



MONTEPUEZ RUBY PROJECT UPDATE

COMPANY INFORMATION

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

Current Shares on Issue:
155,568,098
Market Capitalisation
\$9.02 M as at 1 April 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
mustangresources.com.au

3 April 2016

MOBILISATION OF BULK SAMPLING EQUIPMENT TO MONTEPUEZ RUBY PROJECT SITE

- **Processing plant & supporting equipment now being mobilised**
- **Initial ruby targets identified with similar geological features to areas neighbouring with known ruby artisanal activities in the region**
- **Work program on the highly prospective Montepuez Ruby Project on track**
- **Low cost bulk sampling program start-up targeted for June 2016 – a key value driver for unlocking the significant potential of the Montepuez Ruby Project**

Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to announce that it is making solid progress on the development of its Montepuez Ruby Project in Mozambique.

Desktop studies and fieldwork have been completed with initial ruby targets identified for bulk sampling. Equipment for the bulk sampling program is now being mobilised to site and is expected to arrive this month.

A two-phase work program is outlined below and Mustang is pleased to confirm that all works are on track to ensure bulk sampling can commence in June.

The Company holds rights to earn majority interests in three highly prospective licences in northern Mozambique, within the world renowned Montepuez ruby province as illustrated in Figure 1 below.

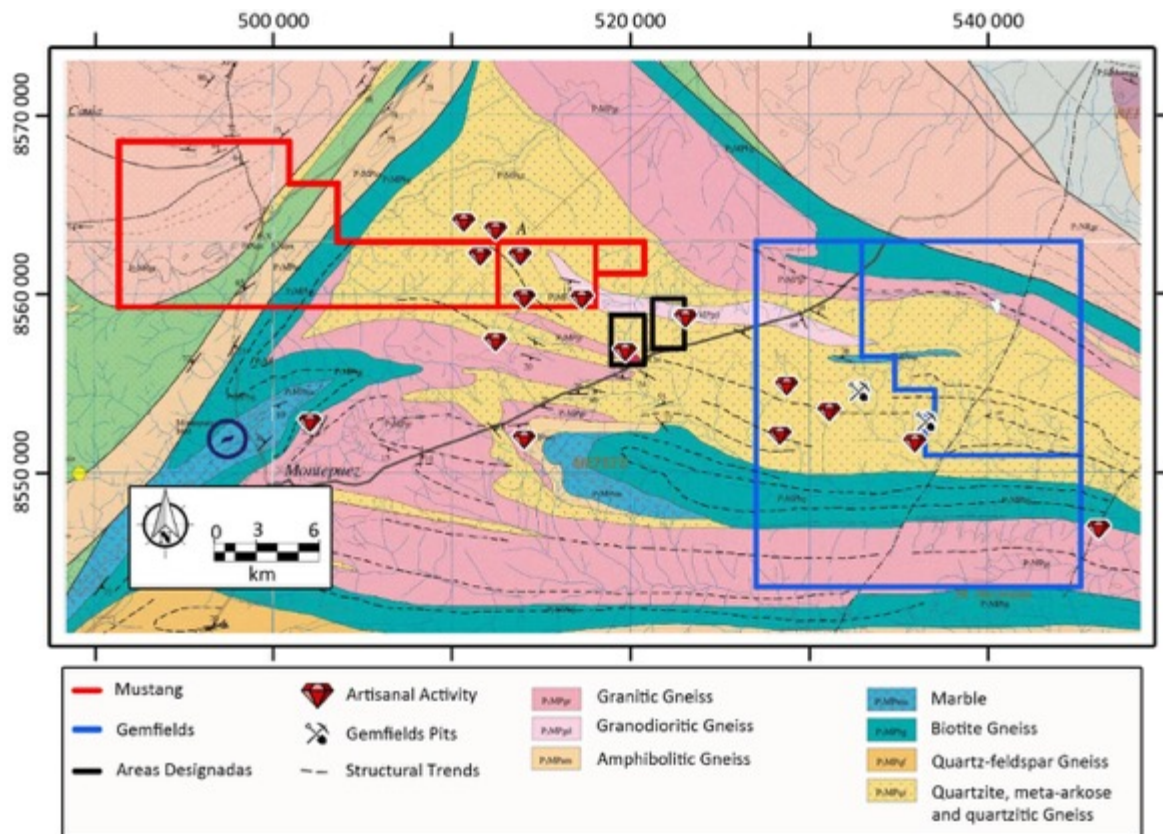


Figure 1. Geological map showing similar geological features and rock types on Mustang Licenses 4143L, 4258L and 5030L to that of Gemfields. Artisanal activity has a strong correlation to both structural trends (seen as dotted lines above) and granitoid units

Mustang's Managing Director Christiaan Jordaan, said; *"We are pleased with the progress made by our operations team in Mozambique. The mobilisation of bulk sampling equipment to our Montepuez Ruby Project is a key first step in unlocking significant value from Montepuez and we are confident of the project's potential."*

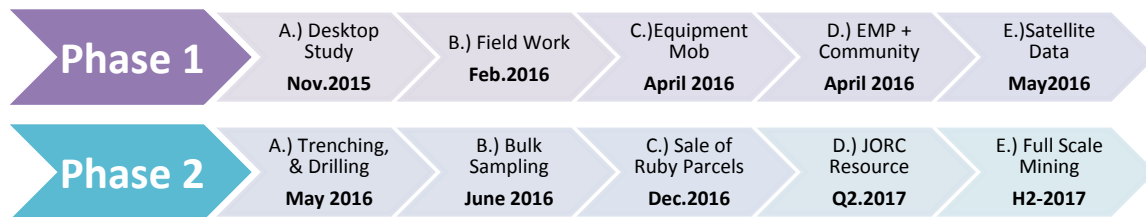
"While equipment mobilisation is an important step, considerable work is occurring on the ground at present and we are committed to ensuring this remains on track so we can commence bulk sampling by June 2016. This active work program will run for at least six months to December 2016 and will provide the building blocks towards delineation of the ruby bearing horizons and completion of a JORC compliant technical study."

"Subject to successful bulk sampling, and recovery of rubies, the Company intends to market and sell initial parcels by the end of 2016 through established auction/tender processes."

TWO-PHASE EXPLORATION WORK PROGRAM

The exploration work program is intended to gather specific geological data regarding the project area including stratigraphy, refining of target regions followed by a full bulk sampling program with the goal of recovering rubies for sale as soon as marketable parcels are available. The data gathered during this program will be utilised to complete a JORC Compliant Resource Statement and feasibility study for full scale commercial mining.

The alluvial material in which the higher quality rubies are thought to be hosted is shallow. The extraction of the rubies will use low cost techniques for excavation, screening, processing and recovery, as well as on-going rehabilitation. With the rainy season having started late in northern Mozambique, there is still a lot of water in the project area. Once the area has dried and the water table has subsided, the onsite portion of the work program will commence



The planned work program implements a phased approach where the work program is divided into several sequential steps as briefly described below:

PHASE 1:

A. Detailed Desktop Study

A detailed desktop study was completed in November 2015 through the analysis of all available geological data (geological maps, literature & regional geophysics) as well as a thorough analysis of publicly available information of adjacent licence areas.

B. Initial Field Work & Helicopter Mapping

As reported on 25 February 2016 a 500m line spacing helicopter mapping survey was completed, the outcome of which was the identification of primary target zone as illustrated in Figure 2 below, as well as two secondary target zones.. The primary target zone is represented by a 5.3km structural lineament which shows strong correlations with ruby mineralisation in the Montepuez area. Geological research into the setting, host rock compositions, and fluid dynamics of other ruby deposits was also undertaken to build knowledge and confidence in the nature of the Montepuez geological setting and ruby qualities.

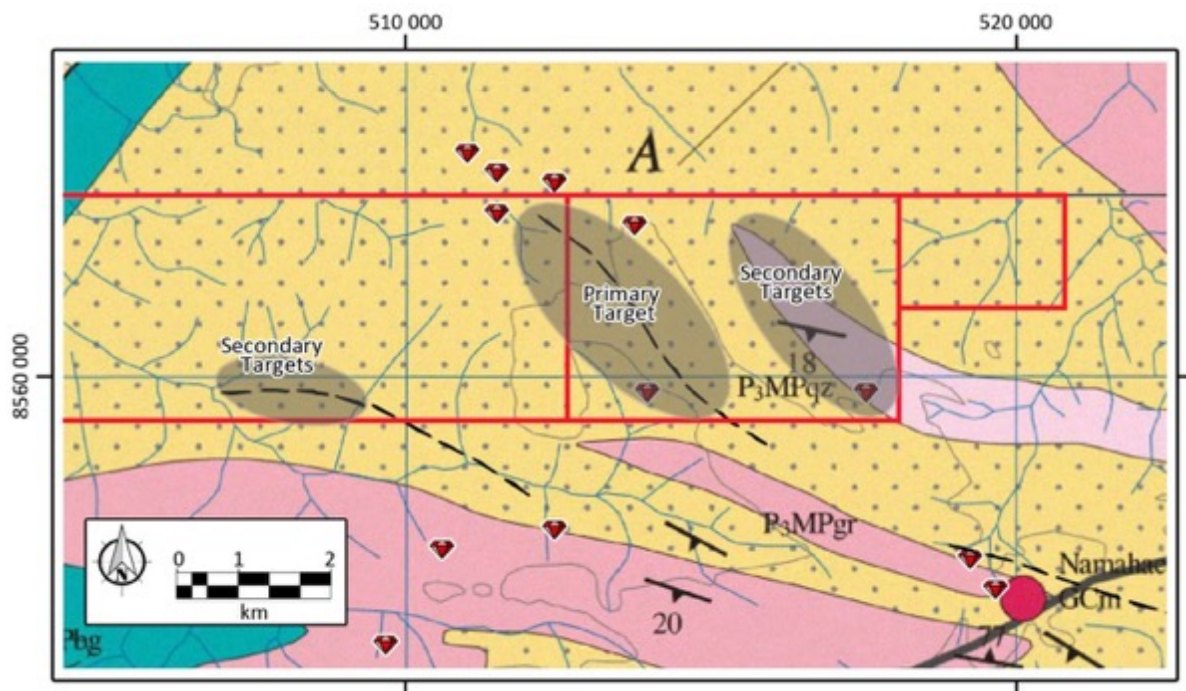


Figure 2. Mustang's targets are based on the NW-SE trending structural lineaments where extensive artisanal activity (artisanal marked by red rubies in image above) occurs. These structural trends can be traced into Gemfields concessions to the south-east and show strong correlation to ruby mineralisation

C. Mobilisation of bulk sampling Equipment & Camp Setup

Following from the encouraging results and outcomes of activities described in A. and B. above, the Company has made the strategic decision to make use of its existing processing plant & supporting equipment that has been operating on the Save River Diamond project and proceed with the steps outlined here (C) and D and E below, prior to implementing Phase 2 work.

Furthermore, the Company is in the process of selling its second-hand mining equipment (excavators, ADTs, FELs etc) and to then "wet-lease" required mining equipment (thus incl. operators, diesel & maintenance) from a service provider based in Pemba 200km east of the Montepuez Ruby Project. The sale of existing equipment is estimated to yield the equivalent of approximately A\$900,000. This will enable the Company to reduce the project CAPEX significantly and scale up the sampling rate in step with exploration success.

Mobilisation of plant and equipment will commence shortly with camp and plant setup to be completed by the end of May 2016.

D. EMP, Community & Local Government Consultation

Work is underway to complete the required environmental management plan (EMP) and to complete all local government and community engagements prior to June 2016. The Mustang team in Mozambique has significant experience in completing all the required protocols and approvals required for the bulk sampling program.

E. Satellite Data Acquisition & Analysis

Mustang is in the process of acquiring Landsat 8 cloud free imagery and SRTM elevation data which will be integrated to produce a geological interpretation of the Mustang Exploration Licences. The merged data will produce a stereo anaglyph image. These anaglyph images will be used to extract and process various colour bands to enhance both the lithologies and the structures within the area of interest held by Mustang. Additionally, the digital data can be used to outline various rock and regolith types as well as other geological features.

PHASE 2:

A. Trenching, Pitting & Drilling

A preliminary grid for sampling pits, trenches & auger drill hole collars has been completed and set out in Figure 4 below. The targets identified were developed and planned based on Phase 1 work, including geological research, artisanal diggings, similarities identified between the Company's licences and that of known ruby mineralisation and the regional drainages. The grid layout is likely to be updated dependent on the outcome of phase 1C satellite data analysis. Currently, approximately 800 meters of trenching and 2,500 meters of auger drilling has been planned for Phase 2A with work commencing end of April 2016.

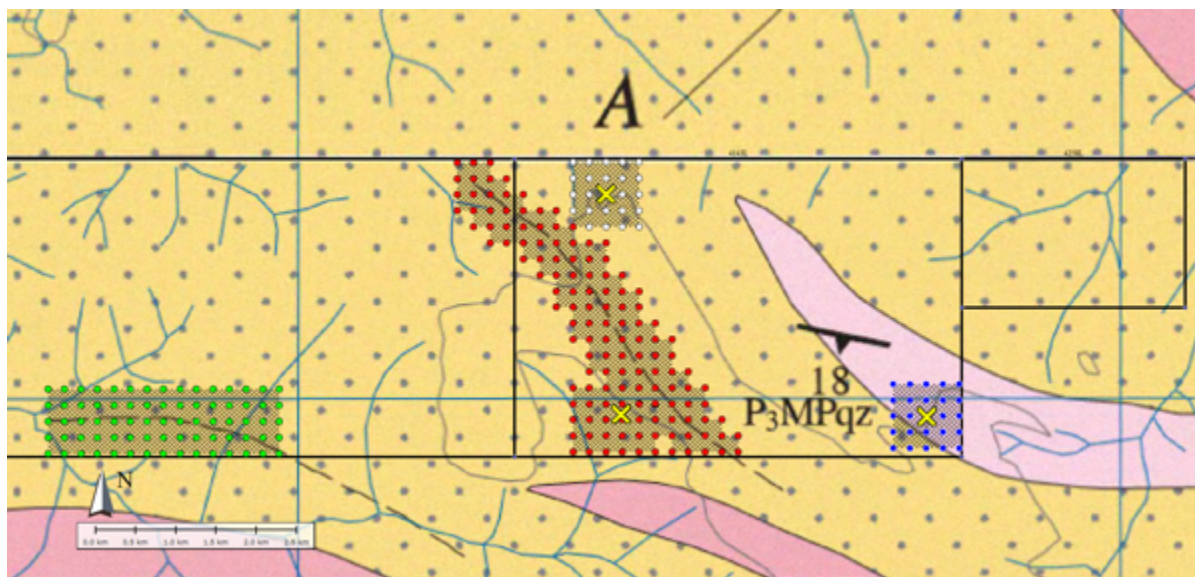


Figure 3. Preliminary grid for sampling pits, trenches and auger drill hole collars on Montepuez Ruby Project

During Phase 2A the geologists will generate a detailed map of the geology and structures present within the primary targets zones to identify optimal bulk sampling sites primarily for gravel runs (alluvials) and secondly within identified host rock amphibolites. A handheld GPS will be used to mark the locations of the sites on the ground.

B. Bulk Sampling Program

Bulk Sampling will be undertaken in block formation with a 45-ton excavator with stripping depth of between one metre and up to nine metres depending on the amount of overburden in the sidewalls with a three metre by three metre step formation. Overburden will be stripped and side-cast onto the flank of the sampling pit for later rehabilitation back into the same pit after all the gravel and/or amphibolite material has been removed. The gravel and/or amphibolite material will be transported to the plant by articulated dump trucks (ADTs).



Figure 4. Example of Bulk Sampling/Bulk Sampling Process.

Mustang will initially process sampled material through one 16-foot rotary pan operating for one 8 hour shift per day, giving it a 600 ton per day processing capacity. Upon (and subject to) confirming adequate ruby mineralisation the intention is to scale up the processing plant to two 16ft rotary pans, running for two 8 hour shifts with a processing capacity of approx. 2,400tons per day.

Final ruby recoveries will be done through hand sorting in enclosed glove-boxes under high security. An onsite gemmologist will clean, sort, then class and grade all recovered rubies.

The bulk sampling program is scheduled to commence in June 2016 running for at least 6 months until December 2016.

C. Sale of Marketable Ruby Parcels

Subject to the success of Phase 2B-bulk sampling operation, the Company intends to sell an initial parcel of representative rubies as soon as reasonably possible in order to gather important information on the market value of its rubies for inclusion in its JORC Resource Statement (Phase 2D).

Mustang is considering its options in respect of marketing of its rubies. Sales will typically be done through a tender/auction process which will see Mustang retain ownership of the rubies under an agreement which will incorporate a fee for the access to the auction sale process and for other services including heat treatment, grading, and insurance.

D. Maiden JORC Resource Statement

The planned bulk sampling program together with supporting auger drilling campaign will put the Company in a position to issue a maiden JORC compliant resource statement by Q2-2017 (subject to the successful recovery of rubies from the Mustang licences in the bulk sampling program).

E. Initiation of Full Scale Mining

Subject to the positive outcome of Phases 2B to D, the Company will scale up its bulk sampling activities to that of a full-scale commercial gemstone mine. Current planning will see the Company in a position to make an investment decision on scaled up mining by H2-2017. In the period leading up to this point the intention would be to continue bulk sampling activities in order to continue generating revenues and gain additional confidence in the resource.

“Given the active works program and ramp up to bulk sampling works, we will update shareholders regularly on the mobilisation and ongoing works at site. This is an exciting time for Mustang and its shareholders and we intend to exploit full value from Montepuez”, Christiaan Jordaan added.

For and behalf of the Company.

Ian C Daymond
Chairman

FOR FURTHER INFORMATION PLEASE CONTACT:

Managing Director:
Christiaan Jordaan
info@mustangresources.com.au
+61 (0) 2 9239 3119

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.