



# ANNOUNCEMENT

## 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

Chris Ritchie: CFO / Co Sec

## STOCK EXCHANGE LISTING

Australian Securities  
Exchange  
ASX Code: MUS

Current Shares on Issue:  
104,429,097  
Market Capitalisation  
\$19.8 M as at 10 December  
2015

## CURRENT PROJECTS

### DIAMONDS

- Save River Diamond Project

### GRAPHITE

- Balama Graphite Project

### RUBIES

- Montepuez Ruby Project

11 December 2015

## AMENDED MUSTANG ASSET ACQUISITION AGREEMENTS: PURCHASE CONSIDERATION REDUCED BY \$23.4 MILLION IN NOMINAL EQUITY VALUE

### Highlights:

- Mustang agrees on cancellation of all performance rights and performance cash payments for diamond, graphite & ruby assets
- Mustang to issue \$7.2 million of ordinary shares (subject to escrow) as consideration for the cancellation of \$24.7 million (nominal value) performance shares & \$5.9 million of performance cash payments, subject to shareholder approvals
- Up to \$23.4 million in nominal equity value contributed by vendors significantly reduces expected future dilution to MUS shareholders
- Simplified capital structure assists in execution of project development plans

Mozambique focused exploration and project development company Mustang Resources Limited (**Mustang** or **Company**) (**ASX: MUS**) is pleased to announce that it has agreed to amend all existing agreements with the vendors of its graphite, diamond and ruby projects, allowing Mustang to effectively reduce potential shareholder dilution by a nominal value of up to \$23.4 million (assuming a \$0.20 share price & 0.72 A\$ to US\$ conversion), representing a reduction in potential dilution from 59% to 26%.

Particulars of the proposed amendments are set out in Appendix 1 and full details will be set out with the Notice of Meeting intended to be dispatched by the end of December for shareholders to vote on the changes at an Extraordinary General Meeting (EGM) to be held in January 2016.

**Mustang Resources Limited Chairman, Ian Daymond, commented:** *“Following feedback from investors, we have in conjunction with the vendors of the diamond, graphite and ruby assets agreed to simplify the capital structure of the Company, which we believe will add significant value to Mustang shareholders over time.”*

**Regius Resources Group Ltd Chairman, Cobus van Wyk, commented:** *“Through the strategic variations to existing agreements, Regius as principal vendor of the Mustang projects, is showing its commitment to Mustang and all its shareholders and investors; we believe that by adding such a significant amount of equity value to Mustang and at the same time simplifying the capital structure we will provide a solid foundation for the future growth plans for these exciting projects.”*

For and on behalf of the Board

**Ian Daymond**  
**Chairman**

## Appendix 1: Details of Proposed Changes to Capital Structure

### Cancellation of Share Performance Rights & Performance Cash Payments

Under the current agreements with vendors, a total of up to 153 million (A\$30.6 million in nominal value based on key assumptions) potential share performance rights, including A\$5.9 million of performance cash payments relating to the Balama Graphite (including the proposed two new graphite licences), the Save River Diamond and the Montepuez Ruby Projects, will be outstanding if all remaining acquisitions are approved (see Table 1 below).

**Table 1: Maximum Potential Performance Rights to be issued in the absence of variations to terms**

Maximum Potential Performance Shares Issued (incl. performance cash payments converted to share performance rights) <sup>1</sup>		Nominal Value @ A\$0.20
SRD	3,358,209	\$671,642
SESE	3,358,209	\$671,642
Balama	42,000,000	\$8,400,000
<b>Sub-Total Performance Rights</b>	<b>48,716,418</b>	<b>\$9,138,804</b>
Balama (cash component)	10,416,667	\$2,083,333
<b>Total Existing Projects</b>	<b>59,133,085</b>	<b>\$11,826,617</b>
Graphite (new)	3,600,000	\$720,000
Rubies (new)	71,180,555	\$14,236,111
Rubies (new, cash component) <sup>2</sup>	19,097,223	\$3,819,445
<b>Total New Projects</b>	<b>90,058,333</b>	<b>\$18,775,556</b>
<b>Total</b>	<b>153,010,862</b>	<b>\$30,602,173</b>

<sup>1</sup>Key Assumptions:

- Share Performance rights convert on 1:1 basis
- 0.72 A\$ to US\$
- A\$0.20 share price
- Performance Cash payments converted to A\$ and subsequently to shares at A\$0.20 per share

<sup>2</sup> US\$2,750,000 cash performance payments in original term sheet that have subsequently been agreed to convert to performance rights to comply with the Listing Rules requirement that the consideration be given in restricted equities.

Following consultation with market participants, major independent shareholders and with the agreement of various vendors, the Company considers it appropriate to restructure its capital in this way as it will result in a simplified capital structure for investors. It does entail taking an informed view, based upon an independent assessment, on the value of the vendor consideration and converting this into the upfront issue of fully paid ordinary shares in the Company.

Following the recent independent assessment of the performance share right, the parties have agreed to cancel 100% of the performance share rights and 100% of the performance cash payments and issue the vendors in each of the transactions for the project acquisitions (being the existing and the proposed acquisitions) with ordinary shares in lieu of the cancellations as set out in Table 2 below.

**Table 2: Replacement Ordinary Shares to be Issued; In lieu of Share Performance rights & Performance cash payments**

Replacement Ordinary Shares to be Issued		Nominal Value @ A\$.20
SRD	559,702	\$111,940
SESE	279,851	\$55,970
Balama	11,200,000	\$2,240,000
<b>Sub-Total Performance Rights</b>	<b>12,039,553</b>	<b>\$2,407,910</b>
Balama (cash component)	3,125,000	625,000
<b>Total Existing Projects</b>	<b>15,164,553</b>	<b>3,032,910</b>
Graphite (new)	915,000	\$183,000
Rubies (new)	17,187,500	\$3,437,500
Rubies (new, cash component) <sup>1</sup>	2,951,389	\$590,278
<b>Total New Projects</b>	<b>21,053,889</b>	<b>\$4,210,778</b>
<b>Total</b>	<b>36,218,441</b>	<b>\$7,243,688</b>

<sup>1</sup> US\$2,750,000 cash performance payments in original term sheet that has subsequently been agreed to convert to performance rights to comply with the Listing Rules requirement that the consideration be given in restricted equities.

Variation Deeds for the graphite and diamond transactions previously approved by shareholders at the January 2015 EGM, as well as Variation Deeds for the proposed acquisitions of the additional graphite licences interest and the ruby interests have been executed. Full details of the deeds will be included with the Notice of Meeting to be dispatched to shareholders in late December 2015, with an EGM planned to be held in January 2016.

## Simplified Capital Structure

Following implementation of all the Variation Deeds and the new graphite and ruby project acquisitions, the likely capital structure of the Company will be as set out in Table 3 below:

**Table 3: Mustang Capital Structure post restructuring and new project acquisitions**

	Shares	Options	Performance Rights
<b>Current</b>	104,429,097	4,388,060	48,716,418
<b>Post Restructure</b>	119,593,650	4,388,060	Nil
<b>Post Options Entitlement Offer</b>	119,593,650	34,614,426	Nil
<b>Post Restructure &amp; New Acquisitions</b>	<b>168,064,206</b>	<b>44,614,426</b>	<b>Nil</b>

### Key Assumptions & Notes to Table 3:

- Table excludes any further capital raised by the Company.
- Post Restructure & New Acquisition Shares includes 750,000 fully paid ordinary shares to be issued on completion of the graphite licences acquisition and 10,416,667 fully paid ordinary shares to be issued on completion of the Montepuez Ruby Project.
- As announced on 23 November 2015, the Company has raised \$5,750,000 through a share placement of \$5,000,000 to a cornerstone investor and an additional \$750,000 to sophisticated investors through new converting loans.
- Note that the Company is in talks with potential cornerstone investors at present which could result in further shares being issued.
- Current Options: 149,254 unquoted options exercisable at \$0.2412 on or before 10 November 2017; 2,238,806 unquoted options exercisable at \$0.21 on or before 22 May 2017; 500,000 unquoted options exercisable at \$0.20 on or before 31 October 2016; and 1,500,000 unquoted options exercisable at \$0.20 on or before 1 December 2016.
- Expected Options following January 2016 EGM: All Current Options plus 40,226,366 quoted options exercisable at \$0.25 on or before 30 June 2017 which include the maximum number of 30,226,366 options to be issued under the current entitlement offer to existing shareholders pursuant to a Prospectus dated 10 November 2015 and 10,000,000 quoted options to investors.