



MONTEPUEZ RUBY PROJECT

COMPANY INFORMATION

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

Current Shares on Issue:
323,749,913
Market Capitalisation
\$11.65M as at 25 October 2016

COMPANY DIRECTORS

Ian Daymond
Chairman

Christiaan Jordaan
Managing Director

Cobus van Wyk
Director

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Director

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26 October 2016

SUCCESSFUL BULK SAMPLING START-UP YIELDS 460.43 CT GEM QUALITY RUBIES

Highlights:

- **460.43 cts of high quality rubies recovered during the commissioning of the bulk sample mining plant at Montepuez Project**
- **These rubies are the first recoveries from 2,683 tonnes of initial material processed as part of the commissioning phase**
- **Further mining optimisation is ongoing following the initial commissioning phase**
- **Recoveries expected to increase in coming months - plant will be ramped up to 350m³ (525 tonnes) per day capacity during November 2016**
- **Robust initial recoveries show all the characteristics of a commercial (high grade and high quality) ruby deposit at Montepuez**
- **Alpha deposit open in all directions with near-term drilling program to delineate full extent of ruby mineralisation**
- **Multiple additional targets with (alluvial/colluvial) ruby mineralisation proven on two additional locations at Montepuez**
- **Strategic sales and marketing agreements to be finalised prior to sale of first Mustang rubies**
- **Alluvially sourced uncut rubies from Mozambique sold for US\$317 to US\$688/ ct average at Gemfields auctions (2014 & 2015)**
- **Ruby market remains strong with reported cut/polished high quality ruby prices up to US\$35,900/ct**

Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to announce that a total of 460.43 carats have been recovered at the Company's flagship Montepuez Ruby Project in Mozambique. These rubies are the first recoveries from 2,683 tonnes of initial material processed by the Company's two 16ft rotary pans during the start-up of the bulk sampling plant.

Plant construction works are now complete and the bulk sampling plant is fully operational. The Company is focused on ramping up the plant capacity to 350m³ (525 tonnes) per day during November to process the stockpile.

Mustang's Managing Director, Christiaan Jordaan, commented: *"The team is very encouraged by the strong recoveries received from our Montepuez Project during the bulk sampling start-up phase. The recovery of 460.43 carats high quality rubies to date, further validates both our development model for Montepuez and the richness of the world-class Montepuez ruby region.*

In the near-term, the Company is committed to ramping up ruby recoveries through the processing of increased tonnages as the commissioning process is completed. The exploration team will also finalise plans for the drilling of additional priority target zones within Montepuez to enable the potential rapid scaling up of production in coming months.

Our operational team have worked tirelessly on the ground in Mozambique to bring the plant online in a timely manner and within budget. We look forward to providing our shareholders with further updates on ruby recoveries and potential sales and marketing arrangements in due course."

Montepuez Bulk Sampling Plant & Initial Ruby Recoveries

The bulk sampling plant (Figure 1) was fully commissioned and the two 16-ft rotary pans have processed 2,683 tonnes during the commissioning phase up to 24 October 2016 with 460.43 cts recovered (Figure 2). It should be noted that the sample processed to date is not yet representative of the entire deposit and that current grade estimations are therefore only indicative of the overall deposit's grade. It should also be noted that further mining optimisation is ongoing (thereby increasing the grade) given the high percentage dilutive sand and gangue material that was fed to the plant during this initial commissioning phase.

Work is ongoing to process the maximum volume of gravel from the Alpha-deposit stockpile by end of Q4 2016 with the plant ramping up to process up to 350m³ per day (~525tons per day at specific gravity (SG) of 1.5. Note that SG is lower than previously used in estimations).





Figure 1. Mustang bulk sampling plant in operation



Figure 2. Samples of Rubies recovered with bulk sampling plant start-up phase

Alpha Pit– Secondary (Alluvial/colluvial) Ruby Deposit

The deposit (“Alpha-Pit” or “Alpha ruby deposit”) discovered through initial reconnaissance sampling in July 2016 is the current focus of bulk sample mining operations with 8,385m³ (approx. 12,997 tonnes) of gravels already mined and transported to the plant. The first phase of the pit has reached bedrock at 9.2 metres with an average gravel package of 1.8 metres. The pit is currently being extended to the south-west where the gravel horizon was found at a depth of 14m in Exploration (EXPIT) 25 & 11.7m in EXPIT-22 (Figure 4).

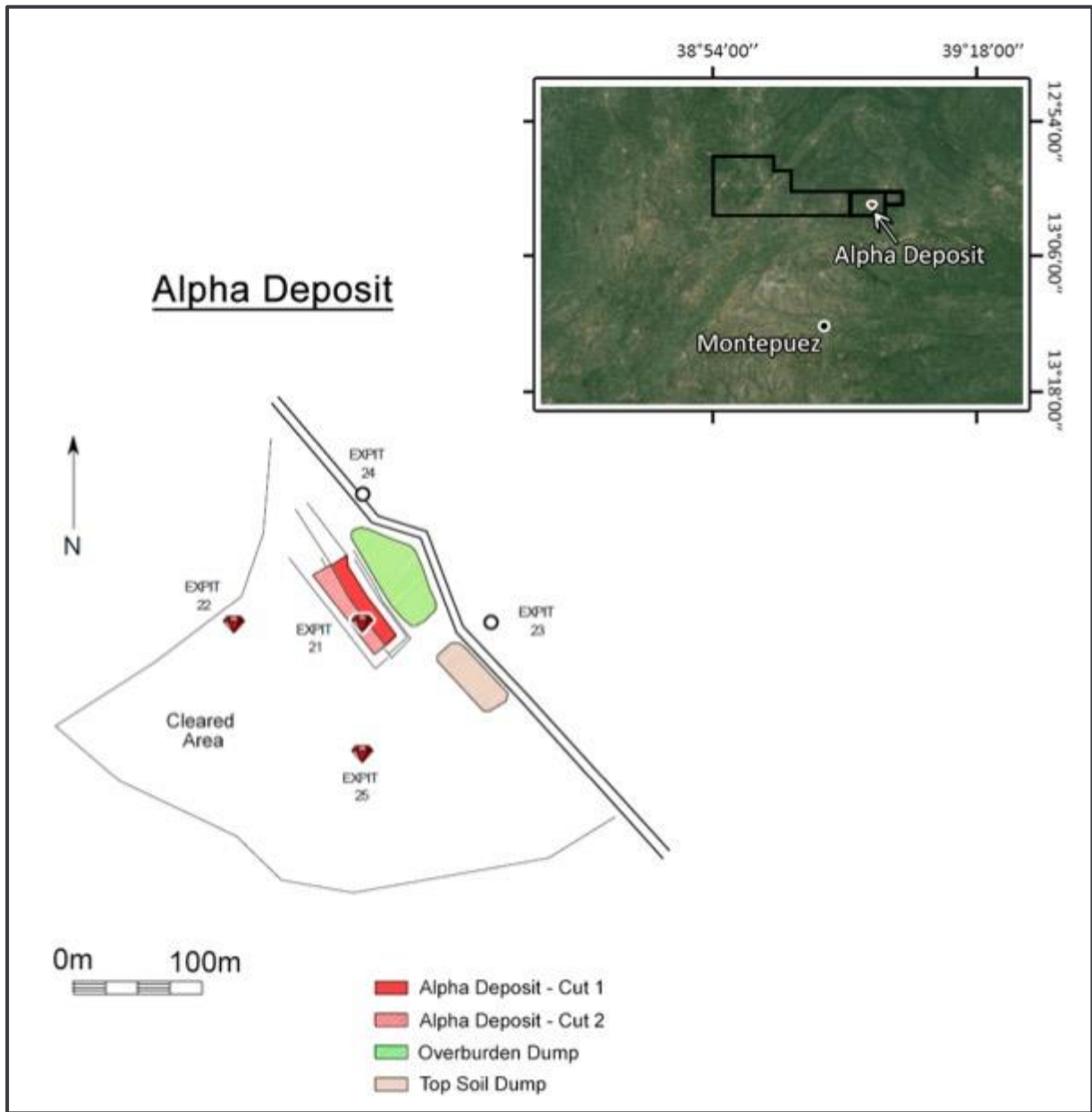
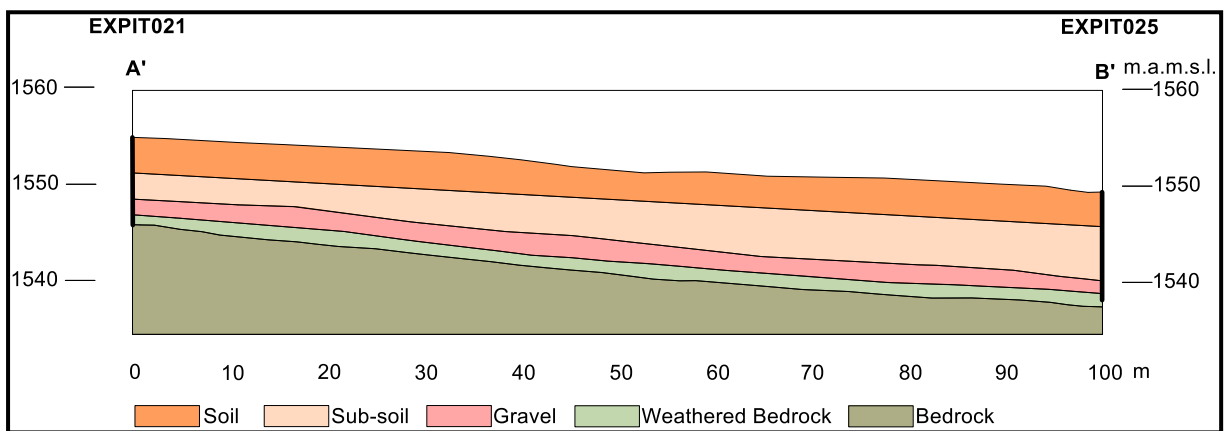


Figure 3. Map of License 4143L showing the Alpha Ruby Deposit



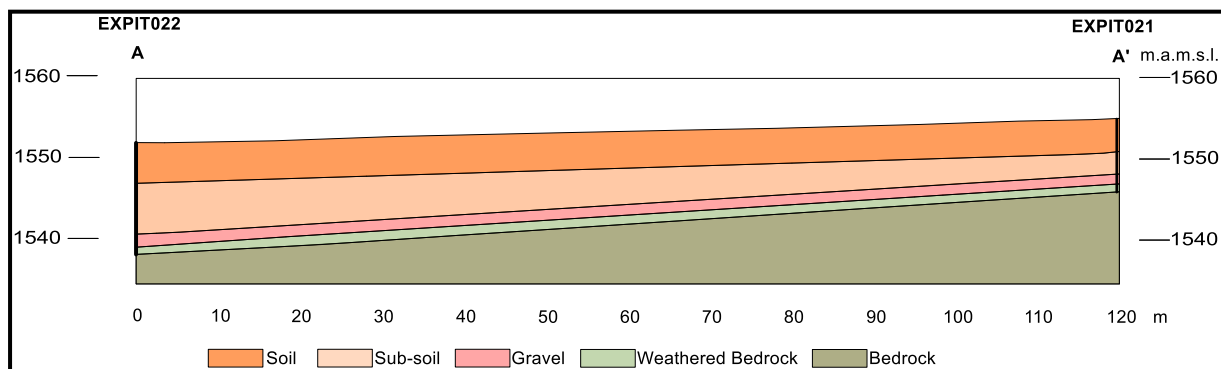


Figure 4. Cross sections of Alpha Deposit from EXPIT 21 to EXPIT 22 & EXPIT 25

The Company is currently planning a full auger drilling campaign, starting from the Alpha deposit extending outwards. The purpose of this drilling campaign will be to map the extension of the Alpha-deposit and thereafter to also map all the gravel beds within all three of the Mustang concession boundaries. Through the auger drilling the Competent Person will be able to estimate the volume of gravel-ore material and following the sale of a sample of rubies recovered from the deposit, the estimation of a JORC Compliant (Inferred) Resource.

Geology of Alpha Deposit

The gravel horizon consists of poorly sorted, clast supported, quartz clasts ranging up to 15cm in size on average. Most are sub-rounded and fairly spherical. Approximately 10% are > 10cm in size while 75% are between 2 and 10cm (see Figure 6). The gravel horizons are not typically alluvial in character and are more likely the result of colluvial weathering due to gravity. Colluvium is a general name for loose, unconsolidated sediments that have been deposited at the base of hillslopes by either rain-wash, sheet wash, slow continuous downslope creep, or a variable combination of these processes under the influence of gravity.

The gravel-bearing horizon of the first cut of the Alpha Deposit has highly variable thickness, ranging from the tens of centimetres to over two metres. The base of the gravel varies substantially over a short distance and is generally parallel to the quartz-biotite gneiss bedrock.

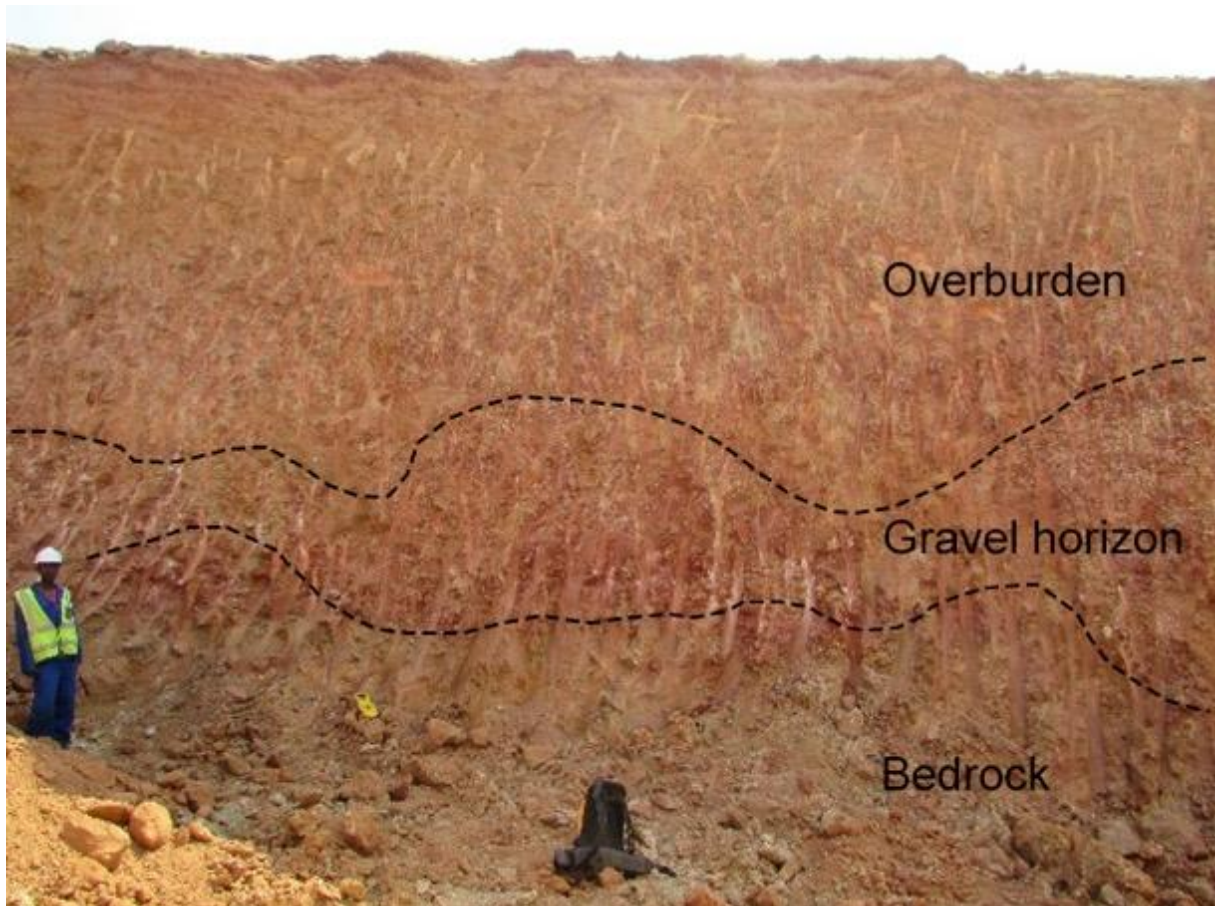


Figure 5. Stratigraphy of Alpha Pit (License 4143L).



Figure 6. (i.) Excavation of Alpha Pit – depth Dug area up to 9.2m); (ii.) Gravel layer in the stock pile; (iii.) Gravel clasts of quartzite ranging from 2cm to 8cm in diameter, (iv.) Angular quartzite clasts approximately 15 cm in diameter and (v.) Gravel layer (red oxidised material with quartz clasts).

Additional Ruby Targets & Mineralisation

The Company is pleased to report that ruby mineralisation has also been proven in two further gravel beds on licenses 4258L & 4143L as illustrated in Figure 7 below. These areas will be followed up with further reconnaissance auger drilling and processing of gravels through the Bushman-Jig to assess the quality of the gravels and rubies.

The Company is confident in the ability of the existing licenses to host significant secondary (alluvial/elluvial/colluvial) deposits with the potential to support long mine lives and work will continue to systematically build a resource base and increase the geological understanding of the Montepuez Ruby Project with the view of delineating a maiden JORC Compliant Resource in 2017.

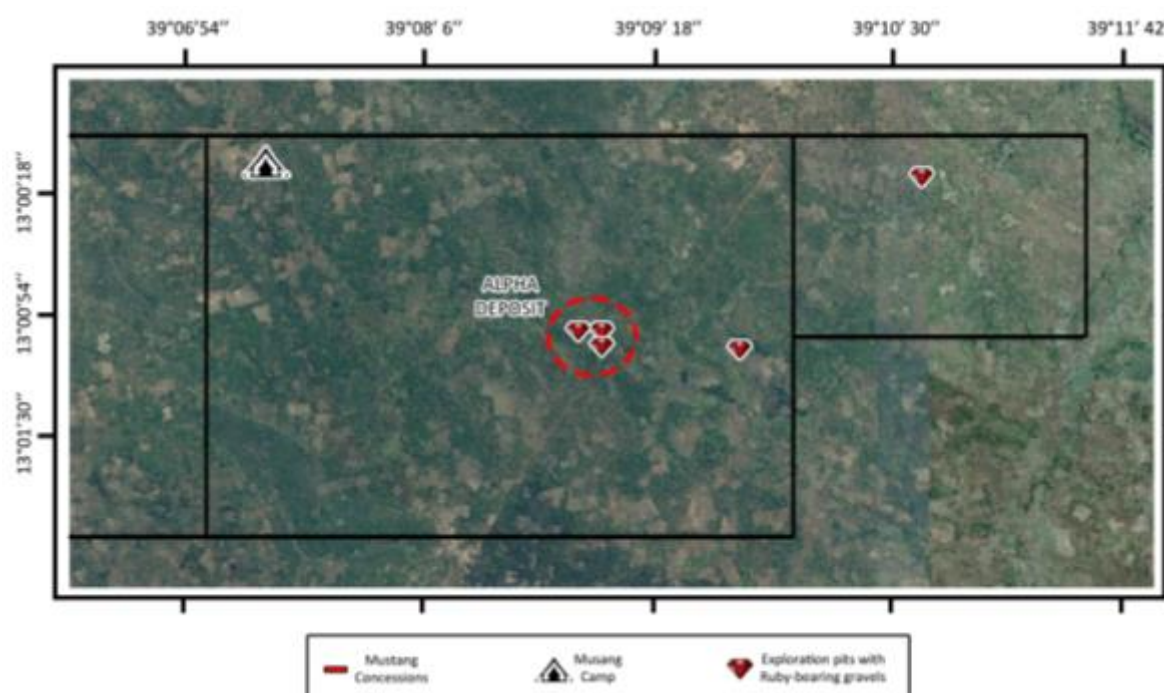


Figure 7. Additional ruby mineralisation proven

High Quality Mozambican Rough-Ruby Market Values

As previously reported, since June 2014 Gemfields PLC has held six rough-ruby auctions in a similar fashion to those for rough diamonds and has achieved auction values ranging from US\$317 to US\$688 per carat for medium to high quality rubies respectively (Gemfields Public Disclosures, Dec 2014 & Dec 2015 Singapore Auction Results). An initial assessment of rubies from Mustang's Alpha deposit by Mr. Vincent Pardieu, head field gemologist for GIA (Gemological Institute of America), in July 2016 confirmed that Mustang's rubies "are of high quality with some gemstones showing variety of colour, size and clarity". The Company is therefore confident that the rubies being recovered from the Alpha-deposit on license 4143L will fetch market related prices for high quality Mozambican rubies. However the exact prices will only be determined after the sale of the first parcels of rubies recovered to date and over the coming months.

Mustang is working to secure strategic marketing arrangements in the near-term for the sale of the Company's first parcel of rubies, and anticipates providing an update to the market on these developments in the near term.

Ruby & Coloured Gemstone Market Developments

The ruby market is benefitting from strong production from Gemfields' operations in Mozambique with 10.3million carats ruby & corundum produced during FY-2016. Scarcity for fine (high quality) material still persists. US demand & market growth for coloured gemstones remains strong whilst a modest softening in Chinese economic growth has impacted jewelry sales in that market. Of increased importance for consumers is the ethical supply of gemstones (including ruby) with assurances of fair labour practices and responsible environmental management & community engagement.

Mustang considers that the growth of discretionary income in China and India and a strong base of luxury goods demand from developed economies over the next 10 years together with a consistent, organised and transparent supply of a wide range of rubies from Mozambique, will contribute to a steady increase in the demand for rubies. Furthermore, the discount factor applied to gem-quality/ "fine" rubies being supplied from non-Burmese sources will also be whittled down by continued marketing efforts by industry participants such as Gemfields and Mustang. At present Burmese (unheated, fine) rubies are still receiving a premium above Mozambique rubies although extensive gemological analysis work done by GIA has shown that premium rubies from Mozambique are comparable to the "pigeon-blood" rubies from Burma.

As can be seen in Table 1 below, pricing for high quality cut rubies at a wholesale level is very robust (Source: Gemworld International Inc. Gemguide Pricing Updates. www.gemguide.com)

| Gemguide Ruby Pricing Guide for Good to Extra Fine Rubies. Oct 2016 | | | | | | |
|---|------------|------------|------------|-------------|------------------|------------------|
| Size | Lower Good | Upper Good | Lower Fine | Upper Fine | Lower Extra Fine | Upper Extra Fine |
| 0.020 - 0.099 | 65- 90 | 95- 125 | 140-280 | 315-345 | 345-440 | 440-750 |
| 0.100 - 0.249 | 95- 155 | 165-225 | 280-345 | 375-440 | 440-565 | 565-815 |
| 0.250 - 0.499 | 150-200 | 205-260 | 300-720 | 840-1080 | 1080-1800 | 1800-3000 |
| 0.500 - 0.999 | 445-660 | 900-1140 | 1360-1680 | 1800-2400 | 2400-3720 | 3720-4500 |
| 1.000 - 1.999 | 595-780 | 1170-1620 | 1980-2400 | 2640-3600 | 3600-4800 | 6600-8100 |
| 2.000 - 2.999 | 900-1170 | 1740-2280 | 3000-4800 | 5400-7200 | 7200-10200 | 10750-13200 |
| 3.000 - 3.999 | 1455-2000 | 3190-4375 | 5625-6625 | 6750-8200 | 10500-13700 | 16850-21000 |
| 4.000 - 4.999 | 1950-2600 | 4065-5525 | 7200-9000 | 10500-12900 | 14250-19200 | 22600-26200 |
| 5.000 - 7.999 | 2295-4160 | 5785-7410 | 9800-12500 | 13500-17900 | 19900-25700 | 27625-35900 |

| | |
|-------------------------|---|
| Color | Orangey red, red, slightly purplish red, strongly purplish red. |
| Clarity | TYPE II - usually eye clean with some inclusions under magnification. |
| Cut | Native cuts usually seen; well-cut stones rarely available in fine qualities. |
| Carat Weight | Over 8 carats in finer qualities is rare, therefore prices are negotiable |
| Hardness | 9.00 |
| Treatment | Heat, flux healing, filling. |
| Specific Gravity | 4.00 |
| Species | Corundum |

Table 1. Gemguide Ruby Pricing; Good to Extra Fine Rubies. US\$/ ct.

For and on behalf of the Company.

Christiaan Jordaan
Managing Director

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COMPETENT PERSON'S STATEMENT:

Information in this report that relates to the Montepuez Ruby Project's Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Paul Allan, 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 Allan is an independent consultant who was engaged by the company to undertake this work. Mr Allan 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. Mr. Allan 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 Ruby Announcement

Section 1: Sampling Techniques and Data.

| Criteria | JORC Code Explanation | MUS Commentary |
|-----------------------------------|---|--|
| <p><i>Sampling techniques</i></p> | <ul style="list-style-type: none"> • <i>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.</i> • <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> • <i>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.</i> | <p>A number of (industry standard) issues peculiar to alluvial sampling of precious stones have been identified, which impact directly on the number and size of the samples and the complexity of Resource estimations.</p> <p><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 precious stones concentration of the alluvial deposits, with rubies occurring preferentially in natural traps such as gullies, potholes and gravel bars and, typically, reworked through one or more post-depositional colluvial or eluvial environments</p> <p><u>Grade variation</u> In a single gravel unit (even within a few metres), ruby grades may vary from barren to over many carats per tonne, due to the development of localised trap-sites under favourable bedrock conditions, or hydraulic fractionation within a channel or bar. Consequently, the ruby distribution pattern (grade) of alluvial deposits is such that there is no repeatability of small sample results, even from adjacent samples.</p> <p>In order to account for all of these issues and ensure representivity, alluvial deposits can only be sampled through bulk-samples comprising tens to hundreds of thousands of cubic metres of gravel. Ruby deposits, especially alluvial deposits, cannot be sampled by means of drilling.</p> |

| Criteria | JORC Code Explanation | MUS Commentary |
|------------------------------|---|--|
| | | <p>Drilling is used for stratigraphic information and to estimate thickness of overburden, gravel and the depth and nature of the bedrock.</p> <p>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.</p> <p>Ruby recovery is dependent on mechanical recovery through standard heavy mineral separation techniques.</p> <p>No drilling results are reported in this document.</p> <p>Stratigraphic information has been obtained from limited pitting by hydraulic Daewoo 220 excavator and the bulk sampling completed with a Hitachi Zaxis 47 excavator.</p> |
| <i>Drilling techniques</i> | <ul style="list-style-type: none"> • <i>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).</i> | Drill recovery data is not applicable at this stage as no drilling for this project has been completed yet. |
| <i>Drill sample recovery</i> | <ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> • <i>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.</i> | Drill recovery data is not applicable at this stage as no drilling for this project has been completed yet. |
| <i>Logging</i> | <ul style="list-style-type: none"> • <i>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.</i> | All excavated faces of the pits (stratigraphic pits and sample trenches) are logged and photographed. |

| Criteria | JORC Code Explanation | MUS Commentary |
|---|--|---|
| | <ul style="list-style-type: none"> • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. | <p>Logging is semi-quantitative with stratigraphic and lithological units described and thicknesses noted.</p> |
| <p>Sub-sampling techniques and sample preparation</p> | <ul style="list-style-type: none"> • 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. | <p>Due to the early nature of the project, nominal sampling has been completed. The pitting has been completed to provide information regarding the stratigraphy. The exploration information and sampling has been obtained from limited trenches completed by hydraulic Daewoo 220 excavator. The first cut of the bulk sampling has been completed with Hitachi Zaxis 47 excavator.</p> <p>These size samples are not considered sufficient to estimate Mineral Resources at present, but are appropriate as Exploration Results, simply to identify the presence of ruby mineralisation.</p> |
| <p>Quality of assay data and laboratory tests</p> | <ul style="list-style-type: none"> • 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. | <p>Due to the nature of precious stones in an alluvial deposit, 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.</p> <p>All of the exploration samples are processed through a Bushman-Jig on site. With the start of the bulk sampling, the material has been placed in a processing plant comprising a scrubber and two 16-foot pans with the concentrate being fed into the glove boxes for the picking of the rubies. Since the samples were processed through the Company plant, Mustang personnel (and independent Competent Persons) were involved from the excavation of the gravels through to the final recovery of the rubies.</p> |

| Criteria | JORC Code Explanation | MUS Commentary |
|---------------------------------------|--|--|
| Verification of sampling and assaying | <ul style="list-style-type: none"> • 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. | <p>The ruby 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.</p> <p>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.</p> |
| Location of data points | <ul style="list-style-type: none"> • 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. | <p>Pitting 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 not reported.</p> <p>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 37s.</p> <p>Currently, topographic control is based on available 1:250,000 topographic maps. As the programme progresses, elevation data will be provided by professional survey.</p> |
| Data spacing and distribution | <ul style="list-style-type: none"> • 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. | <p>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:</p> <ul style="list-style-type: none"> • 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. |

| Criteria | JORC Code Explanation | MUS Commentary |
|--|--|--|
| | | <p>The sampling to date is not considered representative of the deposit and significantly more (and larger) samples will need to be taken before a Mineral Resource can be estimated.</p> <p>The reconnaissance sample results have not been composited, but are presented on a pit by pit basis.</p> |
| <i>Orientation of data in relation to geological structure</i> | <ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>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.</i> | <p>The stratigraphic pitting completed to date and future drilling are considered as reconnaissance exploration data which will assist in determining the extent and orientation of the gravel units.</p> <p>Insufficient data currently exists to determine whether sample bias is present.</p> |
| <i>Sample security</i> | <ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> | <p>Since the grades expected on alluvial deposits are so low and the sampling is all mechanised, it is extremely improbable that rubies will be picked up during the excavation process or at the plant stockpile. However, security has been employed at the sample pit to prevent the presence of artisanal miners.</p> <p>At the plant site, security will be limited to caging around the processing pans; as the operation progresses and volumes are increased, cages will also be installed around conveyor feeder belts.</p> <p>It is only at the final-recovery glove-box house that sample security becomes a significant issue, where operations are monitored by Company security personnel.</p> |
| <i>Audits or reviews</i> | <ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> | <p>No external audits have been undertaken for this stage of work.</p> |

Section 2. Reporting of Exploration Results

| Criteria | Explanation | MUS Commentary |
|---|--|---|
| <p><i>Mineral tenement and land tenure status</i></p> | <ul style="list-style-type: none"> • <i>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.</i> • <i>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.</i> | <p>Ownership of land and Mineral Rights in Mozambique is vested in the State. Companies may apply for Prospecting and Exploration or Mining Licenses from the Minister of Mineral Resources. The issue of any license is contingent on compliance with environmental regulations and risk management as well as the provision of a socio-economic upliftment program.</p> <p>Obligations for holders of Prospecting and Exploration Licenses include the submission of an annual report, an investment plan, a work plan and a proposed budget.</p> <p>Mustang's Montepuez Ruby Project comprises three Prospecting and Exploration Licenses; 5030L (14,047.4 ha), 4258L (503.08 ha) and 4143L (2,012.27 ha) as measured on the Company's GIS System.</p> <p>An Exploration License allows for the exploration (including bulk-sampling) of mineral resources but not exploitation. Licenses 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 Prospecting and Exploration license can be converted into a Mining Concession License or a new license must be applied for.</p> <p>All the licenses within the Montepuez Ruby Project are either in their first term or applications for their renewal submitted for a further 3 years upon expiry of the initial term.</p> |
| <p><i>Exploration done by other parties</i></p> | <ul style="list-style-type: none"> • <i>Acknowledgment and appraisal of exploration by other parties.</i> | <p>No prior exploration work has been done by other parties on the license areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country wide airborne magnetic and radiometric geophysical surveys flown over the region by the Government of Mozambique.</p> |
| <p><i>Geology</i></p> | <ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> | <p>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 EAO represents a belt of sedimentary and volcanic rocks formed around 2.5Ga and younger in age that were deposited in a series of depositional basins and or seas between a sequence of ancient sialic (granitic/Si and Al rich) crustal nuclei of Archean age (around 3.5Ga) old primordial crust.</p> |

| Criteria | Explanation | MUS Commentary |
|--------------------------------------|--|---|
| | | <p>The Montepuez Complex forms a wedge-shaped unit of strongly deformed para- and orthogneisses between Montepuez, Chiúre and Namuno. The Montepuez Complex comprises orthogneisses, ranging from granitic to amphibolitic in composition, and paragneisses, comprising mainly quartzites, meta-arkoses, marbles, quartz-feldspar, gneisses and biotite gneisses.</p> |
| <p><i>Drill hole Information</i></p> | <ul style="list-style-type: none"> • <i>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:</i> <ul style="list-style-type: none"> • <i>easting and northing of the drill hole collar</i> • <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> • <i>dip and azimuth of the hole</i> • <i>down hole length and interception depth</i> • <i>hole length.</i> • <i>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.</i> | <p>No drilling is reported in this document.</p> <p>No details are provided for the reconnaissance 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.</p> |

| Criteria | Explanation | MUS Commentary |
|---|--|--|
| <i>Data aggregation methods</i> | <ul style="list-style-type: none"> • <i>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.</i> • <i>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.</i> • <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> | <p>Data aggregation methods are not, typically, applicable to alluvial ruby deposits. All results are shown as obtained.</p> <p>Insufficient data has been obtained to estimate grade and/or ruby value at present.</p> |
| <i>Relationship between mineralisation widths and intercept lengths</i> | <ul style="list-style-type: none"> • <i>These relationships are particularly important in the reporting of Exploration Results.</i> • <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> • <i>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').</i> | <p>Pitting results are used, primarily, to define the presence of gravel units and to estimate their thicknesses, which data will, in conjunction with auger drilling and bulk sampling, eventually be used in the estimation of Resource volumes. The extent of the pitting to date is such that the true dips of the secondary horizons cannot be determined at this stage</p> |
| <i>Diagrams</i> | <ul style="list-style-type: none"> • <i>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.</i> | <p>Appropriate scale map and plans with scale and north points are included in the announcement.</p> |

| Criteria | Explanation | MUS Commentary |
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| <i>Balanced reporting</i> | <ul style="list-style-type: none"> 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. |
| <i>Other substantive exploration data</i> | <ul style="list-style-type: none"> 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. The geophysics datasets are continually being used to aid in interpretations and plan drill hole program collar locations. |
| <i>Further work</i> | <ul style="list-style-type: none"> 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. | <p>The results to date simply identify the presence of ruby in the alluvial gravel deposits on license 4143L.</p> <p>A prospecting program has been 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.</p> <p><u>Drilling</u> Currently, Phase 2A comprises plans for some 2,400m of auger drilling to identify bedrock variation, gravel distribution and Resource estimation.</p> <p><u>Exploration-sampling</u> By 10 August 2016, 29 sample pits had been excavated to identify the presence of ruby/corundum. The initial samples have only sampled colluvial and hanging gravels. Once the necessary equipment has arrived on site, additional sampling will be conducted to obtain representative grade and ruby value data. The locations of these bulk-sample areas will be identified from the results of the pitting and drilling program.</p> |

| Criteria | Explanation | MUS Commentary |
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| | | <p>Further, the gravel from the pits will be characterised to determine what additional exploration techniques might be applied.</p> <p><u>Bulk-sampling</u> By 24 October 2016, the first cut of Alpha deposit has been excavated to identify the presence of ruby/corundum. The first cut has sampled the colluvial gravels including at least 1m above the gravel layer and 0.5m of the underlying bedrock. Material from the first cut still needs to be processed before a representative grade and ruby value can be obtained.</p> |

Section 5: Estimation and Reporting of Diamonds and Other Gemstones.

| Criteria | Explanation | MUS Commentary |
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| <i>Indicator minerals</i> | <i>Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.</i> | Indicator minerals have not been sampled for and no reports have been prepared as such minerals are not applicable to alluvial ruby deposits |
| <i>Source of diamonds/gemstones</i> | <i>Details of the form, shape, size and colour of the diamonds/gemstones and the nature of the source of diamonds/gemstones (primary or secondary) including the rock type and geological environment.</i> | <p>Since only 460.43 carats have been recovered to date, no official ruby studies have been undertaken.</p> <p>The rubies have been recovered from a sheet flow environment. The gravel horizon being sampled at the Alpha Deposit is not typically alluvial in nature but more of a colluvium. The colluvial gravels consist of loose unconsolidated material.</p> <p>The current (conceptual) geological model anticipates that the primary source to the rubies will be amphibolites located in the Montepuez area. The nature and exact location of the primary source(s) of the alluvial rubies is not entirely germane to the project and will not form the focus of current investigations.</p> |
| <i>Sample collection</i> | <ul style="list-style-type: none"> <i>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).</i> <p><i>Sample size, distribution and representivity.</i></p> | <p>The reconnaissance samples have been small samples designed simply to establish the presence of rubies 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.</p> <p>As of 24 October 2016, 29 exploration samples (total of 34,119kgs) had been excavated, washed and sorted. 2,683 tonnes has been processed from cut one of Alpha Deposit and as such, the results are not considered representative, either of the specific gravel, or of the project as a whole.</p> |

| Criteria | Explanation | MUS Commentary |
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| <p>Sample treatment</p> | <ul style="list-style-type: none"> • <i>Type of facility, treatment rate, and accreditation.</i> • <i>Sample size reduction. Bottom screen size, top screen size and re-crush.</i> • <i>Processes (dense media separation, grease, X-ray, hand-sorting, etc.).</i> • <i>Process efficiency, tailings auditing and granulometry.</i> <p><i>Laboratory used, type of process for micro diamonds and accreditation.</i></p> | <p>Gravel samples have been recovered from 29 separate pits, namely EXPIT 001 to EXPIT 025 and GA001 to GA004. These samples have all been derived from the gravel layers intercepted while pitting.</p> <p>Bulk samples cannot be processed at a laboratory – but are processed on site, through the Mustang plant, by Mustang personnel.</p> <p>The gravel is excavated using a hydraulic excavator (Daewoo 220) and transported to site by a Front End Loader. The 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 rubies that may have penetrated the bedrock).</p> <p>Excavation of the bulk sample area was carried out utilising a 45 ton Hitachi Zaxis 470 excavator and two to three 27 ton ADT7. All of the overburden for cut 1 and the cut 1 extension was dumped immediately adjacent to the pit</p> <p>Sample pits are measured and logged (with measuring tape by the geological staff) to estimate volumes and keep records of the material intercepted.</p> <p>The material is fed into Bushman Jigs. The action of the Bushman Jig's 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.</p> <p>Processing plant: 1 x Grizzly screen, 1 x Double decker sizing screen 2 x 16-foot rotary pan plant 1 x Classifier 2 x De-watering screens 1 x Glove box</p> <p>The entire gravel sample (-40+2mm fraction) is processed. Rubies smaller than 2mm have very little commercial potential and their loss is not at issue.</p> |

| Criteria | Explanation | MUS Commentary |
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| <i>Carat</i> | <i>One fifth (0.2) of a gram (often defined as a metric carat or MC).</i> | Metric carats ("ct") have been used throughout this document |
| <i>Sample grade</i> | <ul style="list-style-type: none"> • <i>Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.</i> • <i>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.</i> <p><i>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).</i></p> | Insufficient data has been recovered to estimate sample grades or ruby size frequency distribution, as yet. |
| <i>Reporting of Exploration Results</i> | <ul style="list-style-type: none"> • <i>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.</i> • <i>Sample density determination.</i> • <i>Per cent concentrate and undersize per sample.</i> • <i>Sample grade with change in bottom cut-off screen size.</i> • <i>Adjustments made to size distribution for</i> | <p>As of 24 October 2016 (Table 1), 460.43 carats had been recovered (with a bottom cut-off size of 2mm). All of the rubies have, thus far, been recovered from the colluvial gravel unit.</p> <p>The current sample is considered too small to complete any sort of analysis. This will be reported when an appropriate size ruby sample has been recovered in the near future.</p> |

| Criteria | Explanation | MUS Commentary |
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| | <p><i>sample plant performance and performance on a commercial scale.</i></p> <ul style="list-style-type: none"> • <i>If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond/gemstone samples.</i> <p><i>The weight of diamonds/gemstones may only be omitted from the report when the diamonds/gemstones are considered too small to be of commercial significance. This lower cut-off size should be stated.</i></p> | |
| <p><i>Grade estimation for reporting Mineral Resources and Ore Reserves</i></p> | <ul style="list-style-type: none"> • <i>Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.</i> • <i>The sample crush size and its relationship to that achievable in a commercial treatment plant.</i> • <i>Total number of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.</i> • <i>Total weight of diamonds/gemstones greater than the specified and reported lower cut-off sieve size.</i> <p><i>The sample grade above the specified lower cut-off sieve size.</i></p> | <p>Mineral Resources and/or Ore Reserves have not yet been estimated for this project.</p> |
| <p><i>Value estimation</i></p> | <ul style="list-style-type: none"> • <i>Valuations should not be reported for samples of diamonds/gemstones processed using total liberation method, which is commonly used for processing exploration samples.</i> • <i>To the extent that such information is not deemed commercially sensitive, Public Reports should include:</i> <ul style="list-style-type: none"> ○ <i>Diamonds/gemstones quantities by appropriate screen size per facies or depth.</i> ○ <i>details of parcel valued.</i> ○ <i>number of stones, carats, lower size cut-off</i> | <p>The ruby sample recovered to date is considered too small to be representative in terms of value and no such valuations have yet been undertaken.</p> |

| Criteria | Explanation | MUS Commentary |
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| | <p><i>per facies or depth.</i></p> <ul style="list-style-type: none"> • <i>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.</i> • <i>The basis for the price (e.g. dealer buying price, dealer selling price, etc.).</i> <p><i>An assessment of diamond/gemstone breakage.</i></p> | |
| Security and integrity | <ul style="list-style-type: none"> • <i>Accredited process audit.</i> • <i>Whether samples were sealed after excavation.</i> • <i>Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.</i> • <i>Core samples washed prior to treatment for micro diamonds/gemstones</i> • <i>Audit samples treated at alternative facility.</i> • <i>Results of tailings checks.</i> • <i>Recovery of tracer monitors used in sampling and treatment.</i> • <i>Geophysical (logged) density and particle density.</i> • <i>Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.</i> | <p>All rubies are weighed, sealed and stored in a Category 4 safe on site. As yet, rubies have not been transferred from site to valuer location.</p> <p>Bulk-samples are not processed at an alternative facility. No audit of tailings has yet taken place – concentrated tailings are returned to the pit for rehabilitation.</p> <p>The Bushman Jig and processing plant efficiencies are monitored using industry standard tracer tests.</p> |
| Classification | <ul style="list-style-type: none"> • <i>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.</i> | <p>The uncertainty of the project is such that only Exploration Results are presented as conceptual Exploration Targets.</p> |

