



MONTEPUEZ RUBY PROJECT UPDATE

COMPANY INFORMATION

Mustang Resources Ltd
ABN 34 090 074 785
ASX Code: MUS

Current Shares on Issue:
104,429,097
Market Capitalisation
\$12 M as at 24 February 2016

COMPANY DIRECTORS

Ian Daymond
Chairman

Christiaan Jordaan
Managing Director

Cobus van Wyk
Director

Frank Petruzzelli
Director

Andrew Law
Director

CURRENT PROJECTS

DIAMONDS

- Save River Diamond Project

GRAPHITE

- Balama Graphite Project

RUBIES

- Montepuez Ruby Project

Twitter: @Mustang_Res

www.mustangresources.com.au

25 February 2016

PROSPECTIVE GEOLOGY IDENTIFIED AT MONTEPUEZ

- **Geological interpretation shows that ruby mineralisation (both primary and secondary) may extend through large parts of Licences 4143L, 5030L and 4258L**
- **Ruby targets identified with geological features similar to nearby world-class Gemfields deposits to the east**
- **EGM for approval of the Montepuez Ruby Project acquisition to be held on 26 February 2016**
- **Project on track for commencement of bulk sampling by April 2016**

Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to advise it has completed a close-spacing helicopter survey over the Montepuez Ruby Project area which has strengthened the Company's geological understanding of the project.

At present, Mustang is focused on advancing exploration in the northern region of 5030L and 4143L (labelled as Mustang's Primary Target/Area in Figure 1). This region is considered highly prospective as known artisanal workings have been documented within the northern section of licences 4143L & 5030L as indicated in Figure 4 below.

The Company is further encouraged by the fact that all three licences sit in favourable geology along strike from Gemfields' licences and artisanal licences 5281 AD and 5284 AD referred to as "areas designadas" in Figure 1. The rubies shown in Figure 1 are from the artisanal diggings within the Western "areas designadas" operated by a local artisanal ("garimpeiro") association (not Mustang).

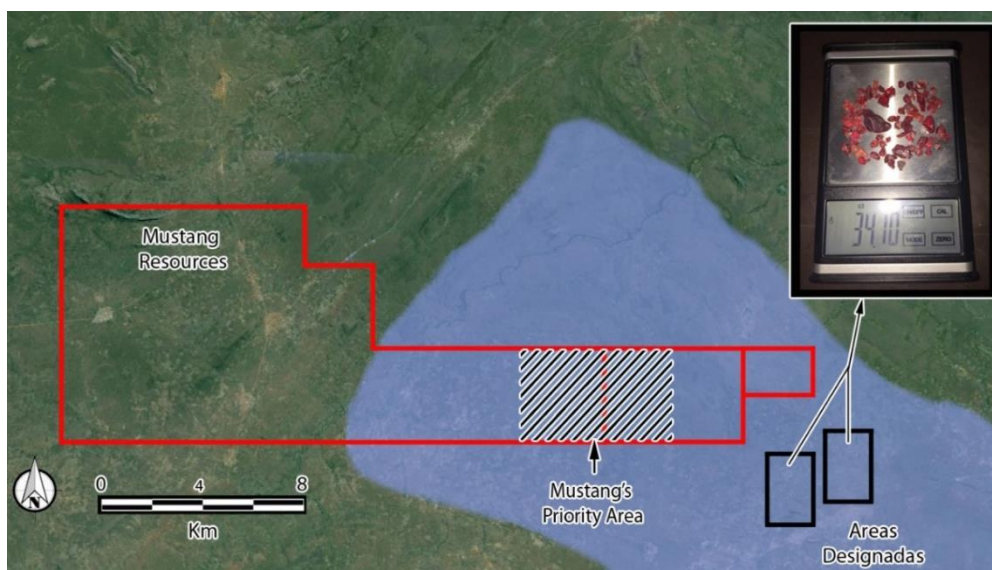


Figure 1. Mustang's Exploration Target based on the recent fieldwork with known artisanal workings in the Mustang licences and within the artisanal licences to the South East

Mustang has agreed to acquire the Montepuez Ruby Project through the acquisition of an 80% interest in Montepuez Minerals Pty Ltd which has rights to earn 70% of 5030L, 80% of 4143L and 70% (increasing to 80% upon payment of US\$1M %) of 4258L. These interests are subject to a 5% interest in Montepuez Minerals Pty Ltd to be acquired by Lanstead Capital LLP upon completion by the Company of the acquisition of the project. After taking into account the Lanstead interest, the Company will have rights to earn a net 52.5% of 5030L and 4285L and a net 60% of 4143L. The acquired licences collectively make up 15,800 hectares and are underlain by the same geological units & structural features as reported by Gemfields (Figure 2).

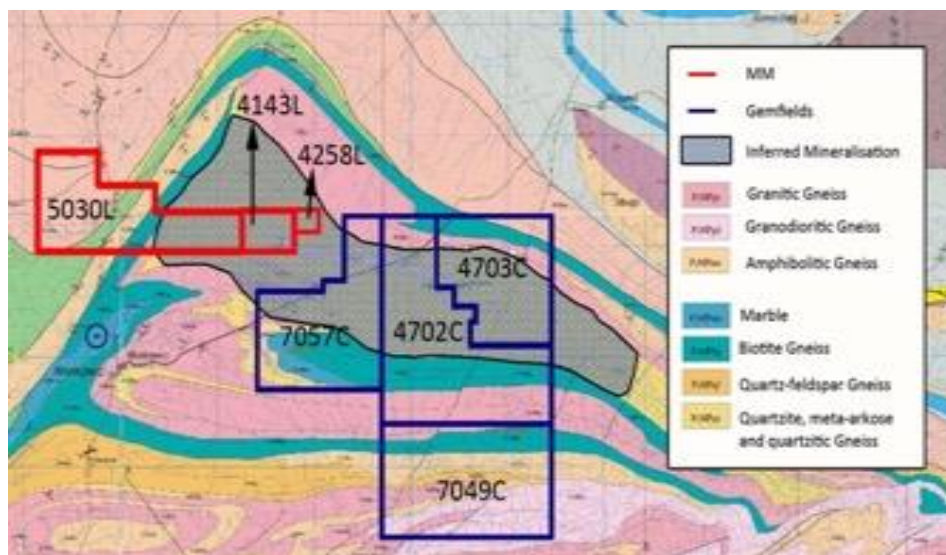


Figure 2. Geological Map of Mustang Licences 4143L, 4258L & 5030L (shown with red outlines) relative to Gemfields (shown with blue outlines), indicating north west trending regional and local geological strike of ruby mineralisation

A helicopter survey was completed by the Company together with independent consultant Paul Allan in February 2016. A detailed aerial survey on a 500 metre grid basis was completed on all three licences. Following this survey and ground truthing the Company is encouraged by the prospectivity of the licence areas. Owing to the intensive rains and flooding in the area during the helicopter survey in February, exploration pit excavations and further fieldwork were not feasible (as seen in Figure 3 below).

Several artisanal workings had been abandoned during this period as most of their diggings were flooded. Once the rains stop and the diggings have dried out, the artisanal miners are expected to return to their workings to continue their pitting. Detailed pitting, mapping, and sampling are scheduled for April 2016.

Mustang Resources Managing Director, Christiaan Jordaan, commented, *"We are very pleased to have identified favourable geological structures for ruby mineralised amphibolite, and artisanal activity within our licence boundaries. This provides us with heightened confidence of the potential for ruby mineralisation to extend through Mustang's 4143L, 4258L, & 5030L licences, which bodes very well for our planned bulk sampling program."*

The Company is now focused on further defining priority targets for the commencement of bulk sampling towards the end of Q1 2016 (i.e. by the end of March or the beginning of April 2016), from which we are expecting to generate robust near-term cash flows for the Company."



Figure 3. Intensive rains in the Montepuez area during February 2016 (top two photographs) and extensive ruby pitting by artisanal miners (lower two photographs). The bottom right photo in Figure 3 above is of artisanal pits a few hundred metres north of the Mustang Licence 4143L boundary; earlier photographs taken of these excavations have been verified through recent ground truthing as being just outside the Mustang licence boundary.

ARTISANAL MINING AND MINERALISATION GEOLOGICAL MODEL

Extensive primary mineralisation (ruby mineralised amphibolite & secondary ruby mineralisation) is present immediately to the SE of Licence 4143L close to the village of Namahaka. This occurrence lies along the established NW-SE ruby mineralisation trend of the general area which also transects the Gemfields licence areas and other known artisanal diggings to the SE of the Gemfields licences.

In addition, the known ruby occurrences at Namahaka and Gemfields appear associated with NW-SE trending structural lineaments as noted on the regional geological map which is largely interpolated from aerial geophysical surveys. It is thus particularly relevant that one of these lineaments transects Licence 4143L, with a measured distance of 5.3 km, as illustrated clearly in Figure 4 and 5.

Ruby mineralisation in the amphibolite has been demonstrated to be associated with crosscutting feldspar / carbonate veining within the amphibolite. This metasomatic veining is considered by the Company to be the aluminium rich source for the corundum / ruby crystallisation whilst the amphibolite is considered by the Company to have supplied the source of chromium responsible for the rubies' red colourisation.

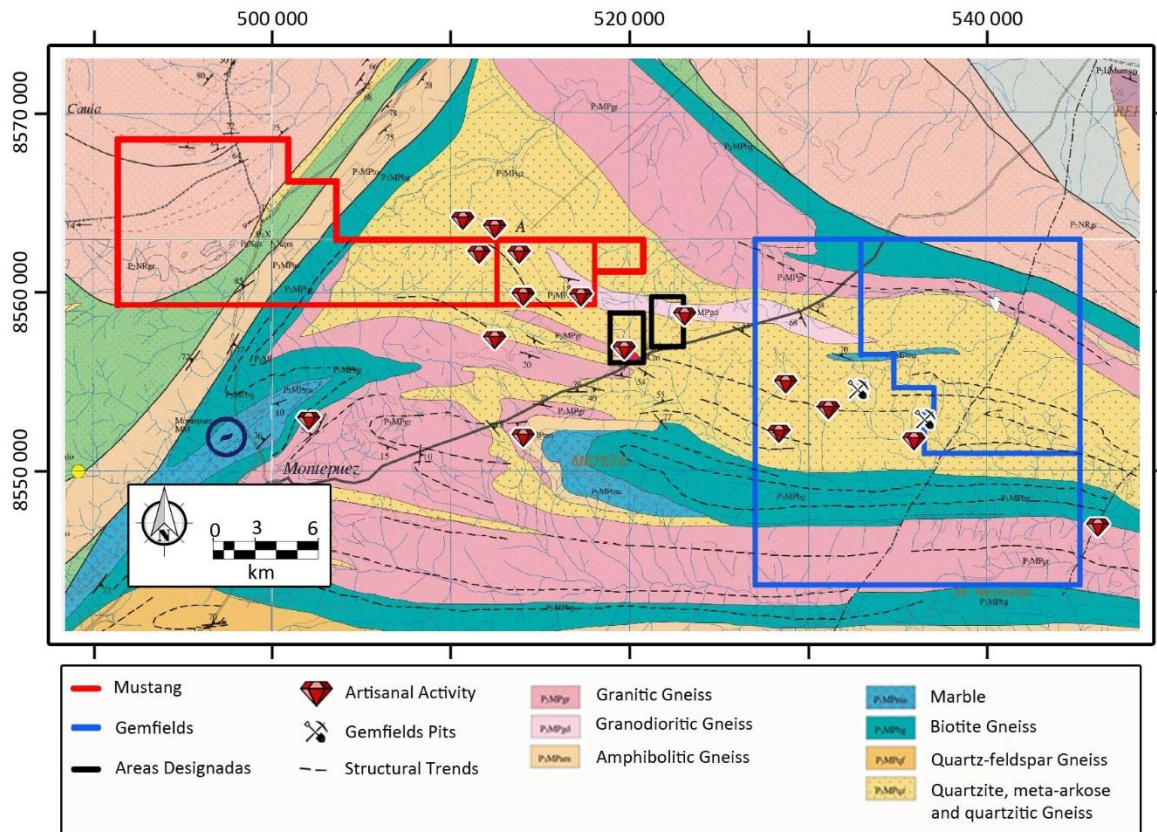


Figure 4. Geological map showing similar geological features and rock types on Mustang Licences 4143L, 4258L and 5030L to that of Gemfields. Artisanal activity has a strong correlation to both structural trends (seen as dotted lines above) and granitoid units

Whilst the origin of the aluminium-rich metasomatic fluids responsible for the ruby mineralisation within the amphibolite is yet to be ascertained, it is likely to be associated with pegmatitic activity following igneous intrusion. In particular, the contacts between the igneous intrusives and the country rock metasediments may be targets for pegmatite-related fluids.

It may thus be relevant that Mustang has noted additional artisanal workings along the contact between granodiorite and the quartzitic gneisses both within Licence 4143 and within the areas to the SW.

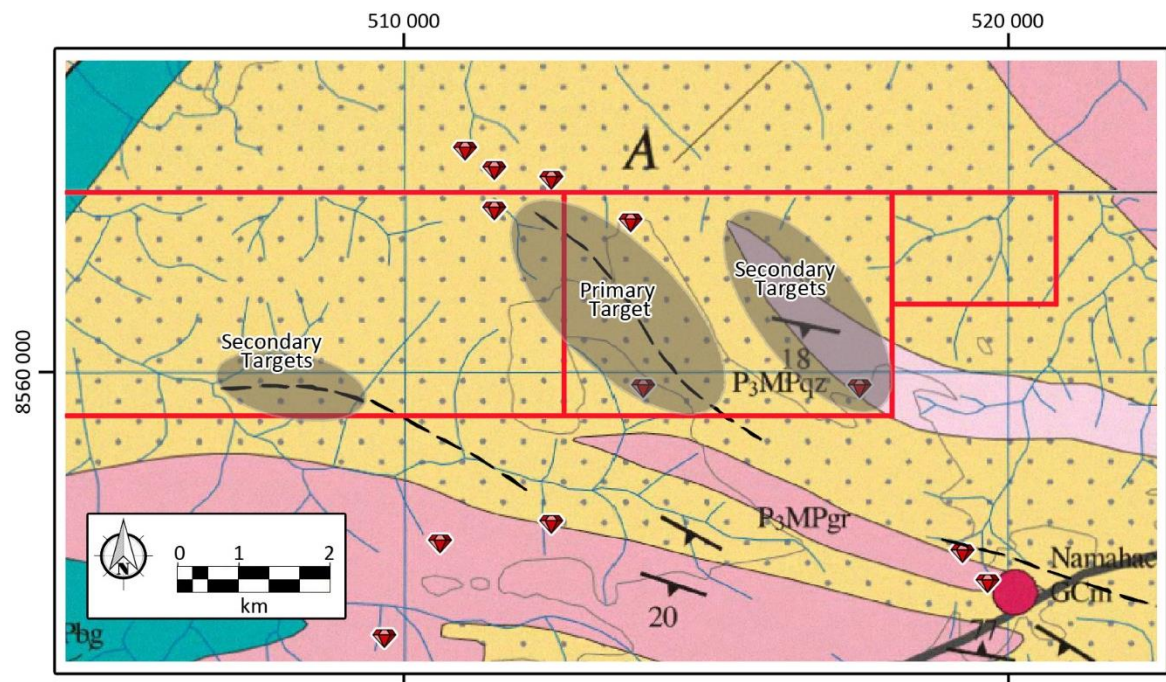


Figure 5. Mustang's targets are based on the NW-SE trending structural lineaments where extensive artisanal activity (artisanal marked by red rubies in image above) occurs. These structural trends can be traced into Gemfields concessions to the south-east and show strong correlation to ruby mineralisation

PROPOSED WORK PROGRAM

Given the extensive nature of the ruby workings to the immediate SE of Licence 4143L (Namahaka), combined with a 5.3km NW – SE trending structural running lineament through Licence 4143L and other artisanal workings within the Mustang licences (see detailed geological map above), there is a very strong likelihood that significant ruby mineralisation (both primary and secondary) extends through large parts of Licences 4143L & 5030L.

Priority follow-up work on Licences 4143L & 5030L will consist of a series of initial pits/trenches covering an area measuring approximately 4km by 0.6km. Three 200m spaced lines with pits/trenches every 200m are planned over the area resulting in approximately 60 initial pits/trenches. The pits will be dug to bedrock (safety permitting) so that the intersection and delineation of both primary amphibolite bedrock as well as secondary overlying elluvial/alluvial/colluvial gravel is assured.

Following this pitting/trenching program Mustang will immediately initiate the bulk sampling program at a capacity of 1,000tpd focusing on those areas identified during the trenching program to be of the highest value. Samples will be taken from the primary source rocks as well as the secondary elluvial/alluvial/colluvial deposits to build on the geological model and determine variations in grades and qualities.

Given the extensive late rainfall and localised flooding throughout the project area during February 2016, the Company was forced to delay the pitting by a month until the approach of the dry season. Work is currently underway to procure and transport key equipment to Montepuez in preparation for the trenching and subsequent full scale bulk sampling program to commence at the end of Q1 2016.

For and behalf of the Company.

Ian C Daymond
Chairman

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

FORWARD-LOOKING STATEMENTS:

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

COMPETENT PERSON'S STATEMENT:

Information in this report that relates to the Montepuez Ruby Project's Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Dr John Bristow, a Competent Person who is a registered member of the South African Council for Natural Scientific Professions (SACNASP), which is a Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Dr Bristow is an independent consultant who was engaged by the company to undertake this work. Dr Bristow has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bristow consents to the inclusion of the data in the form and context in which it appears.