ruby Production Background**

By way of background, a 28 September 2015 Independent Geological Report by Mr. Paul Allan, an experienced ruby and diamond geologist who managed Gemfields PLC’s exploration activities from 2012 to 2014, concluded that the potential for significant ruby mineralisation across licences 4143L, 4258L and 5030L was high. Furthermore the lithology found at these licences is the same as that of the nearby world-class Gemfields deposit.

Mr. Allan noted that the source of the higher quality secondary rubies over the Gemfields licences remains to be discovered and that encouragingly the MM licences occur along the same geological strike as the Gemfields ruby occurrence. The Namahaka ruby occurrence which has been delineated by high resolution Aeromagnetic Studies also shows several North-East trending lineaments which transect both the MM Licence Areas and Gemfields Permit Area.

Mr. Allan commented that the market for Mozambican rubies **“is very significant and increasing...”** and **“even a modestly sized primary or secondary ruby discovery has a good potential to be economically viable for the foreseeable future.”** He concluded that **“The presence of active artisanal ruby mining activity on these license areas (as shown in Figure 6 & 7 below) together with the underlying geology makes them highly prospective and warrants further exploration including the undertaking of bulk sampling activities.”**

*[Allan P.2015. An Independent Geological Report, Licence 4143L, 4258L & 5030L, Montepuez Area Northern Mozambique]*

## Gemfields Success in Mozambique Rubies

The MM licence interests are located adjacent to and along extrapolated geological strike from the main licence area currently being mined by Gemfields PLC (AIM:GEM). In the latest full year to date (30 June 2015) Gemfields recovered 8.4 million carats of ruby and corundum at an average grade for the year of 26 ct/ton, mining at a rock handling cash cost of US\$6.16 per ton. They are targeting overall annual production of 20 million carats of ruby and corundum through the upgrade of their plant capacity to 350 tons per hour.

The success achieved by Gemfields as the pioneers in the Montepuez ruby 'province' has paved the way for Mustang to develop its own ruby operations and add to the reliable supply of rubies of diverse qualities to a fast-growing market.

Furthermore, market research published by Gemfields has shown that the coloured gemstone market grew by 26% in 2014 and that emeralds, rubies and sapphires accounted for US\$5 billion (or 58%) of the coloured gemstone and pearl market.

Previously, Gemfields reported that its project has the ability to supply up to 40% of the world market for rubies - with Mustang investing into the Montepuez area this is only set to grow further to make Mozambique the dominant supplier of rubies to a fast growing market.

**Table 1: Gemfields Auction results. Illustrative of the wide market appeal for different grades of rubies and corundum. Source: Gemfields PLC**

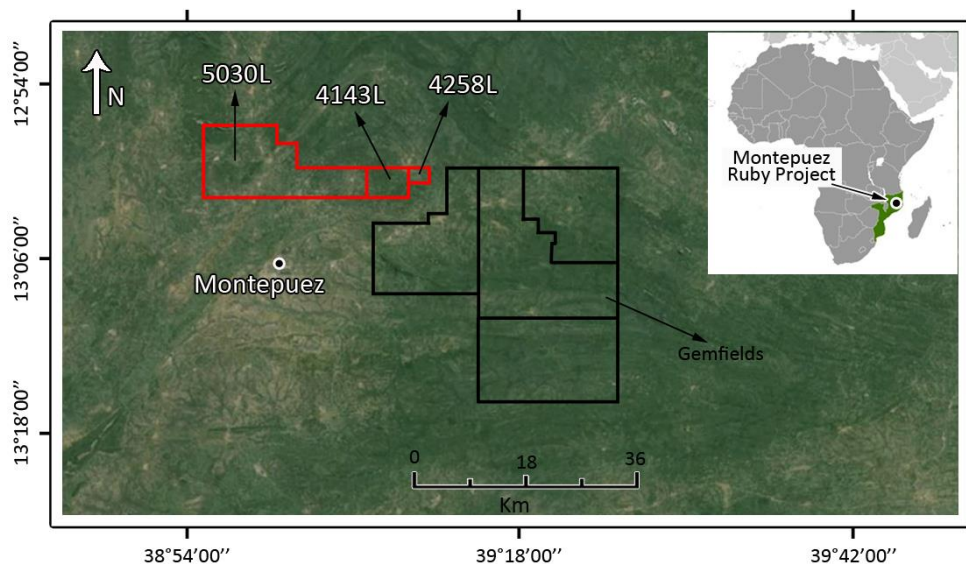
| GEMFIELDS AUCTION RESULTS - SALES FROM BULK SAMPLING |                        |                       |                        |                       |
|--|------------------------|-----------------------|------------------------|-----------------------|
| AUCTION  | FIRST                  | SECOND                | THIRD                  | FOURTH                |
| Date   | 17 June 2014           | 09 December 2014      | 22 April 2015          | 21 June 2015          |
| Location   | Singapore              | Singapore             | Jaipur, India          | Singapore             |
| Quality  | Lower quality/corundum | Higher quality rubies | Lower quality/corundum | Higher quality rubies |
| Carats Offered                                       | 2.03 Million           | 85,491                | 4.03 Million           | 72,208                |
| Carats Sold  | 1.82 Million           | 62,936                | 3.99 Million           | 47,451                |
| Total Sales Realized                                 | \$33.5 Million         | US\$ 43,3 Million     | \$6.1 Million          | \$29.3 Million        |
| Average Per Carat Sales                              | \$18.43 / Carat        | \$688.64 / Carat      | \$4.03 / Carat         | \$617.42/Carat        |

## Mustang Bulk Sampling & Exploration Program

Mustang plans to make use of two 16-foot rotary pans from the onset of its intended bulk sampling program with processing capacity of 182 tons per hour (2,553 tons per day based on a SG of 1.9 recorded by Gemfields).

The rotary pan is the preferred processing system for the sampling (and eventual full scale mining) of rubies due to its robustness, proven high recoveries of gemstones, low operating costs and scalability. MM proposes to make use of a closed conveyor & glove box system under high industry standard security for the recovery of all gemstones. Grading and classing of rubies will be done on site. Robust audit protocols for the recovery, handling, secure storage and transport of gemstones will also be set in place to ensure security of product.

Mustang intends to procure the necessary equipment and establish a base camp on site in coming months. Further fieldwork will commence immediately with the view of refining bulk sampling targets, mapping all known “garimpeiro” (unlicensed miners) occurrences and further analysing available geophysical & satellite data. The goal is for bulk sampling to be initiated in Q1-2016.



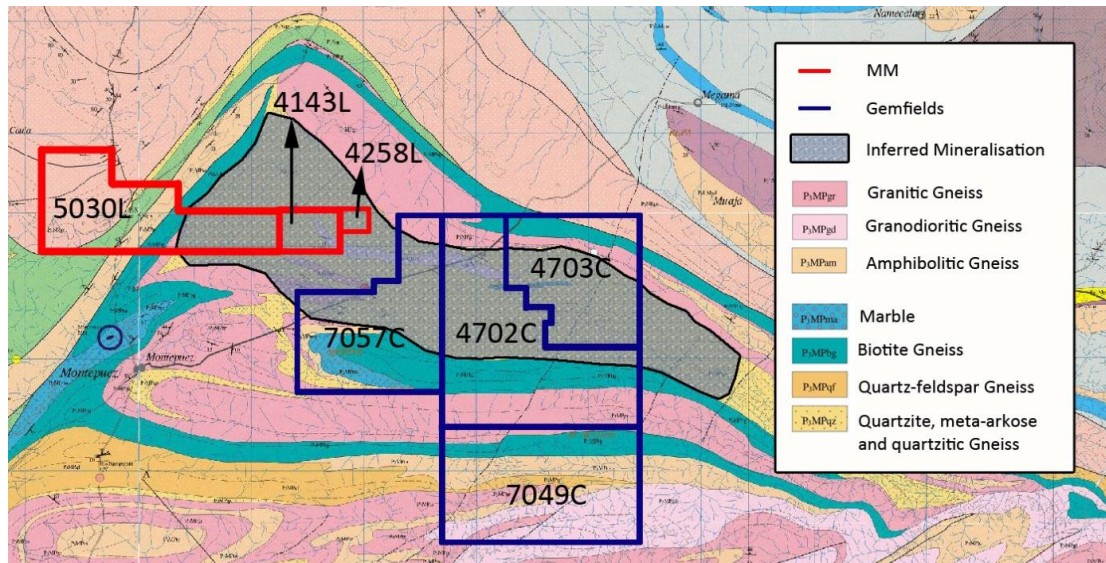
**Figure 2: Location of MM Licences in Mozambique**



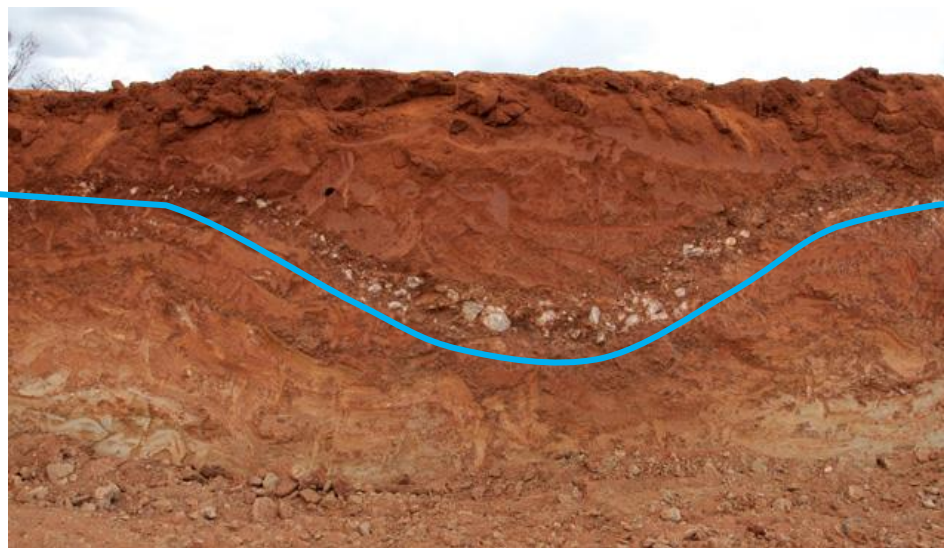
## Geology of Montepuez Minerals Licences

The project area lies within the structurally deformed and metamorphic terrane known as the Mozambique Belt or East African Orogen (EAO, mountain building event). The licences are situated near to and in the same geology as the Gemfields (AIM:GEM) operations which reportedly hosts the world's single largest known ruby deposit discovered in 2011/2012.

According to world-renowned gemmologist Dr. Adolf Peretti, Mozambique is the premier jurisdiction for the production of rubies with regard to both quality and size.



**Figure 3: Geological Map of MM Licences 4143L, 4258L & 5030L relative to Gemfields, indicating geological strike of ruby mineralisation**



**Figure 4: Example of secondary ruby mineralisation in a gravel bed draped across bedrock (the blue line indicates the approximate bottom of the ruby bearing gravel layer).**



Figure 5: Example of primary ruby in situ. Photo by Vincent Pardieu/GIA.



Figure 6: Extensive artisanal pits on MM Licence 5030L. Note presence of Al rich (white) soil





**Figure 7: Extensive artisanal pits in channel on MM Licence 5030L**

## Exploration Model Overview

MM has developed a conservative exploration target to model the potential ruby recoveries from a successful bulk sample on the MM licence areas.

The figures used by MM for the proposed bulk sampling/exploration target calculation are realistic in comparison to the actual results achieved by Montepuez Ruby Mining Limitada (Gemfields) (see Table 1 above) and are further described in the following sections.

### **a. Ruby Value (\$/Ct).**

The first important factor to note is the very large value per carat difference between the primary ruby and the much higher value secondary (alluvial) ruby. This is clearly seen in the actual results published by Gemfields for its auctions to date (see Table 1) and varies from approximately 4 \$/Ct for the lower quality primary ruby/pink corundum/pink sapphire to between 617 and 689 \$/Ct for secondary derived high quality ruby. This quality discrepancy between the primary (amphibolite hosted) ruby and secondary (alluvial hosted ruby) is also clearly seen in Figures 5 and 7. The current high potential economic ruby targets are thus alluvial hosted which is also the primary exploration and bulk sampling targets of the MM team.

The value of 350 \$/Ct used in the proposed bulk sampling/exploration potential forecast by MM is therefore realistic and conservative in comparison to the higher value alluvial rubies auctioned to date by Gemfields.

## b. Grade

For the calculation of the MM licences' exploration targets a value of 35 Carats per 100 cubic metres for their targeted bulk sampling production has been forecasted. For comparative purposes and assuming a specific gravity of 1.91 (Gemfield's average for Secondary Material) this equates to 7g/191 tons (7 grams for every 191 tons) or 0.036 g/ton. This is highly conservative in comparison to Gemfield's proven 3.1 g/ton for alluvial material or 15.3 cts/ton, (see SRK Gemfields CP Report, 2015 reflected in Table 2 below.

**Table 2: SRK Mineral Resource Statement, as at 1st January 2015, for the Gemfields deposit Area (SRK Gemfields CP Report, 2015)**

| Area         | Mineralization Type  | Classification      |         | Density (g/cm3) | Tonnage (kt) | Grade (ct/t) | Contained Carats (ct, 000) |
|--------------|----------------------|---------------------|---------|-----------------|--------------|--------------|----------------------------|
| Maninge Nice | Primary              | Indicated Resources | Mineral | 2.15            | 2,124        | 115.4        | 245,000                    |
|              |                      | Inferred Resources  | Mineral | 2.15            | 378          | 115.4        | 44,000                     |
|              | Secondary            | Indicated Resources | Mineral | 1.53            | 305          | 349.8        | 107,000                    |
|              |                      | Inferred Resources  | Mineral | -               | -            | -            | -                          |
|              | Stockpiles-Primary   | Indicated Resources | Mineral | -               | 91           | 115.4        | 10,600                     |
|              | Stockpiles-Secondary | Indicated Resources | Mineral | -               | 60           | 58.9         | 3,500                      |
| Mugloto      | Secondary            | Indicated Resources | Mineral | 1.95            | 4,693        | 15.3         | 72,000                     |
|              |                      | Inferred Resources  | Mineral | -               | -            | -            | -                          |
|              | Stockpile-Secondary  | Indicated Resources | Mineral | -               | 200          | 2.6          | 500                        |



| Area  | Mineralization Type | Classification       | Density<br>(g/cm <sup>3</sup> ) | Tonnage<br>(kt) | Grade<br>(ct/t) | Contained Carats<br>(ct, 000) |
|-------|---------------------|----------------------|---------------------------------|-----------------|-----------------|-------------------------------|
| Total | Primary             | Indicated + Inferred | 2.15                            | 2,502           | 115.4           | 289,000                       |
|       | Secondary           | Indicated + Inferred | 1.91                            | 4,998           | 35.7            | 178,000                       |
|       | Stockpiles          | Indicated            | -                               | 351             | 41.6            | 14,600                        |

#### c. Mining Rate

The Mining Rate used for the MM licences' exploration targets as detailed in Table 3 below is considered feasible for the proposed bulk sampling program. It may however be dependent to some extent on the transport distances required.

#### d. Staffing Requirements

The staffing requirements provided by MM are realistic and adequate in terms of the proposed work program and potential production schedule assuming a secondary ruby target similar in characteristic to that being mined by Gemfields. The alluvial targets are in general clay rich and should provide ideal run of mine for pan processing. The major challenge will undoubtedly be security in relation to the number of artisanal miners in the area.

*Disclaimer: The Target mineralisation and revenue estimate are conceptual in nature and it is uncertain whether further exploration will result in the determination of a Mineral Resource and achievement of these revenue targets. This conceptual target may or may not be outlined with future work, either in whole or in part.*

#### e. Exploration Target

**Table 3: Indicative estimates of mining, processing, recovery, and potential revenue from ruby exploration targets based on a 24 day work month.**

|                           | Activity                   | Number    | Hour | Day   | Month  |
|---------------------------|----------------------------|-----------|------|-------|--------|
| <b>Mining Target/Rate</b> | Truck loads cycle per hour | -         | 4    | -     | -      |
|                           | Number of Trucks Available | 3         | -    | -     | -      |
|                           | Cubes Per Truck            | 10        | -    | -     | -      |
|                           | Working Hours Per Day      | -         | -    | 14    | -      |
|                           | Working Days Per Month     | -         | -    | -     | 24     |
|                           | Truck Loads                | 168       | -    | 168   | -      |
|                           | Cubes to Screen            | -         | -    | 1,680 | 40,320 |
|                           | Screened Cubes             | -         | -    | 1,344 | 32,256 |
| <b>Processing Target</b>  | Pan Feed Per Hour (Cubes)  | -         | 25   | -     | -      |
|                           | Pans Available             | 2         | -    | -     | -      |
|                           | Pan Feed (Cubes)           | -         | -    | 1,050 | 25,200 |
|                           | Working Hours Per Day      | -         | -    | 21    | -      |
|                           | Concentrate (%)            | 5         | -    | -     | -      |
|                           | Constant Tapping (Cubes)   | -         | -    | 53    | 1,260  |
|                           | Wet Density (SG)           | 1.6 – 1.8 |      |       |        |

|                       | Activity                        | Number | Hour | Day         | Month         |
|-----------------------|---------------------------------|--------|------|-------------|---------------|
| <b>Sorting Target</b> | Glove Box Feed<br>(Cubes)       | -      | -    | 53          | 1,260         |
|                       | Carats per 100 Cubes Mined      | 35     | -    | -           | -             |
|                       | Carats Recovered                | -      | -    | 588         | 14,112        |
|                       | Carats per cubes fed to Pan     | 0.6    | -    | -           | -             |
|                       | Price Per Carat<br>(Assumption) | \$350  |      |             |               |
|                       | Potential Revenue Target        |        |      | US\$205,800 | US\$4,939,200 |



## Transaction Overview

### Listing Rule 11.1 Information, not included elsewhere in this announcement

A legally binding term sheet has been entered into with the current shareholders of Montepuez Minerals Pty Ltd ("MM") to acquire 80% of the issued capital of MM, giving the Company an effective 64% interest in Licence 4143L, 56% interest in Licence 4258L and 56% interest in Licence 5030L.

The Company will issue the following as consideration for the acquisition:

| Stage                                 | Equity Portion |  | Cash Portion                   |
|---------------------------------------|----------------|--|--------------------------------|
| On completion of the transaction      | US\$1,500,000  | Payable in fully paid ordinary shares in Mustang priced at a 30 day VWAP from completion date.                               | US\$150,000 for historic costs |
| On recovering 500 carats of rubies    | US\$2,000,000  | Payable in Class A Performance Rights in Mustang, priced at a 30 day VWAP from the date of achieving the vesting conditions. | -                              |
| On recovering 10,000 carats of rubies | US\$2,500,000  | Payable in Class B Performance Rights in Mustang, priced at a 30 day VWAP from the date of achieving the vesting conditions  | US\$750,000                    |
| On recovering 50,000 carats of rubies | US\$3,000,000  | Payable in Class C Performance Rights in Mustang, priced at a 30 day VWAP from the date of achieving the vesting conditions  | US\$2,000,000                  |

The legally binding term sheet is subject to a number of conditions precedent, including the following:

- (1) Due diligence is completed to the satisfaction of the Mustang Board;
- (2) Provision of an Independent Expert's Report to Mustang's shareholders;
- (3) Mustang shareholders approvals at an EGM expected to be held in January 2016 for:
  - (a) the issue of securities to the shareholders of MM
  - (b) approval of the change in the scale of the Company's activities
  - (c) approval of a related party transaction
  - (d) the issue of securities pursuant to capital raising plans;
- (4) Mustang successfully completing a capital raising;
- (5) MM completing its due diligence process;
- (6) Mustang obtaining all third party consents, approvals or waivers to the transaction; and

(7) All parties, as required, entering into a Share Purchase Agreement, Shareholder Agreement and other transaction documents.

The binding term sheet also contains a number of standard terms and conditions, including representations and warranties from each party, considered standard for an agreement of this nature.

### **Board Appointment**

Mustang has agreed that upon completion of the transaction, the Company will appoint a nominee of Regius Resources Group Limited ("Regius") to the Board. Upon appointment, the Board of Mustang will consist of 2 nominees of Regius and 3 non-associated directors.

### **Capital Raising**

Mustang is currently in the process of finalising plans to fund the planned bulk sampling program and to provide additional working capital to advance the Company's emerging portfolio of diamond and graphite projects in Mozambique. A further announcement is expected to be made within the next 7 days.

### **Loan Agreement**

As part of and until completion of the bulk sampling phase of the exploration program, the Company intends to provide MM with a loan facility for the drawdown of up to AU\$5.7 million. The loan will have an interest rate of LIBOR + 2.5% and will be secured against the shares in MM and the proceeds of all rubies sold from the bulk sampling program in priority to any distribution to shareholders of MM.

### **Indicative Effect on the Business**

The total assets of Mustang are likely to increase by AU\$22,158,333.

The total equity interests in the Company are likely to increase by AU\$18,234,000.

The total expenditure in the first year is likely to increase by AU\$2,500,000.

### Indicative Capital Structure

|   | Shares      | Options   | Performance Rights |
|---|-------------|-----------|--------------------|
| Current issued capital  | 90,679,097  | 4,388,058 | 48,716,418         |
| Proposed issue of acquisition shares (1)  | 10,416,665  | -         | -                  |
| Proposed issue of performance rights (1)  | -           | -         | 52,083,335         |
| Proposed issue of shares (2)  | 30,500,000  | -         | -                  |
| Total estimate on completion of the matters contemplated by all Acquisition Resolutions | 131,595,762 | 4,388,058 | 100,910,753        |

| Vesting Condition          | US\$          | AU\$          | Performance Rights |
|----------------------------|---------------|---------------|--------------------|
| A. 500 carats recovered    | US\$2,000,000 | AU\$2,777,778 | 13,888,889         |
| B. 10,000 carats recovered | US\$2,500,000 | AU\$3,472,222 | 17,361,111         |
| B. 50,000 carats Recovered | US\$3,000,000 | AU\$4,166.667 | 20,833,335         |
|                            |               |               | 52,083,335         |

Vesting conditions are stated in US\$ but are payable in Performance Rights.

(1) The figures in the tables are based on converting USD figures @0.72 and a share price of \$0.20. The term sheet states that the acquisition shares and performance rights will be issued on a 30 Day VWAP from either the date of completion of the transaction or when performance targets are met respectively.

(2) The issue of shares has been calculated based on a minimum of AU\$6.1m being raised at a share price of \$0.20. The exact capital funding arrangements will be advised shortly and this table updated.

### Timetable

The Company is in discussion with ASX with regard to the requirements under the ASX Listing Rules applicable to this transaction.

The Company is progressing with the due diligence process both in Australia and Mozambique.

The Company plans to hold the EGM required in January 2016 and will forward shareholders a Notice of Meeting containing an Explanatory Memorandum and an Independent Expert's Report in December 2015.



For and behalf of the Company

Ian C Daymond  
**Chairman**

**FOR FURTHER INFORMATION PLEASE CONTACT:**

**Company Secretary:**  
**Chris Ritchie**  
**info@mustangresources.com.au**  
**+61 3 9347 2409**

**Media & Investor Relations:**  
**Sam Burns**  
**sam.burns@sdir.com.au**  
**+61 (0)400 164 067**

**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:**

Information in this report that relates to the Montepuez Ruby Project's Exploration Targets, Exploration Results, Mineral Resources and 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.