BALAMA GRAPHITE PROJECT - UPDATE

COMPANY INFORMATION

Mustang Resources Ltd
ABN 34 090 074 785
ASX Code: MUS
Current Shares on Issue: 104,429,097
Market Capitalisation
$9.3 M as at 15 February 2016

COMPANY DIRECTORS

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

MANAGEMENT

Christiaan Jordaan: MD
Chris Ritchie: CFO / Co Sec

CURRENT PROJECTS

DIAMONDS
- Save River Diamond Project
GRAPHITE
- Balama Graphite Project
RUBIES
-Montepuez Ruby Project

Twitter: @Mustang_Res
mustangresources.com.au

16 February 2016

EXCEPTIONAL HIGH GRADE GRAPHITE INTERVALS CONFIRMED AT BALAMA PROJECT, MOZAMBIQUE

- **Exceptional laboratory results from 3 batches of samples from the recently completed RC drilling program confirm wide, high grade intervals of up to 22% Total Graphitic Carbon (TGC)**
- **Significant graphite intercepts from 1m composite RC samples:**
  - **MORC-004: 67m wide high grade graphite zone with 23 samples above 15% TGC, including intervals at:**
    - **22% TGC and 20.7% TGC**
  - **MORC-006: 64m high grade graphite zone, including an interval of up to:**
    - **11% TGC**
  - **MORC-008: 74m high grade graphite zone, including intervals at:**
    - **16.5% TGC and 18.8% TGC**
- **Field assessment has highlighted the potential of large flake sizes – awaiting results from laboratory**
- **2015 sample analysis showed >50% Super Jumbo flakes larger than +1180µm on licence 5873L**
- **2015 sample analysis showed 57.9% Super Jumbo larger than+1180µm on licence 4662L**
- **High grade intersections recorded to date suggest potential extensions of nearby world-class graphite deposits**
- **Drilling of EM anomalies demonstrates strong correlation with well-defined conductivity zones suggesting large volume graphite potential**

Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to provide an update on results from its recently completed RC drilling program at the Company's high-grade Balama Graphite Project in the world-class graphite province in Northern Mozambique (see Figure 1).

Managing Director of Mustang, Christiaan Jordaan commented, "We are very encouraged by outstandingly positive results from the RC drilling program at Balama.

To date the program has yielded a number of very robust assays which confirm wide & shallow intervals of exceptionally high grade graphite mineralisation, with additional fieldwork and analysis indicating the potential for very high percentages of large to super jumbo flake distribution.

The Company will shortly provide shareholders with an update on progress at our exciting Montepuez Ruby Project which is intended to become a priority focus in the near term, notwithstanding the very pleasing results from the Balama Graphite Project."

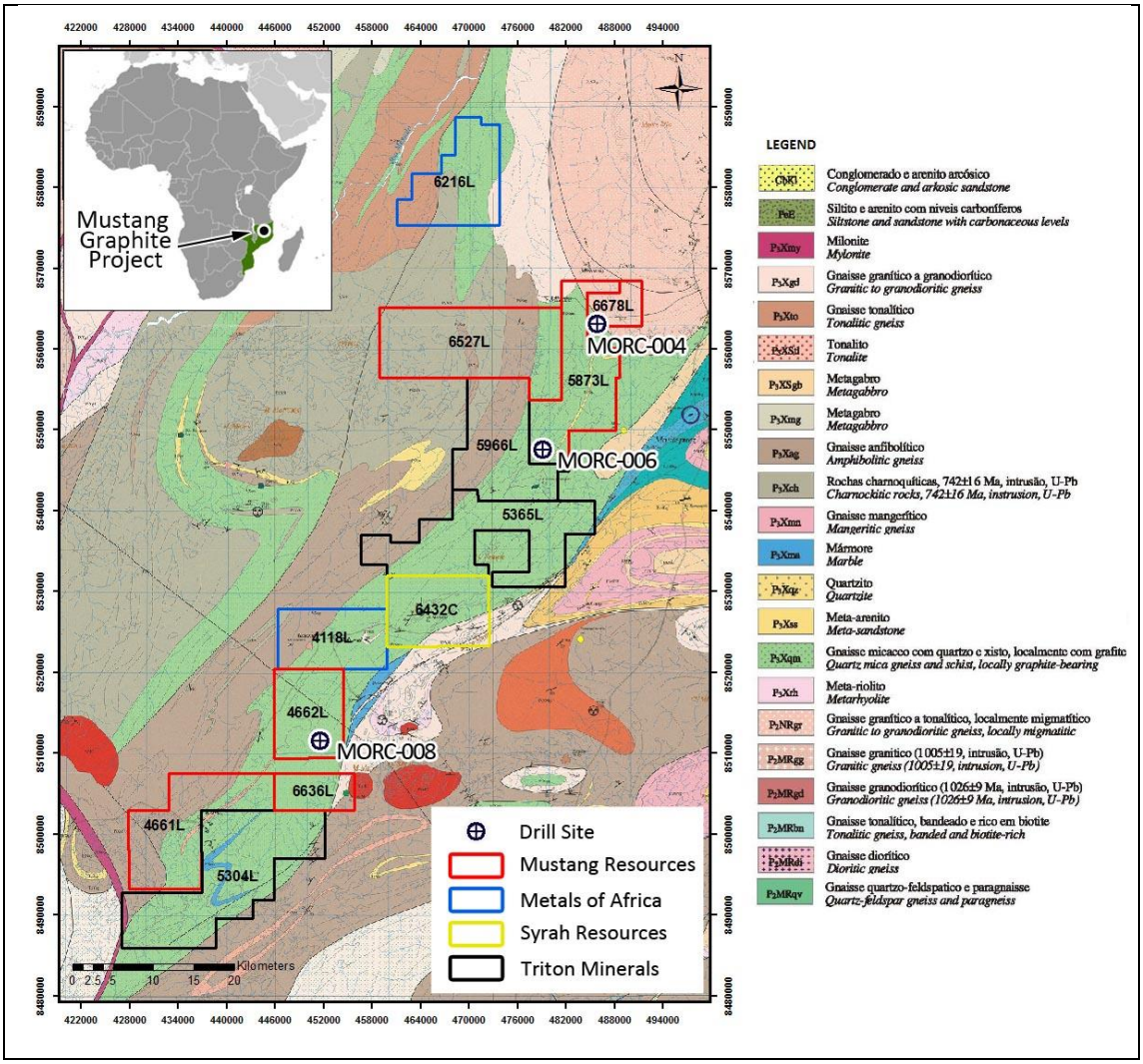

Figure 1. Mustang's Balama Graphite Project, regional geological map depicting the graphitic schist strike through the exploration concessions

Positive Assay Results Continue at Balama

Samples from the recent RC drilling program at the Balama Project were submitted to SGS Laboratories in Johannesburg. Mustang has so far received the TGC assay results from three (3) of eight (8) batches of samples, further confirming the existence of large zones of shallow graphitic mineralisation across multiple areas within Mustang's concessions.

Licence 6678L ("Balama North Project")

Based on a 3% TGC cut off, drillhole MORC004 on licence 6678L, has an average of 11.99% TGC within a 67m mineralised graphitic mineralisation zone (downhole width). A total of 23 samples returned results above 15% TGC (Table 1). The graphite mineralisation is shallow with high grades close to the surface, including 8.16% TGC at 1m from surface, 17.4% TGC at 11.6m from surface and 18.6%TGC at 35m. The highest TGC value recorded for this hole is 22% TGC at 45m below surface.

Table 1. Significant intersections from RC drillhole MORC004 above 15% TGC. Note intervals are downhole depths

Depth (Downhole)		Total Carbon	Total Sulphur	Total Graphitic Carbon
From (m)	To (m)			
12	13	17.6	0.07	17.4
29	30	17.7	0.12	17.6
37	38	18.8	0.15	18.6
38	39	17.6	0.09	16.5
39	40	16.9	0.12	16
41	42	17	0.28	16.4
44	45	15.5	0.11	15.1
45	46	16.1	0.08	15.7
46	47	18.6	0.06	18
47	48	22.8	0.15	22
48	49	16.9	0.26	16.5
51	52	20.2	0.09	18.5
58	59	17	0.25	16.2
59	60	16.9	1.06	16.3
60	61	15.8	1.48	15.3
62	63	18.1	1.88	17.7
65	66	19	0.98	18.3
67	68	19.4	1.75	18.8
70	71	20.9	1.59	20.1
71	72	19.5	1.62	19.1
72	73	21.5	0.98	20.7
76	77	20.7	0.93	19.8
89	90	19.3	1.84	18.8

Licence 5873L ("Balama North Project")

Based on a 3% TGC cut off, drillhole MORC006 on licence 5873L, has an average of 6.8%TGC within a 64m mineralised graphitic mineralisation zone (downhole width). A number of samples returned assay results above 10% TGC (Table 2). Graphite mineralisation is shallow with high grades close to the surface, including 7.72% TGC at 17m from surface, 10.1% TGC at 51m from surface, 11% TGC at 39m. The highest TGC value recorded for this hole is 11.6% TGC at 72m below surface.

Table 2. Significant intersections from RC drillhole MORC006 above 10% TGC. Note intervals are downhole depths

Depth (Downhole)		Total Carbon	Total Sulphur	Total Graphitic Carbon
From (m)	To (m)			
39	40	11.9	0.32	11
51	52	10.2	2.35	10.1
57	58	10.1	2.15	10
72	73	12.1	1.76	11.6
77	78	10.5	1.86	10.4

Licence 4662L ("Balama South Project")

Based on a 3% TGC cut off, drillhole MORC008 on licence 4662L, has an average of 8.0%TGC within a 62m strong graphitic mineralisation zone (downhole width). A total of 15 samples returned results above 10% TGC (Table 3). Graphite mineralisation is shallow with high grades close to the surface, including 10% TGC at 4m from surface, 16.5%TGC at 29m from surface, 18.2%TGC at 61m and the highest TGC value recorded for this hole being 18.8%TGC at 63m below surface.

Table 3. Significant intersections from RC drillhole MORC-008 above 10%TGC. Note intervals are downhole depths.

Depth (Downhole)		Total Carbon	Total Sulphur	Total Graphitic Carbon
From (m)	To (m)			
4	5	10.2	<0.01	10
28	29	14.2	0.02	14.1
29	30	16.7	0.06	16.5
30	31	12.5	0.08	12.3
52	53	15.7	0.5	15.4
53	54	11.3	0.8	11.1
57	58	13	0.96	12.6
59	60	12	1.24	11.4
60	61	17	1.6	16.5
61	62	19	1.78	18.2
62	63	18.4	2.18	17.9
63	64	19.3	1.78	18.8
64	65	18.2	1.71	18
65	66	10.5	2.2	10.2
66	67	11.9	2.03	11.8

Summary of 2015 Flake Size Distribution Laboratory Results

Mustang's exploration of the Balama North Project included geological mapping, grab sampling, airborne geophysical surveys, and most recently pitting, RC drilling & rock chip sampling. Preliminary flake size analyses undertaken on the samples collected in 2014 confirmed the presence of high percentages of both large and jumbo graphite flakes (Table 4).

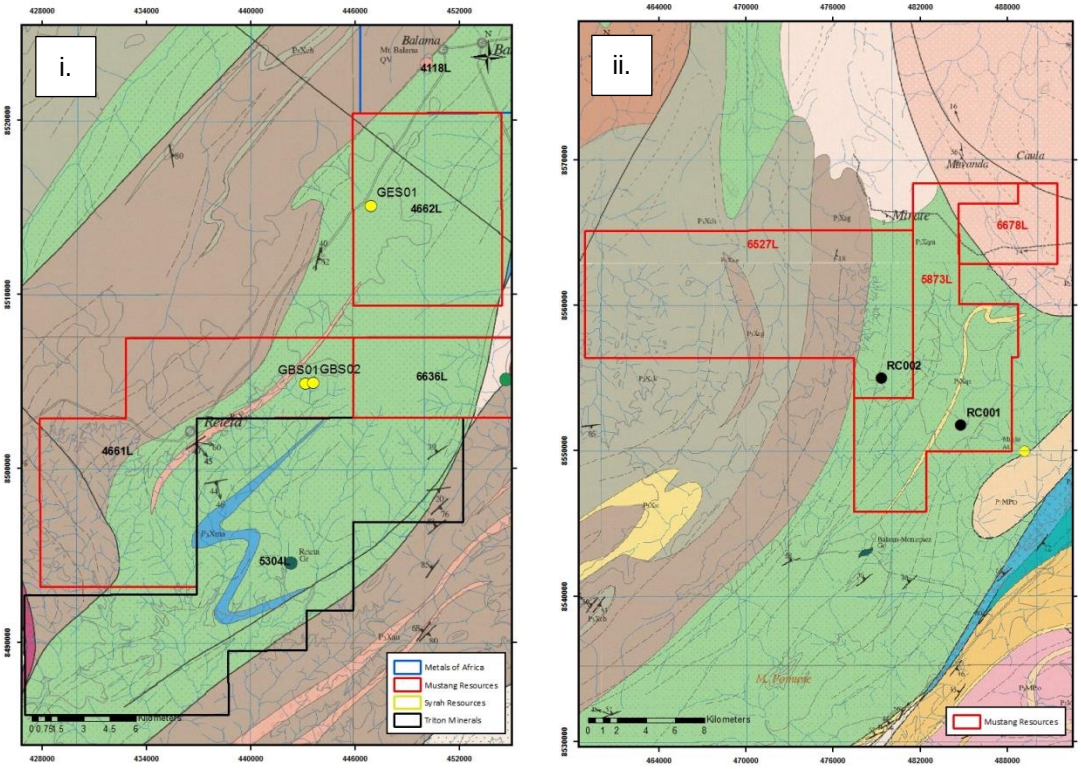

Figure 2. (i.) Location of rock chip sample locations and (ii.) Location of RC drillholes

Flake size distribution results of submitted samples (GBS01, GES01, RC1, and RC2), and petrological analyses undertaken on selected samples, returned exceptional flake size results with up to 51.04% and 59.56% Super Jumbo flakes larger than+1180µm from RC001 (17-18m) and RC002 (42-43m) respectively. Grab sample GBS01 returned 66% of Jumbo & Super Jumbo flakes (larger than 425 µm), and GES01 returned 57.9% of Super Jumbo flake (larger than+1180µm).

High percentages large flake sizes is of the utmost importance due to higher prices being paid by end users for larger flake sizes.

Table 4. Flake size frequency and geochemical results completed on samples collected in 2014. Note intervals are downhole depths

Sample type	Sample No.	From (m)	To (m)	Flake Size Frequency % (area Per size class)					GRAP_C
				Super Jumbo	Jumbo-Super Jumbo	Large-Jumbo	Medium-Large	Fine Fine	
				+1180µ	+425µ	+212µ	+150µ	<106µ	%
Rockchip	GBS01			3.54	62.46	23.46	4.26	6.27	13.50
Rockchip	GBS02				49.65	32.09	9.78	8.49	9.31
Rockchip	GES01			57.9	30.82	7.54	1.8	1.93	7.93
RC001	RC1 5-6	5	6		40.05	37.37	8.46	14.14	9.16
	RC1 9-10	9	10		43.60	31.41	10.08	14.93	7.51
	RC1 22-23	22	23		43.02	36.47	8.25	12.25	6.72
	RC132-33	32	33		58.83	17.14	11.98	12.05	9.73
	RC1 37-38	37	38		45.1	26.23	11.78	16.88	7.18
	RC1 42-43	42	43	59.56	4.81	13.97	10.01	11.65	4.18
	RC1 47-48	47	48		62.77	22.74	5.46	9.03	6.54
	RC1 51-52	51	52	4.02	52.09	28.75	5.87	9.26	13.7
	RC1 57-58	57	58	21.11	31.85	20.82	10.01	16.21	2.3
RC002	RC2 5-6	5	6		54.64	27.85	5.97	11.54	5.5
	RC2 17-18	17	18	51.04	17.33	20.09	5.08	6.46	11.6

Summary of 2015 Drilling and Laboratory Results

The 2015 RC drilling program was designed to confirm the presence of graphite identified by the airborne geophysical survey. Exceptional drilling results recorded to date across Mustang's Balama Projects, have yielded shallow intersections which represent possible extensions of nearby world-class graphite deposits (with clear benefits of higher grade and higher percentages large-super jumbo flake sizes when compared to neighbouring deposits). Significant intersections of graphite are summarised in Table 5.

Table 5. Summary of significant logged graphite intercepts

Borehole ID	From (m)	To (m)	Downhole Interval (m)	Average TGC%
MORC004	4	6	2	6.51
	9	16	6	6.92
	23	24	1	7.61
	25	26	1	5.59
	28	53	25	24
	54	64	3	13.9
	65	74	9	16.74
	88	93	5	12.47
MORC006	11	15	4	5.05
	16	18	2	7.34
	38	48	10	6.98
	49	59	10	8.39
	61	65	4	7.64
	68	86	19	7.71
	88	90	2	7.14
	96	99	3	6.04
MORC008	4	12	8	7.6
	13	19	6	4.8
	20	31	11	8.00
	32	47	15	5.4
	51	55	4	9.7
	57	74	15	11.38

Further Laboratory Analysis

In relation to the current analysis program, graphite samples are now undergoing processing at the laboratory in order to confirm the flake size distribution. The Company will also update shareholders with the laboratory analysis of the remaining five (5) batches of samples from the completed drilling program in the near future.

Mustang Growth Strategy

Looking ahead, Mustang remains committed to growing shareholder value across its exciting graphite and gemstone asset base in Mozambique.

Furthermore, Management will continue to prudently control exploration expenditure at Balama in coming months as the Company focuses on the near-term development of its Montepuez Ruby Project, with the view to generating significant cash flows from the planned bulk sampling program.

Management is very confident that the Montepuez Ruby Project has the potential to host a world-class deposit with significant scope for rapid growth, high margins and relatively low capital expenditure. Recent fieldwork on the Montepuez Ruby Project has confirmed this potential and the Company will update shareholders on progress shortly.

For and behalf of the Company.

Ian C Daymond
Chairman

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FORWARD-LOOKING STATEMENTS:

This document may include forward-looking statements. Forward-looking statements include, but are not necessarily limited to the Company's planned exploration program and other statements that are not historic facts. When used in this document, words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although the Company considers that its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

COMPETENT PERSON'S STATEMENT:

In this report, the information that relates to Exploration Targets and Geophysical Exploration results and analysis, is based on information compiled by Mr Christiaan Mouton, a Competent Person who is a registered member of the Australian Institute of Geoscientists and also a registered member of the South African Council for Natural Scientific Professions (SACNASP), which is an Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Mr Mouton is a consultant with Applied Scientific Services and Technology (ASST) who were 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.

Information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Johan Erasmus, 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. 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.

APPENDIX 1 – DRILLHOLE SUMMARY TABLE

RC drillholes drilled to date as part of the 2015 maiden drill program

Drill Name	Coordinates - Zone 37		Concession Number	Down Hole Survey Results			
	Easting	Northing		Depth	AZIM	INC	MAG
MORC-001	479623	8546100	5873L	103m	159,1	69,8	36027
	13° 09' 05.5''	38° 48' 43.1''					
MORC-002	483870	8550568	5873L	91m	145,4	74,8	35644
	13° 06' 40.1''	38° 51' 04.3''					
MORC-003	484292	8555877	5873L	76m	83,8	76,4	34880
	13° 03' 47.3''	38° 51' 18.4''					
MORC-004	484939	8563344	6678L	99m	114,4	76,3	35298
	12° 59' 44.2''	38° 51' 40.0''					
MORC-006	478661	8546651	5873L	105m	139,6	70,4	36585
	13° 08' 47.5''	38° 48' 11.2''					
MORC-007	452240	8505362	6636	61m	137,4	67,4	35140
	13° 31' 10.5''	38° 33' 31.1''					
MORC-008	451450	8511181	4662L	85m	176,7	79,7	35069
	13° 28' 01.0''	38° 33' 05.2''					

RC drillholes drilled in October 2014 – refer to ASX announcement dated 10 June 2015 for additional information pertaining to these two drillholes

BHID	UTM East	UTM North	mRL	Azimuth	Dip	Depth	Hole Type	Licence No.
RC001	484791	8551728		120	-60	60	RC	5873L
RC002	479332	8554960		120	-60	50	RC	6527L

JORC CODE, 2012 EDITION – TABLE 1 -

Appendix to Graphite Announcement – 16 February 2016

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*	**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 1m samples (roughly 35kg) by an air cyclone which was reduced to a 3kg sample by riffling. The bagged 3kg samples were submitted to SGS Laboratories and Set

Criteria	JORC Code Explanation	MUS Commentary
	disclosure of detailed information.	Point Laboratories in Johannesburg for Cg % analysis (LECO), as well as XRF (major elements) and petrographic description by optical microscopy. A total of eleven intervals from hole RC001 were selected for sampling: - 5 – 6m - 9 – 10m - 22 – 23m - 32 – 33m - 37 – 38m - 42 – 43m - 43 – 44m - 47 – 48m - 50 – 51m - 51 – 52m - 57 – 58m Two intervals from hole RC002 were selected for sampling: - 5 – 6m - 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 1m samples (roughly

Criteria	JORC Code Explanation	MUS Commentary
		35kg) by an air cyclone which was reduced to a 3kg sample by riffling. Drillhole collar locations were generated based on results from a recently flown airborne EM survey (refer to previous MUS ASX announcements). Ten RC drill holes have been drilled to date. A total of 77 intervals from RC drill hole MORC-004; 84 intervals from RC drill hole MORC-006 and 74 intervals from RC drill were selected for sampling. Drill hole intervals were selected for sampling based on geological logging and samples showing no clear example of graphite have been excluded from the analysis completed by SGS Randfontein, an accredited laboratory The 1m composite samples from the RC drilling were submitted to SGS Randfontein. The samples were riffle split on a 50:50 basis, with one split pulverised and analysed for Total Graphitic Carbon (TGC), Total Carbon (TC) and Total Sulphur (TS) using a Leco Furnace, and the other split held as in storage. In addition, selected samples which are currently in storage will be submitted for flake size distribution analysis and XRF analyses to obtain the vanadium content.

Criteria	JORC Code Explanation	MUS Commentary
		A single "test pit" 1 metre by 2.4 metres was excavated to a depth of 1.8 metres. The "test pit" was excavated in close proximity to MORC-002. To date no samples have been collected from the test pit.
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 1m intervals for logging and sampling. Approximately 35kg per metre was collected and reduced to a 3kg 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 1m intervals for logging and sampling. Approximately 35kg 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 is maintained for data verification. The samples obtained are considered to be representative of the drilled intervals and no preferential loss or gain of fine or coarse material was identified during the initial exploration program. **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 are maintained for data verification. Recovery has been good with 35kg + 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 (102-103m). • MORC003 three metres in the last 7 metres could not be recovered due to excess water make (70 – 71m, 72-73m and 76-77m). 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' and 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.

Criteria	JORC Code Explanation	MUS Commentary
		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 and estimates of visual graphite percentages on preliminary logs is semi-quantitative. All drill holes 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.*	**2014 Field Program** RC samples were collected on the rig using riffle splitters to reduce the sample mass from 35kg to 3kg. 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.

Criteria	JORC Code Explanation	MUS Commentary
		2015 Field Program RC samples are collected on the rig using riffle splitters to reduce the sample mass from 35kg to 3kg. Sample preparation of the RC chip samples follows industry best practice in sample preparation involving oven drying (105°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 GGC009) 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.

Criteria	JORC Code Explanation	MUS Commentary
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.*	**2014 Field Program** Fourteen samples were analysed by SGS Laboratories in South Africa for Graphitic Carbon and Total Carbon on a Leco Combustion Infrared Detection instrument. In addition, these samples were analysed for multi element abundances (including V_2O_5) by XRF and underwent petrographic thin section analysis to determine graphitic carbon flake size distribution. Two samples were submitted to Set Point Laboratories for analysis of Graphitic Carbon and Total Carbon on a Leco Combustion Infrared Detection instrument, and vanadium by SD/ICP. Samples were also subjected to a size fraction distribution analysis. Detection limits for these analyses are considered appropriate for the reported 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

Criteria	JORC Code Explanation	MUS Commentary
		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 235 samples were analysed by SGS Laboratories in South Africa for Total Graphitic Carbon (TGC), Total Carbon (TC) and Total Sulphur (TS) using a Leco Furnace, and the other split held as in storage. 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. The assaying and laboratory procedures used are appropriate for the material tested. SGS 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.

Criteria	JORC Code Explanation	MUS Commentary
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 (refer to MUS ASX announcement dated 10 June 2015). No adjustments or calibrations have been made to any assay data. **2015 Field Program** Mr. Johan Erasmus, an independent geologist, has visually verified the geological observations reported in the RC drillholes. No twin holes have been drilled to date. Sample information is recorded at the time of sampling in electronic and

Criteria	JORC Code Explanation	MUS Commentary
		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. Verification was based on use of duplicates, standards and blanks used. Assay data was reported as received from the laboratory. No adjustments or calibrations have been made to any assay data.
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.*	**2014 Field Program** 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. **2015 Field Program** Collar locations were surveyed with a Garmin 62/64s GPS Device. The Garmin devices typically have an error of +/- 7m. All spatial data was collected in WGS 84 and the datum used is UTM

Criteria	JORC Code Explanation	MUS Commentary
		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.*	**<u>2014 Field Program</u>** 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 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. Samples have been composited to a maximum of 0ne metre dor the RC samples. No sample compositing occurred for the grab sample analysis. **<u>2015 Field Program</u>**

Criteria	JORC Code Explanation	MUS Commentary
		Eight of the RC drillholes were inclined on average at -74 to 78 degrees. Two of the RC drillholes were drilled vertically. 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 continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure. No sample compositing has been applied. Samples have been composited to a maximum of 0ne metre dor the RC samples. No sample compositing occurred for the grab sample analysis. 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*	**2014 Field Program** 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.

Criteria	JORC Code Explanation	MUS Commentary
	assessed and reported if material.	No sampling bias is considered to have been introduced. **2015 Field Program** The orientation of the RC holes were designed based on regional geology interpretations and designed to test the broad stratigraphy. The collar details are tabulated in Appendix 1. 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.*	**2014 Field Program** Samples were kept in a locked room after collection, and shipped in sealed containers by Mustang to SGS and Set Point Laboratories in South Africa. Sample residue was retained by SGS and Set Point for safekeeping until further analysis is needed. **2015 Field Program** Samples are stored at the company's field base until laboratory dispatch. Samples will be transported in sealed containers to South Africa for analysis. Any visible signs of tampering will be reported by the laboratory upon

Criteria	JORC Code Explanation	MUS Commentary
		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	MUS 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.*	Mustang's Balama Graphite Project area consists of 6 prospecting & exploration licences covering a total area of 666.64 $km^{2.}$ Mustang has acquired rights to earn majority interests in these licences by acquiring all of the issued capital of 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.

Criteria	Explanation	MUS Commentary
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-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.
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*	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	MUS Commentary
	• *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.*	

Criteria	Explanation	MUS Commentary
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	No weighting averaging techniques have been applied.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear*	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.

Criteria	Explanation	MUS Commentary
	statement to this effect (eg 'down hole length, true width not known').	
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	MUS Commentary
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.