QUARTERLY ACTIVITIES REPORT

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 $11.5 M as at 29 January 2016

CURRENT PROJECTS

DIAMONDS
- Save River Diamond Project

GRAPHITE
- Balama Graphite Project

RUBIES
- Montepuez Ruby Project

mustangresources.com.au

29 January 2016

The Board of Directors of Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to provide shareholders with the Company's Quarterly Activities Report for the period ended 31 December 2015.

SAVE RIVER DIAMOND PROJECT

- Gem-quality diamond recoveries continued during the December quarter. 70 alluvial diamonds totalling 43.14 carats have been recovered from the bulk sampling to date
- Largest diamond recovered to date measuring 2.58 carats
- Upgraded diamond recovery plant fully commissioned and operating at 1,000m³ a day
- Flow Sort fully functional; hands-off, automated diamond recovery unit, ensuring high level of throughput and efficiency
- New machinery mobilised to site allowing for the digging of localised lower level gravels

BALAMA GRAPHITE PROJECT

- Mustang's licences are situated along strike from the highly prospective licences owned by Syrah Resources and Triton Mineral's Nicanda Hill
- SkyTEM airborne electromagnetic survey identified multiple priority targets for drilling
- Drilling of EM anomalies confirmed the presence of shallow graphite mineralisation across Balama project area
- Drilling confirms shallow graphite; intersected for 56 metres on Licence 5873L, 69 metres on Licence 4662L & 51 metres on Licence 6678L
- Field assessment of the graphitic mineralisation highlights potential high grade and large flake zones – laboratory results expected in the first week of February 2016
- Drilling program ongoing with 10 RC drill holes completed to date for a total of 789 metres

MONTEPUEZ RUBY PROJECT

- In October, Mustang agreed to earn majority interests in three highly prospective ruby licences covering 15,800 hectares in the Montepuez area, Mozambique, subject to shareholder approval
- Montepuez is a world-renowned ruby province and has become the largest single source of ruby production globally
- Mustang concessions adjacent to Gemfields PLC (AIM:GEM) which has discovered the world's largest known ruby deposit to date
- Mustang is focused on fast tracking the Montepuez Ruby Project to deliver significant near term cash flows through a bulk sampling program commencing in Q1-2016

CORPORATE HIGHLIGHTS

- Mustang successfully raised A$5.75 million from institutional and retail investors in Australia including a A$5 million investment from UK Institutional investor, Lanstead Investors LLP
- Management team strengthened with the appointment of Mr. Christiaan Jordaan as Managing Director and Dr. John Bristow as advisor
- During the quarter, Mustang agreed with vendors on the cancellation of all performance rights and performance cash payments in the acquisition of the diamond, graphite and ruby assets
- Cancellations in respect of the diamond and original graphite interests are subject to compliance with ASX Listing Rules
- Up to $23.4 million in nominal equity value contributed by vendors will significantly reduce expected future dilution to Mustang's non-vendor shareholders

Mustang Resources Managing Director (effective 1 February 2016), Christiaan Jordaan commented, "The Board would like to thank all shareholders for their continued support to date, in what has been a very productive period for Mustang at both a corporate and operational level.

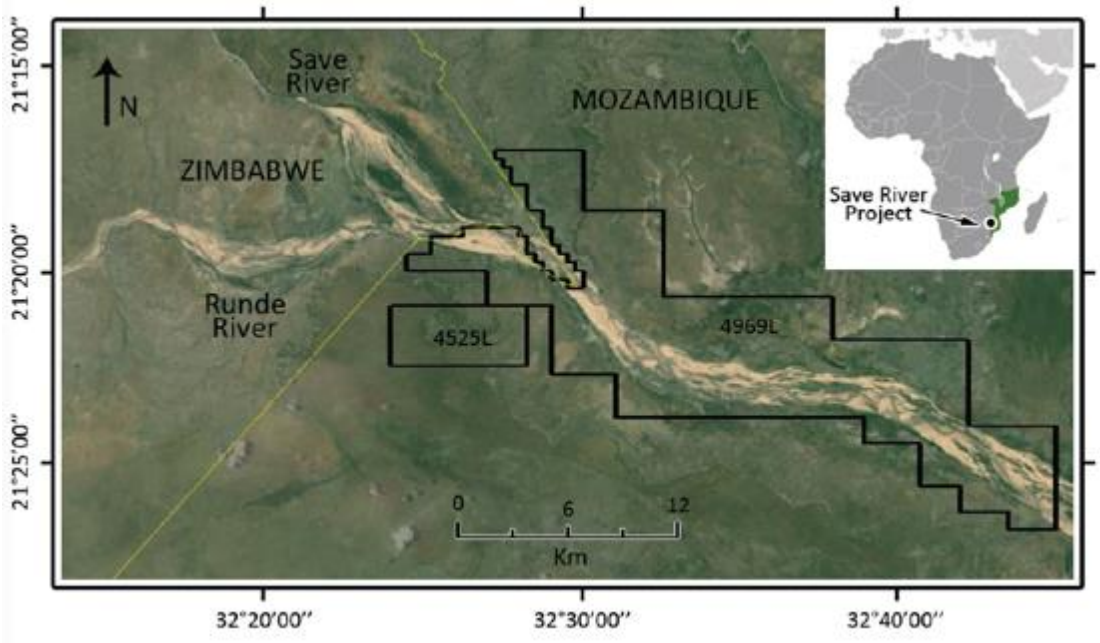
Operationally, the Company remains firmly focused on accelerating the development of its core graphite and precious stones assets in Mozambique with all three project areas demonstrating remarkable potential to become company-making assets in their own right.

In the coming months, we will look to commence bulk sampling at the newly acquired Montepuez ruby project in Mozambique which should provide robust near-term cash flows.

Following the successful $5.75 million capital raising and strengthening of our Board and management team in December, the Company is now strongly positioned to grow shareholder value and we look forward to providing further operational updates in coming weeks."

SAVE RIVER DIAMOND PROJECT

The Save River Diamond project comprises 24,000 hectares and is situated downstream from the well-known Murowa and Marange diamond fields in Zimbabwe. Many of the known kimberlite pipes in Zimbabwe have been weathered and the diamonds from these pipes have been washed down the river systems through the Save River. To date, Mustang has recovered multiple gem-quality diamonds from this bulk sampling operation.



As of 19 December 2015, approximately 26 000 m^3 of gravels have been treated from nine pits across the project. This bulk sampling program has yielded 43.30 carats from 70 diamonds with an average stone size of 0.62 carats. The largest individual diamond recovered to date is 2.58 carats.

A notable development during the quarter was the procurement and installation of a Flow Sort optical diamond sorter. This high throughput x-ray plant is a significant advancement in on site processing capacity. The Flow Sort recovers and concentrates diamonds securely, reducing the accumulation of unwanted material and the amount of time required by hands-on sorting.

The original plant at the Save River Diamond Project was based on traditional Bushman Jig technology that is known to be less efficient and less reliable than x-ray Flow Sort plant recovery. Not only is the x-ray technology more secure, the Flow Sort allows for greatly increased amounts of material to be processed in a day. The upgraded recovery plant is now fully commissioned and operating at around 1,000m^3 per day.

Overall, with the new recovery unit in place and the processing plant now running smoothly on site, the Company is confident that the recovery and quantity of diamonds will significantly increase as the sampling program continues.

Pit No.	Volume (m^3)	Number of stones	Total Carats (ct)	Average Stone Size (st/st)
001	1,271	3	1.69	0.56
002	592	2	2.59	1.30
003	1,799	5	2.37	0.47
004	12,369	40	25.02	0.63
005	1,187	3	1.67	0.56
007	1,997	1	0.39	0.39
009	1,156	2	0.61	0.31
010	3,420	6	3.6	0.60
011	2,488	7	4.69	0.67
Tailings		1	0.69	0.69
	26,280	70	43.30	0.62

Furthermore, 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.

BALAMA GRAPHITE PROJECT

The quarter ending 31 December 2015 was a productive one for the Company at its Balama Project, most notably with the commencement of the RC drilling program. Extremely encouraging results from the airborne EM geophysical survey were used to identified a number of priority anomalies within the Balama Project area which formed the basis of the drilling program.. The survey was completed over six of the graphite tenements (4661L, 4662L, 5873L, 6526L, 6527L, 6636L and 6678L).

EM Program

Mustang commissioned SkyTEM Australia Pty Ltd (SkyTEM) to complete the airborne electromagnetic (EM) geophysical survey. Processing of data following the airborne EM (electromagnetic) survey 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 was designed perpendicular to the strike of the geology to ensure the collection of representative data. Given the Company's large land holding (666.64 km^2), 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 geophysics survey were extremely encouraging and identified a number of priority anomalies within the Balama Project area which formed the basis of the drilling program. A number of the conductive anomalies across Mustang's tenements coincide with the strike of stratigraphic conductors hosting the mineralisation at both Triton Minerals' (Triton) Nicanda Hill deposit and Syrah Resources' (Syrah) Balama deposits.

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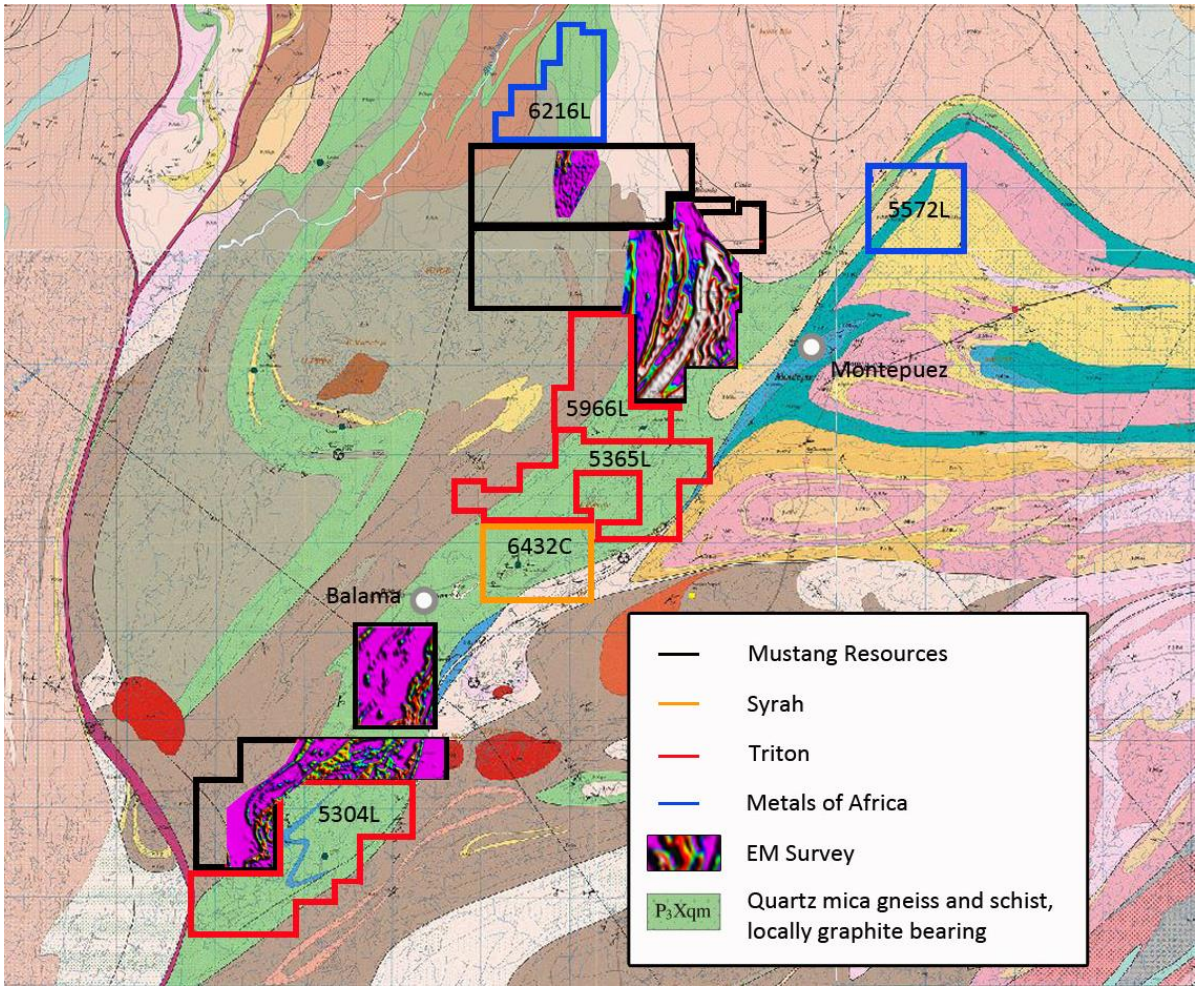

Figure 1: Location of Mustang's concessions with the SkyTEM survey results overlain over the graphitic schists

Drilling Program

In October 2015, Mustang began the drilling of 10 RC holes over six concessions, 4661L, 4662L, 5873L, 6526L, 6636L and 6678L. The drill program was designed as an initial phase, focusing on testing the most promising EM anomalies along strike from the world-class graphite deposits. Identification of graphite mineralisation was assisted by the systematic rock chip sampling in 1 metre composite samples.

A total of 788 metres of the drill program was completed with a number of graphitic mineralisation zones being intersected. Field assessment of the graphitic mineralisation has highlighted a number of zones with a (visual) high graphite grade and large flake size; confirmation from an accredited laboratory is expected in early February 2016.

Table 1. Summary of significant logged graphite intercepts. Note: the intervals are based on field geological logging and will be confirmed once sampling and assaying has been completed and results have been received.

BHID	From (m)	To (m)	Downhole Interval (m)
MORC001 (5873L)	9	30	21
	37	39	2
	88	93	5
	100	102	2
MORC002 (5873L)	6	8	2
	10	11	1
	17	19	2
	27	32	5
	37	44	7
	48	50	2
	58	59	1
	66	67	1
MORC003 (5873L)	8	16	8
	17	25	8
	26	27	1
	28	31	3
	37	41	4
	42	48	6
	49	68	19
	69	77	8
MORC004 (6678L)	4	6	2
	10	16	6
	23	24	1
	25	26	1
	28	53	25
	54	57	3
	58	64	6
	67	74	7
	89	90	1

BHID	From (m)	To (m)	Downhole Interval (m)
MORC006 (5873L)	11	15	4
	16	20	4
	32	48	16
	50	60	10
	61	65	4
	72	86	14
	88	90	2
	91	94	3
	97	99	2
	101	103	2
MORC007 (6636L)	0	23	23
	24	27	3
	36	37	1
	40	41	1
MORC008 (4662L)	3	12	9
	13	15	2
	16	17	
	18	20	2
	21	37	16
	38	42	4
	43	46	3
	48	51	3
	52	71	19

Licences 5873L and 6678L ("Balama North Project")

Drilling on Licence 5873L (adjacent to Triton's Nicanda Hills deposit) intersected 21 metres of graphite from 9 metres to 30 metres depth in the South of the Licence (MORC001), as well as 18 metres of graphite from 8 metres to 25 metres, and 39 metres of graphite from 37 metres to 76 metres in another in the North (MORC003). A 51 metres graphitic zone in Licence 6678L bordering Licence 5873L to the North shows a likely >7.5 km strike extension of graphite mineralisation, as illustrated in Figure 2.

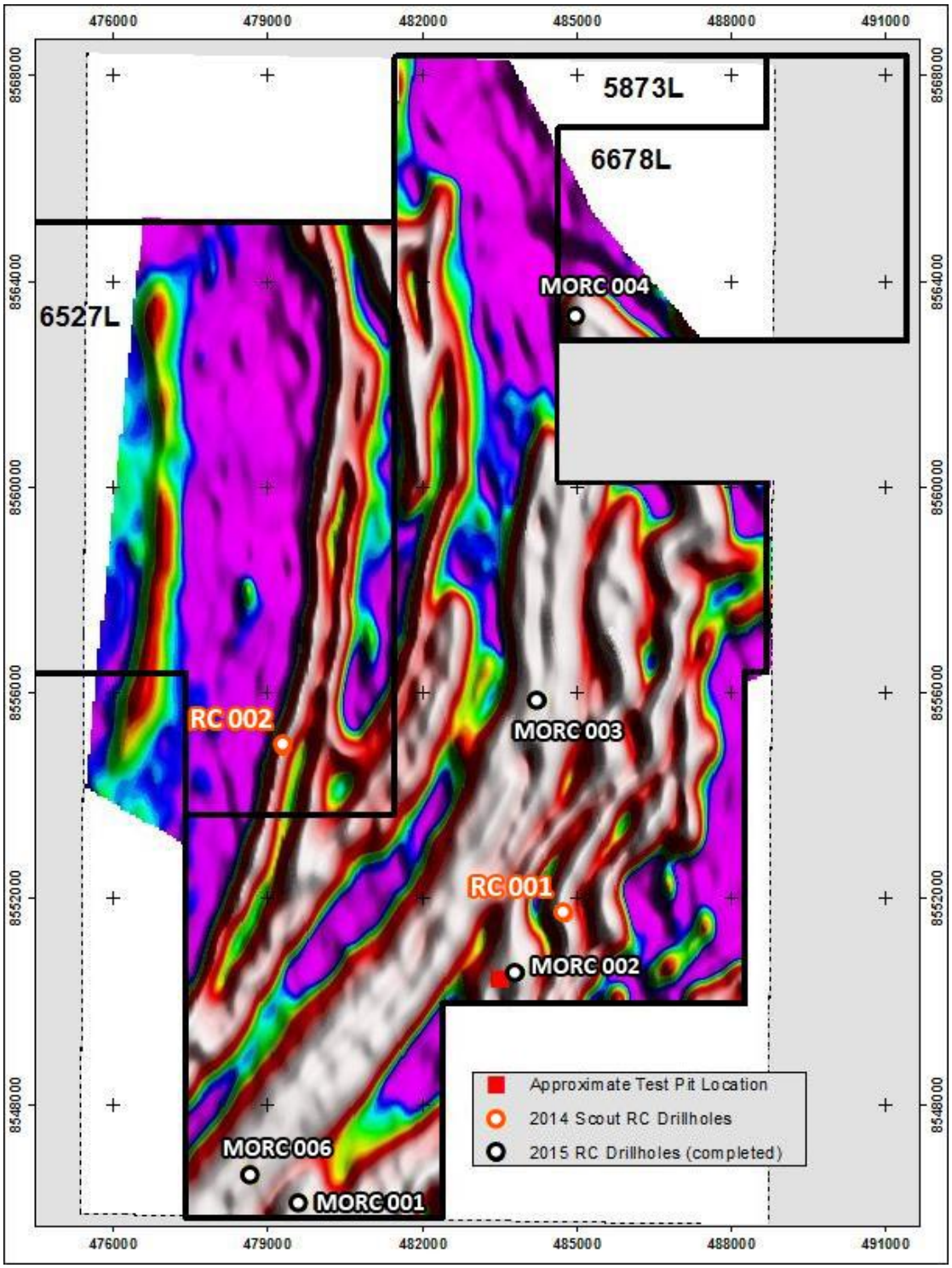

Figure 2: Drill results on Licence 5873L, 6527L and 6678L ("Balama North Project")

Licence 4662L ("Balama South Project")

Drilling on Licence 4662L adjacent and along strike from Syrah's Balama deposit and Metals of Africa's (ASX. MTA) Central graphite project intersected a massive 69 metre shallow graphitic zone from 3 metres to 71 metres[1] (MORC008). Furthermore, analysis of the SkyTEM electromagnetic data for Licence 4662L shows a 6.4 km strike length on trend with the well advanced Syrah deposit which is scheduled to start mining in 2017.

Future Work Program

Having undertaken a systematic drilling and analysis program of the Balama Graphite Project, which resulted in the identification of shallow widespread mineralised zones, the Company will now aim to advance the project from the exploration target stage through the various levels of resource confidence, then to scoping study and feasibility stages.

In relation to the current program, graphite samples are now undergoing processing at the laboratory in order to confirm the size, grade and quality of the mineralisation. The Company will update shareholders with the laboratory analysis from the completed drilling program in the near future.

MONTEPUEZ RUBY PROJECT

Mustang was pleased to announce during the quarter that it had acquired the rights to earn 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 on 26 February 2016).

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 Ltd, will provide Mustang with the potential to generate significant near-term cash flows with minimal upfront capital expenditure required.

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) (Figure 3). 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. Gemfields is targeting overall annual production of 20 million carats of ruby and corundum through the upgrade of its plant capacity to 350 tons per hour.

[1] Internal intersections of mica and dolomitic marble are typically in the order of 3m in (downhole) thickness.

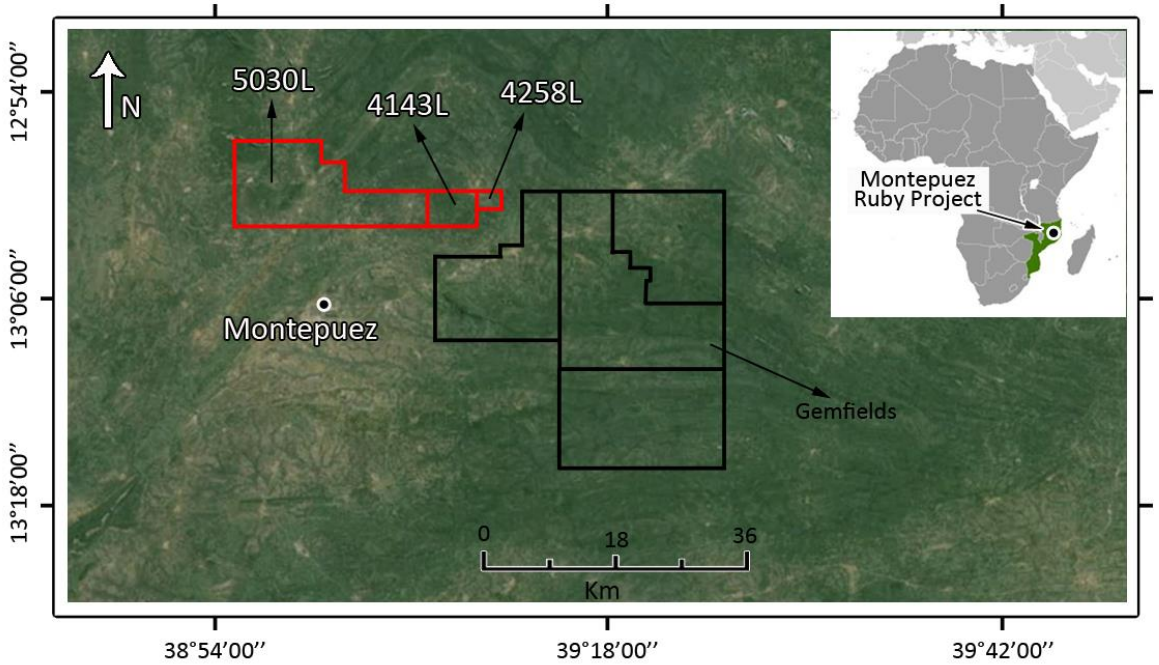

Figure 3: Location of MM Licences in comparison to Gemfields, Mozambique

Mustang Bulk Sampling & Exploration Program

Upon commencement of its intended bulk sampling program, Mustang plans to make use of two 16-foot rotary pans with a 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. Mustang proposes to make use of a closed conveyor and glove box system under high industry standard security for the recovery of all gemstones. Grading and classing of rubies will be done on site.

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

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 operations (outlined above), which reportedly hosts the world's single largest known ruby deposit discovered in 2011/2012 (Figure 4).

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.

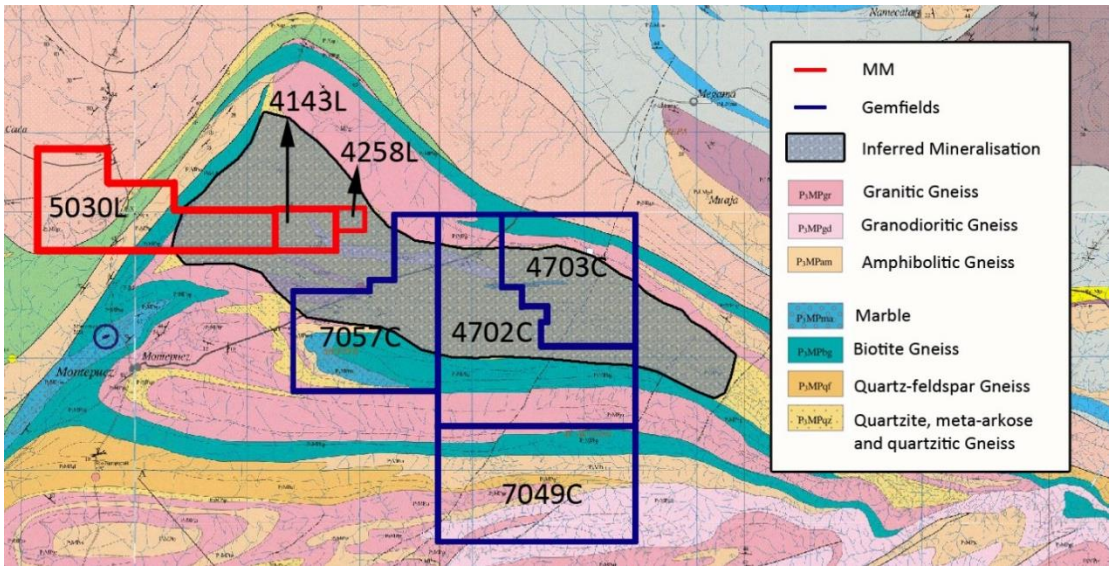

Figure 4: Geological Map of MM Licences 4143L, 4258L & 5030L relative to Gemfields, indicating geological strike of ruby mineralisation

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 … 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]

Figure 5: Extensive artisanal pits in channel on MM Licence 5030L

CORPORATE OVERVIEW

During the quarter, Mustang was pleased to announce that it successfully raised $5.75 million to advance the development of its graphite, diamond and ruby project portfolio. A key focus for the Company will be on fast tracking the commencement of the bulk sampling program at the Montepuez ruby project in order to increase near term cash flows.

Funds were 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 past 12 months. Additional detail on the subscription agreement with Lanstead can be viewed in the announcement dated 23 November 2015.

In December, the Company appointed Christiaan Jordaan as Managing Director effective 1 February 2016) to lead the development of the graphite, diamond and ruby projects. Furthermore, experienced gemstone geologist Dr. John Bristow was appointed as a specialist advisor to the Board.

Mustang also announced during the quarter that it has agreed to amend all existing agreements with the vendors of its graphite, diamond and ruby projects – allowing the Company to effectively reduce potential non-vendor shareholder dilution by a nominal value of up to $23.4 million (assuming a share price & 0.72 A$ to US$ conversion). This represents a reduction in potential dilution from 59% to 26%. The cancellation of the performance share rights and cash payments in respect of the acquisition of the diamond project and the original graphite licence interests is subject to compliance with ASX Listing Rules.

Further details can be viewed in the announcement dated 11 December 2015.

FOR FURTHER INFORMATION PLEASE CONTACT:

Managing Director:
Christiaan Jordaan
info@mustangresources.com.au
+61 3 9347 2409

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

For further information and updates please follow our corporate Twitter account @Mustang_Res

COMPETENT PERSON'S STATEMENTS:

Information in this report that relates to the Save River Diamond Project and the Montepuez Ruby 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.

In this report, the information that relates to the Balama Graphite Project's Exploration Targets and Geophysical Exploration Results and analysis, is based on information compiled by Mr Christiaan Mouton or Mr Johan Erasmus, both Competent Persons. Mr Mouton 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 a 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.

Mr Erasmus 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. Mr Erasmus is a consultant of Sumsare Consulting, Witbank, South Africa who was engaged to undertake this work. Mr Erasmus 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. Mr Erasmus 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 Quarterly Report – 29 January 2016 - DIAMONDS
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 the red sandstone bedrock (typically 3-4m below surface).
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 are 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, including for instance results for*	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 31 December 2015, total bulk-sample size is just more than 15,000m^3 (individual sample sizes range from 592m^3 to 12,369m^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
	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 locations used in Mineral Resource*	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 handheld instruments is not reliable and is hence

Criteria	Explanation	Mustang Commentary
	estimation. • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	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. At the plant site, security is limited to caging

Criteria	Explanation	Mustang Commentary
		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 2015 and 7-11 December 2015, 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). AUD3.5M, 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>Bulk-sampling</u> By 31 December 2015, nine sample pits had been excavated to identify the presence of diamonds, with Pit 006 being amalgamated into Pit 004 while excavating the gravels. The initial samples only sampled colluvial and Rooikoppies deflation deposits. At the start up of the project, the hard calcrete below the Rooikoppie gravels prevented the excavation and sampling of possible deeper basal gravels. One such example of these gravels has been located at pit 004 and mapped through the use of the large 87 tonne excavator which is now on site. Processing of the upper Rooikoopie gravels has been kept separate from the lower gravels. 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 70 stones (43.30 ct) 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 31 December 2015, nine samples (total of 26,280m^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.*	Gravel samples have been recovered from nine pits which have been processed separately, namely Pits 001, 002, 003, 004 (now including 006), 005, 007, 009, 010 and 011. These samples have all been derived from the A terrace.

Criteria	Explanation	Mustang Commentary
	• *Processes (dense media separation, grease, X-ray, hand-sorting, etc.).* • *Process efficiency, tailings auditing and granulometry.* *Laboratory used, type of process for micro diamonds and accreditation.*	Bulk samples cannot be processed at a laboratory – 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

Criteria	Explanation	Mustang Commentary
		little commercial potential and their loss is not at issue. Diamonds greater than 40mm (+500ct) are 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.*	Insufficient data has been recovered to estimate sample grades or diamond size frequency distribution, as yet.

Criteria	Explanation	Mustang Commentary
	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 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 31 December 2015 (Table 1), 70 stones with a total weight of 43.30ct 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.

JORC CODE, 2012 EDITION – TABLE 1 -

Appendix to Quarterly Report – 29 January 2016 - GRAPHITE

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.*	**2014 Field Program** Sampling undertaken as part of the initial exploration program included rock chip sampling from graphitic-bearing surface outcrop within prospecting & 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 within prospecting & exploration 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) by 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 %

Criteria	JORC Code Explanation	MUS Commentary
		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 - 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. **<u>2015 Field Program</u>** Samples have been taken from Reverse Circulation (RC) drillholes. Reverse circulation drilling was used to collect 1 m samples (roughly 35 kg) by an air cyclone which was reduced to a 3 kg sample by riffling. Drillhole collar locations were generated based on results from a

Criteria	JORC Code Explanation	MUS Commentary
		recently flown airborne EM survey (refer to previous MUS ASX announcements). Three RC drillholes have been drilled to date. Drillhole intervals were selected for sampling based on geological logging and samples showing no clear example of graphite will be excluded from the analysis completed by an accredited laboratory. The bagged 3kg samples will be submitted for analysis of graphitic carbon, total carbon and sulphur. In addition, selected samples will be submitted for flake size distribution analysis. A single "Test pit" 1 metre by 2.4 metres was excavated to a depth of 1.8 metres. The "Test pit", which was excavated is in close proximity to MORC-002.
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).*	**2014 Field Program** Reverse circulation drilling was used to drill two 5.5 inch diameter holes. RC drill chips were collected by 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. **2015 Field Program** Reverse circulation drilling was used to drill 5.5 inch diameter holes. RC drill chips were collected by an air cyclone at 1 m intervals for

Criteria	JORC Code Explanation	MUS Commentary
		logging and sampling. Approximately 35 kg per metre was collected by an air cyclone which was reduced to a 3 kg sample by riffling. Relfex Ezy shot tools were used to take downhole survey measurements to monitor drillhole azimuth and dip.

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.*	**2014 Field Program** 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 are 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. **2015 Field Program** 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. Recovery has been good with 35 kg + being returned per metre drilled. Several wet intervals had poor to no sample recovery. • MORC001 the last metre was not recovered due to excess water (102-103 m). • MORC003 three metres in the last 7 metres could not be recovered due to excess water make (70 – 71 m, 72-73m and 76-77 m). 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.

Criteria	JORC Code Explanation	MUS Commentary
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.*	**2014 Field Program** 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. **2015 Field Program** RC drillchip samples were geologically logged by trained geologists. The drillholes are considered by MUS to be part of a maiden drill program aimed at identifying shallow graphite mineralisation. Mustang will use the results from this maiden program to prioritise target areas, which will then become the focus of further drillhole definition programs. Whilst the aim of this maiden drill program is not to produce a Mineral Resource Estimate. These holes may potentially be used for resource estimation purposes in the future. Logging of RC drill holes includes recording of lithology,

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		mineralogy, mineralisation, weathering, colour and other features of the samples. RC Chip trays are photographed. Geological descriptions and estimates of visual graphite percentages on preliminary logs is semi-quantitative. All drillholes were logged in full.
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.*	**<u>2014 Field Program</u>** RC samples were 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 was undertaken for this phase of the exploration program. **<u>2015 Field Program</u>** 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

Criteria	JORC Code Explanation	MUS Commentary
		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 MORC001 and MORC003. Field QC procedures were adopted as follows • Insertion rate for blanks - 5% (1 in 20) • Insertion rate for standards - 5% (1 in 20) • Insertion rate for duplicates - 5% (1 in 20) • Umpire duplicates - 5% (1 in 20) Two CRM (GGC004 and GGC09) were obtained from Geostats Pty Ltd to monitor analysis of laboratory for graphitic carbon, carbon and sulphur. 1m RC 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*	**<u>2014 Field Program</u>** 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.

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	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.*	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 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. **2015 Field Program** A total of 566 samples from this phase of works have been submitted to SGS Randfontein Laboratory. Sampling has been divided into batches of between 60 and 90 samples. As soon as one batch has been analysed, work on the next batch will begin. The samples have been submitted to the accredited Laboratory for analysis of Graphitic Carbon, Total Carbon and Total Sulphur on a

Criteria	JORC Code Explanation	MUS Commentary
		Leco Combustion Infrared Detection instrument. In addition, selected samples will be submitted for flake size distribution analysis. Results from the samples analyses will be received in a few weeks. Once all the results have been received and reviewed, select samples will be submitted for Flake Size Distribution and for vanadium analysis using XRF technology.
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.*	**2014 Field Program** Mr. Johan Erasmus, an independent geologist, has visually verified the geological observations reported in the RC drillholes. No twin holes were drilled. Sample information was 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 was reported as received from the laboratory. No adjustments or calibrations have been made to any assay data. **2015 Field Program** Mr. Johan Erasmus, an independent geologist, has visually verified

Criteria	JORC Code Explanation	MUS Commentary
		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. A copy of the data is stored in Mr. Erasmus' office as well as in Mustang's office in Pretoria, RSA. No assay data has been received for this phase of works.
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.*	**<u>2014 Field Program</u>** 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. **<u>2015 Field Program</u>** Collar locations were surveyed with a Garmin 64s GPS Device. The Garmin devices typically have an error of +/- 7m. All spatial data was collected in WGS 84 and the datum used is

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		UTM Zone 37 South. A DTM surface was produced by SkyTEM as part of the recent airborne geophysics program completed by Mustang.
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.*	**2014 Field Program** Two scout test RC drillholes were drilled in prospecting & exploration licences 6527L and 5873L and three rock chip samples were 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. Drillhole collar information is tabulated in Appendix 1. No sample compositing has applied. **2015 Field Program** RC drillholes were inclined on average at -74 to 78 degrees. Due to the early stage of the exploration program, there is no nominal sample spacing. Drillhole collars have been planned to test EM anomalies. Drilling data is at the exploration level and data is not considered to be sufficient to establish the degree of geological and grade

Criteria	JORC Code Explanation	MUS Commentary
		continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure. No sample compositing has been applied. The collar details are tabulated in Appendix 1.
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.*	**<u>2014 Field Program</u>** 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. **<u>2015 Field Program</u>** 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.
Sample security	• *The measures taken to ensure sample security.*	**<u>2014 Field Program</u>** Samples were kept in a locked room after collection, and shipped in sealed containers by Mustang to SGS and Set Point Laboratories

Criteria	JORC Code Explanation	MUS Commentary
		in South Africa. Sample residue was retained by SGS and Set Point for safekeeping until further analysis is needed. **<u>2015 Field Program</u>** Samples were stored at the company's field base until laboratory dispatch. Samples were be transported in sealed containers to South Africa for analysis. Any visible signs of tampering will be reported by the laboratory upon sample receipt.
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 prospecting & exploration licences covering an area of 666.64 km^2. Mustang has acquired rights to earn majority interests in these licences by acquiring all of the issued capital Balama Resources Pty Ltd under 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 licence 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 Proterozoic 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-

Criteria	Explanation	
		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.
Drillhole 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*	Two RC holes were drilled in late 2014 as part of a scout drilling program. Refer to ASX announcement dated 10 June 2015 for further information and results. Information pertaining to drilling completed to date is provided in Appendix 1 and Appendix 2.

Criteria	Explanation	
	why this is the case.	
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.

Criteria	Explanation	
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 for the 2014 drill program are reported in ASX announcement dated 10 June 2015. No assay grades have been reported as part of the 2015 drilling program.
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.*	The report is considered to be balanced. 2014 drilling and rockchip sampling results have been reported in ASX announcement dated 10 June 2015.

Criteria	Explanation	
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) have been obtained from the Mozambican Government. In addition Mustang flew airborne geophysics survey (SkyTEM) across 6 of its tenements. The geophysics dataset sets were used to aid in interpretations and plan the 2015 drillhole program collar locations.
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 is ongoing. Results will be announced as they become available.