



# ANNOUNCEMENT

23 November 2015

## COMPANY INFORMATION

Mustang Resources Ltd  
ABN 34 090 074 785

## COMPANY DIRECTORS

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

## MANAGEMENT

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

## STOCK EXCHANGE LISTING

Australian Securities Exchange  
ASX Code: MUS

Current Shares on Issue:  
90,679,097  
Market Capitalisation  
\$18.1 M as at 19 November 2015

## CURRENT PROJECTS

### DIAMONDS

- Save River Diamond Project

### GRAPHITE

- Balama Graphite Project

### RUBIES

- Montepuez Ruby Project

## MUSTANG RAISES \$5.75 MILLION TO FAST TRACK GROWTH AND ADVANCE DEVELOPMENT OF ALL PROJECTS

### Highlights:

- Share Placement & Converting Loans for \$5.75 Million completed.
- Significant participation from Institutional and High Net Worth investors.
- Placement at a 6% premium to the 15 day VWAP.
- Negotiations on foot with other proposed cornerstone investor to raise additional funds.
- Mustang now well-funded to progress its diamond, ruby and graphite projects and accelerate near-term growth strategy.
- Bulk sampling at Montepuez ruby project to commence March 2016.
- Ruby bulk sampling program conservatively targeting US\$60 million in revenue from 12-15 month program.

Mozambique focused exploration and project development company Mustang Resources Limited (**Mustang** or **Company**)(ASX: MUS) is pleased to announce that it has raised \$6 million to advance development of its graphite, diamond, and recently acquired ruby assets.

Mustang plans to fast track the planned bulk sampling program on the three highly prospective ruby prospecting and exploration licences that the Company recently acquired (see ASX announcement 22 October 2015) which are located in the world-class Montepuez area in Northern Mozambique. Short-term revenue prospects from bulk sampling activities are highly encouraging and could add significant value to Mustang as illustrated in Appendix 2.

Furthermore, the Company is fully committed to the ongoing bulk sampling program currently underway at the Save River Diamond Project, and also to advancing exploration activities on the Balama Graphite project with the intention of defining a maiden JORC-compliant resource in the near term.

Funds have been raised from a range of Institutional and High Net Worth investors including a \$5 million investment from Lanstead Capital LP (**Lanstead**), a UK institutional investor that has completed a number of successful and value accretive investments in ASX-listed resources companies over the course of 2015.

Significantly, the capital raising was completed at a 6% premium to the 15-day VWAP prior to the issue. The issue price of the shares is \$0.20 cents per share with approximately 30,000,000 shares to be issued of which 25,000,000 will be issued to Lanstead.

*Mustang Resources Chairman, Ian Daymond, said: "We are very pleased with the outcome of the capital raising and thank all investors, especially welcoming a first-grade institutional investor in Lanstead to our share register. With the additional capital raised through converting loans, Mustang is now well-funded to rapidly develop the Montepuez Ruby Project which is conservatively targeting revenues of US\$60 million from a 12-15 month bulk sampling program."*

*Funds raised will also be used for working capital on the exploration and further bulk sampling of the Save River Diamond Project as well as for the further exploration and drilling of the Balama Graphite Project, targeting a maiden JORC Compliant Graphite Resource by June 2016.*

*"Investor interest in Mustang continues to grow and we remain in discussions with other potential cornerstone investors that could provide further funding to advance our precious gemstone and graphite projects."*

*Greg Kofford, Co-Founder of Lanstead added: "We are very excited about the growth prospects that Mustang provides, and through this investment, our aim is to provide Mustang with the support and capital the company needs to add continuing value to its asset portfolio in Mozambique. The fact that we have also acquired a small stake in the Montepuez Ruby Project is further evidence of our long term commitment to Mustang."*

*"Our partnership approach and sharing agreement when investing has allowed many of the companies in which we invest to outperform their peers as evidenced from some of the successes we have had this year. As a result of the support we provide, both companies and market participants regard Lanstead as a long-term and committed shareholder."*

The Company looks forward to updating shareholders on the results of the initial drilling program currently being conducted on its Balama Graphite project as well as further bulk sampling results from the Save River Diamond Project. Work is ongoing and the Company is very encouraged by progress at both projects.

Furthermore, the Directors are particularly encouraged about the prospects of the Montepuez Ruby Project and will provide a market update in due course on the planned bulk sampling program which is now a priority.

#### **Details of Subscription Agreement with Lanstead:**

Under the terms of the share placement, Lanstead will subscribe for a total of 25,000,000 ordinary shares to be issued in two tranches over 18 months at a price of \$0.20 per share. In Tranche A, the Company will receive \$2,500,000 through the subscription of 12,500,000 fully paid ordinary shares. In Tranche B the Company will receive a further \$2,500,000 through the subscription for a further 12,500,000 fully paid ordinary shares.

In addition, the Company has entered into a Sharing Agreement with Lanstead which enables the Company to secure much of the potential upside from the share price appreciation over the next 18 months expected upon delivery of key milestones on the Ruby, Diamond & Graphite Projects.

In Tranche A, the Company receives \$375,000 from the aggregate \$2,500,000 subscription upfront and the remainder will be invested on the terms of the Sharing Agreement. The Sharing Agreement provides that the Company will receive 18 monthly cash settlements whereby the Company's economic interest will be determined by Mustang's share price performance and payable in monthly settlements as measured against a Benchmark Price of A\$0.2667 per share.

In Tranche B, (which is subject to the Company raising not less than \$1.5 million at a price of at least 20 cents per share from other investors), the Company receives \$375,000 from the aggregate \$2,500,000 subscription upfront and the remainder will be invested on the terms of the Sharing Agreement. The Sharing Agreement provides that the Company will receive 18 monthly cash settlements whereby the Company's economic interest will be determined by Mustang's share price performance and payable in monthly settlements as measured against a Benchmark Price of \$0.2667 per share.

If the share price exceeds the Benchmark Price for that month the Company will receive more than 100% of the monthly settlement due on a pro rata basis. Importantly, there is no upper limit placed on the additional funds receivable by the Company as part of the monthly settlements therefore giving the Company the opportunity to reduce the overall cost of capital and realising more funds as it meets key operational milestones on its projects over the next 18 months; as illustrated in Appendix 1. Should the share price be below the Benchmark Price for that month the Company will receive less than 100% of the expected monthly settlement on a pro rata basis.

In no event would a decline in the Company's share price result in any increase in the number of ordinary shares received by Lanstead or any other advantage accruing to Lanstead. The Company has agreed to make a value payment to Lanstead solely in the form of 1,250,000 ordinary shares in consideration for the Sharing Agreement and for Lanstead's promotional and marketing support.

Attached to the Lanstead share placement are 8.75 million listed options with a strike price of \$0.25 and an expiry date of 30 June 2017, being of the same terms as the current share option entitlement issue to shareholders, except that no amount is payable on issue of the share options.

Following completion of both Tranches A & B in January 2016, Lanstead is expected to hold 26,250,000 (25,000,000 plus 1,250,000) fully paid ordinary shares representing approximately 18.7% of Mustang's enlarged issued capital (final percentage share (depending on the outcomes of ongoing negotiations with two other proposed cornerstone investors for additional funding of up to \$4.5 million). If these additional cornerstone investments occur then the total capital raised by the Company will be \$10.25 million.

A fee of \$250,000 will be paid to Lanstead in the form of 1,250,000 fully paid ordinary shares. As part of the transaction Mustang has agreed to transfer to Lanstead, as a long term cornerstone investor, a 5% equity interest in Montepuez Minerals Pty Ltd (**MM**) the private Australian company which holds the rights to acquire 70% in 2 ruby licences and up to 80% in the third ruby licence comprising the Montepuez Ruby Project.

As already announced, Mustang has agreed to acquire 80% of the issued capital of MM so the 5% interest to be granted to Lanstead will reduce Mustang's interest in MM to from 80% to 75% and therefore the maximum net interests to be earned in 2 of the 3 licences from 56% to 52.5% and from 64% to 60% in the case of the third licence. The transfer of shares in MM to Lanstead is subject to completion of the ruby project acquisition, which is conditional upon shareholder approval at an EGM of the Company expected to be held in January 2016.

The interest in MM has been included in the transaction with Lanstead as part of its long-term commitment to Mustang and to underscore the parties' shared goal of fast tracking the Montepuez Ruby Project to revenue generation from the planned bulk sampling program.

For more information on Lanstead please visit [www.lanstead.com.au](http://www.lanstead.com.au)

For and on behalf of the Board

Ian Daymond  
**Non-Executive Chairman**

## Appendix 1: Illustration of Lanstead Investment Over 18-month Term (Hypothetical)

### Key Assumptions:

- 133,595,746 shares on issue post \$6.5 million capital raising at 20cents per share & closing of ruby transaction' initial share consideration
- Key operational milestones achieved with success translating into share price performance and re-rating as per assumed prices in the Table below
- Based on these assumptions the Company receives a total amount of \$14 million over the 18-month sharing agreement term which relates to an average cost of capital of \$0.5625 per share.

Date:	Price:	Monthly Release (Assuming BMP):	Percentage of Benchmark:	Additional Monthly Cash:	Monthly Total:	Total Investment:	Shares Issued:
Jan-16	\$ 0.200	\$ 236,111	75%	\$ (69,444)	\$ 166,667	\$ 3,750,000	25,000,000
Feb-16	\$ 0.240	\$ 236,111	90%	\$ (27,778)	\$ 208,333	\$ 4,500,000	25,000,000
Mar-16	\$ 0.265	\$ 236,111	99%	\$ (1,736)	\$ 234,375	\$ 4,968,750	25,000,000
Apr-16	\$ 0.300	\$ 236,111	113%	\$ 34,722	\$ 270,833	\$ 5,625,000	25,000,000
May-16	\$ 0.400	\$ 236,111	150%	\$ 138,889	\$ 375,000	\$ 7,500,000	25,000,000
Jun-16	\$ 0.420	\$ 236,111	158%	\$ 159,722	\$ 395,833	\$ 7,875,000	25,000,000
Jul-16	\$ 0.420	\$ 236,111	158%	\$ 159,722	\$ 395,833	\$ 7,875,000	25,000,000
Aug-16	\$ 0.470	\$ 236,111	176%	\$ 211,806	\$ 447,917	\$ 8,812,500	25,000,000
Sep-16	\$ 0.510	\$ 236,111	191%	\$ 253,472	\$ 489,583	\$ 9,562,500	25,000,000
Oct-16	\$ 0.540	\$ 236,111	203%	\$ 284,722	\$ 520,833	\$ 10,125,000	25,000,000
Nov-16	\$ 0.550	\$ 236,111	206%	\$ 295,139	\$ 531,250	\$ 10,312,500	25,000,000
Dec-16	\$ 0.550	\$ 236,111	206%	\$ 295,139	\$ 531,250	\$ 10,312,500	25,000,000
Jan-17	\$ 0.550	\$ 236,111	206%	\$ 295,139	\$ 531,250	\$ 10,312,500	25,000,000
Dec-16	\$ 0.600	\$ 236,111	225%	\$ 347,222	\$ 583,333	\$ 11,250,000	25,000,000
Jan-17	\$ 0.620	\$ 236,111	233%	\$ 368,056	\$ 604,167	\$ 11,625,000	25,000,000
Feb-17	\$ 0.610	\$ 236,111	229%	\$ 357,639	\$ 593,750	\$ 11,437,500	25,000,000
Mar-17	\$ 0.720	\$ 236,111	270%	\$ 472,222	\$ 708,333	\$ 13,500,000	25,000,000
Apr-17	\$ 0.750	\$ 236,111	281%	\$ 503,472	\$ 739,583	\$ 14,062,500	25,000,000



## Appendix 2: Ruby Project Exploration Target

### 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 in 22 October 2015 ASX Announcement) 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/cm <sup>3</sup> )	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
<b>Mugloto</b>	Secondary	Indicated Resources	Mineral	1.95	4,693	15.3	72,000
		Inferred Resources	Mineral	-	-	-	-
	Stockpile-Secondary	Indicated Resources	Mineral	-	200	2.6	500
<b>Total</b>	<b>Primary</b>	<b>Indicated + Inferred</b>		<b>2.15</b>	<b>2,502</b>	<b>115.4</b>	<b>289,000</b>
	<b>Secondary</b>	<b>Indicated + Inferred</b>		<b>1.91</b>	<b>4,998</b>	<b>35.7</b>	<b>178,000</b>
	<b>Stockpiles</b>	<b>Indicated</b>		<b>-</b>	<b>351</b>	<b>41.6</b>	<b>14,600</b>

### 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

	Activity	Number	Hour	Day	Month
<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			
<b>Sorting Target</b>	Glove Box Feed (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 (Assumption)	\$350			
	Potential Revenue Target			US\$205,800	US\$4,939,200

#### FOR FURTHER INFORMATION PLEASE CONTACT:

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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 believes that its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.