

MUSTANG RESOURCES LIMITED

ACN 090 074 785

SHARE PURCHASE PLAN PROSPECTUS

For an offer to Eligible Shareholders of up to 12,500,000 Shares at an issue price of \$0.04 per Share, to raise \$500,000 (before costs) (**SPP Offer**).

Oversubscriptions of up to a further 34,264,179 Shares at an issue price of \$0.04 per Share to raise up to a further \$1,370,567 may be accepted under the SPP Offer.

This Prospectus also contains an offer of up to 10,000 Shares at an issue price of \$0.04 per Share to raise up to \$400 (**Cleansing Offer**). The Cleansing Offer is included primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date of the Cleansing Offer.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Ian Daymond
Non-Executive Chairman

Christiaan Jordaan
Managing Director

Jacobus van Wyk
Non-Executive Director

Andrew Law
Non-Executive Director

Frank Petruzzelli
Non-Executive Director

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MUS

Company Secretary

Robert Marusco

Auditor*

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Share Registry*

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Solicitors

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Lawyers and Consultants
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16 Milligan Street
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Corporate Advisor*

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Perth WA 6000

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. SUMMARY OF IMPORTANT DATES AND INFORMATION

2.1 Timetable

Event	Date (AEST)*
Record Date to determine Eligible Shareholders	27 April 2016
Announcement of SPP Offer	28 April 2016
Lodgement of Prospectus with ASIC	17 May 2016
Lodgement of Prospectus & Appendix 3B with ASX	17 May 2016
Opening Date of SPP Offer Opening Date of Cleansing Offer	17 May 2016
General Meeting	14 June 2016
Closing Date of SPP Offer**	17 June 2016
Issue of Shares pursuant to the SPP Offer Issue of Shares approved at the General Meeting	20 June 2016
Closing Date of Cleansing Offer	21 June 2016
Trading commences for Shares pursuant to the SPP Offer and as approved at the General Meeting**	21 June 2016

*These dates are indicative only and may change without prior notice.

** The Directors reserve the right to bring forward or extend the Closing Date of either of the Offers at any time after the Opening Date without notice. As such, the date the Shares are expected to commence trading on ASX may vary with any change in the Closing Date of the respective Offer.

2.2 Important Notes

This Prospectus is dated 17 May 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and

certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

2.3 ASIC Class Order on Share Purchase Plans

In certain circumstances a listed company may undertake a share purchase plan in accordance with ASIC Class Order CO 09/425 (**Class Order**). This Class Order allows a share purchase plan to be conducted without the use of a prospectus.

The Company is unable to rely on the Class Order because it has been suspended for more than five trading days in the last 12 months (when the Company re-complied with Chapters 1 and 2 of the ASX Listing Rules). Accordingly, the Company is undertaking the Share Purchase Plan under this Prospectus.

2.4 ASX waiver

ASX has granted the Company a waiver from the requirements of ASX Listing Rules 7.1 and 10.11 to enable the Company to undertake the share purchase plan, which technically does not satisfy the exceptions to those rules, due to the Company's suspension for over five trading days in the last 12 months.

The SPP Offer is otherwise consistent with the requirements of the Class Order.

2.5 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

2.6 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

2.7 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important

factors, many of which are beyond the control of our Company, the Directors and our management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6.

2.8 Section 708A(11) of the Corporations Act

This Prospectus is also issued for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3. DETAILS OF THE SPP OFFER

3.1 The SPP Offer

By this Prospectus the Company invites Eligible Shareholders to apply for a total of 12,500,000 Shares at an issue price of \$0.04 per Share in order to raise \$500,000 (before costs) (**SPP Offer**). The Company may accept oversubscriptions of up to a further \$1,370,567 (before costs) through the issue of up to a further 34,264,179 Shares at an issue price of \$0.04 per Share. Therefore the maximum amount which may be raised under this Prospectus is \$1,870,567.

Eligible Shareholders are entitled to apply for a maximum of \$15,000 worth of Shares (375,000 Shares).

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 5 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the SPP Offer and the intended use of funds raised are set out in Section 4.1.

3.2 Placement

As announced on 28 April 2016, the Company also proposes to undertake a separate placement to sophisticated and professional investors (**Placement**). The Placement comprises two separate tranches:

- (a) an initial tranche of 38,370,000 Shares were issued on 9 May 2016 without prior Shareholder approval under the Company's placement capacity provided by ASX Listing Rules 7.1 and 7.1A (**Tranche 1**). The Shares under Tranche 1 were issued using two different prices to achieve a 'net issue price' of \$0.04 per Share as follows:
 - (i) 23,022,000 Shares at an issue price of \$0.034; and
 - (ii) 15,348 Shares at an issue price of \$0.049; and
- (b) a subsequent tranche of up to 61,630,000 Shares for the balance of the Placement to be issued at an issue price of \$0.04, subject to Shareholder approval (**Tranche 2**), which approval is being sought at the Company's upcoming General Meeting.

Further details of the Placement are set out in the Company's ASX announcement entitled "Mustang Raised \$3.0 Million in Placement" dated 28 April 2016 and the Company's Notice of General Meeting dated 11 May 2016, which are available on the Company's website www.mustangresources.com.au or the Company's ASX announcements platform (ASX: MUS).

3.3 Pricing of Shares under SPP Offer

Shareholders should be aware that the market price of Shares may rise or fall between the date of this Prospectus and the date when Shares are issued to Shareholders.

By accepting the SPP Offer and applying for Shares under this Prospectus, each Eligible Shareholder will be acknowledging that although the issue price is at a discount to the market price at the time of the announcement of the SPP Offer, Shares are a speculative investment and the price of Shares on ASX may change

between the date of the Company announcing its intention to make an SPP Offer and the date of issue of Shares under the SPP Offer and that the value of the Shares received under the SPP Offer may rise or fall accordingly.

3.4 Shareholders eligible to participate

Only Eligible Shareholders may participate in the SPP Offer. 'Eligible Shareholders' for the purpose of the SPP Offer are Shareholders:

- (a) who were registered holders of Shares on the Record Date; and
- (b) whose registered address was in Australia or New Zealand.

If you are the only registered Shareholder of a holding of Shares, but you receive more than one SPP Offer (for example because you hold Shares in more than one capacity), you may only apply for one parcel of Shares with a value of up to \$15,000 (which may be subject to scale back in accordance with Section 3.8). The Company reserves the right to reject any application for Shares under this Prospectus to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements.

Participation in the SPP Offer is optional and is subject to the terms and conditions set out in this Prospectus.

3.5 Minimum subscription

There is no minimum subscription.

3.6 Oversubscriptions

The Company may accept oversubscriptions under the SPP Offer of up to a further \$1,370,567 worth of Shares above the full subscription of \$500,000.

3.7 Applications

An application for the SPP Offer must be made on the Application Form accompanying this Prospectus. Pursuant to the SPP Offer, Eligible Shareholders may apply for a maximum of \$15,000 worth of Shares. Eligible Shareholders may participate by selecting one of the following options (**SPP Application Amount**) to purchase Shares under the SPP Offer:

	SPP Application Amount	Number of Shares which may be purchased
Offer A	\$15,000	375,000
Offer B	\$10,000	250,000
Offer C	\$7,500	187,500
Offer D	\$5,000	125,000
Offer E	\$2,500	62,500
Offer F	\$1,000	25,000

Where the amount applied for results in a fraction of a Share the number of Shares issued will be rounded down to the nearest whole Share.

Any application monies received for more than an Applicant's final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded.

Eligible Shareholders may apply for the SPP Offer by completing the Application Form accompanying this Prospectus in accordance with the instructions outlined on the Application Form. Applications pursuant to the SPP Offer must only be made by those Eligible Shareholders invited to make an application under the SPP Offer.

The SPP Offer is non-renounceable, which means that Eligible Shareholders may not transfer their rights to any Shares offered under the SPP Offer.

The Company reserves the right to close the SPP Offer early.

If you require assistance in completing an Application Form, please contact the Company's share registry on +61 8 9389 8033 or the Company on + 61 2 9239 3119.

3.8 Scale Back

The Company does not intend to raise more than \$1,870,567 under the SPP Offer (being the full oversubscription amount). If applications for more than \$1,870,567 are received, the Company intends to scale back applications equally on a pro-rata basis.

Applications under the SPP Offer will be allocated at the discretion of the Company and the final allocation decision will be at the sole discretion of the Board.

If the Company scales-back an Application or purported application, the Company will promptly return to the Shareholder the relevant application monies, without interest.

3.9 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Mustang Resources Limited – Share Subscription Account" and crossed "Not Negotiable".

Your completed Application Form and cheque must reach the Company's share registry no later than 5:00pm (AEST) on the Closing Date.

3.10 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Application Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Application Form but are taken to have made the declarations on that Application Form; and
- (b) if you do not pay for one of the SPP Application Amounts (refer to the table set out in Section 3.7), you are deemed to have applied for the SPP Application Amount that is the next lowest compared to your payment. In this event, the additional application monies will be refunded promptly following the Issue Date.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5:00pm (AEST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when

making payment. No interest will be paid on any application monies received or refunded.

3.11 Shortfall

The Company will not make a shortfall offer of any SPP Shares not subscribed for under this Prospectus.

3.12 Underwriting

The SPP Offer is not underwritten.

3.13 Note for custodians, trustees and nominees

If you are an Eligible Shareholder and hold the Shares as a custodian (as defined in the Class Order (refer below) (**Custodian**)), you may apply for up to the maximum of new Shares for each beneficiary for whom you act as custodian provided you annex to your Application Form a certificate to the Company (**Custodian Certificate**) with the following information:

- (a) that you held Shares in the Company on behalf of one or more other persons (each a **Participating Beneficiary**) at 5:00pm (AEST) on the Record Date who have subsequently instructed you to apply for Shares under the SPP Offer on their behalf;
- (b) the number of Participating Beneficiaries and their names and addresses;
- (c) the number of Shares that you hold on behalf of each Participating Beneficiary;
- (d) the dollar amount of Shares that each Participating Beneficiary has instructed you, either directly or indirectly through another custodian, to apply for on their behalf;
- (e) that the application price for Shares applied under the SPP Offer for each Participating Beneficiary for whom you act plus the application price for any other Shares issued to you as custodian for that Participating Beneficiary under any arrangement similar to the SPP Offer referred to in this Prospectus in the prior 12 months does not exceed \$15,000;
- (f) that a copy of the written offer document was given to each Participating Beneficiary; and
- (g) where you hold Shares on behalf of a beneficiary indirectly, through one or more interposed custodians, the name and address of each interposed custodian.

For the purposes of this SPP Offer, and consistent with the Class Order you are a '**Custodian**' if you are a registered holder that:

- (a) holds an Australian financial services licence that allows you to perform custodian or depositary services or operate IDPS accounts;
- (b) is exempt from the requirement to hold an Australian financial services licence by virtue of ASIC Class Order [14/1000] or ASIC Class Order [14/1001] or by relying on the Australian financial services licence of your master custodian under regulation 7.1.06(k) of the *Corporations Regulations 2001* (Cth);

- (c) is a trustee of a self-managed superannuation fund;
- (d) is a trustee of superannuation master trusts;
- (e) is a responsible entity of an IDPS-like scheme; or
- (f) is noted on the Company's register of members as holding the shares on account of another person.

If you hold Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you **cannot** participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (refer to Section 3.4 above) apply.

Custodians should request a Custodian Certificate when making an application on behalf of Participating Beneficiaries. To request a Custodian Certificate and if you would like further information on how to apply, you should contact the Company's share registry, at any time from 8.30am to 5.00pm (AEST) Monday to Friday during the SPP Offer period.

The Company reserves the right to reject any application for Shares under this Prospectus to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements.

3.14 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out in Section 2.1. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.15 Issue

Shares issued pursuant to the Offers will be issued in accordance with the ASX Listing Rules and timetable set out in Section 2.1.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offers will be mailed in accordance with the ASX Listing Rules and timetable set out in Section 2.1.

3.16 Overseas shareholders

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offers are not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Shares are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that applying for Shares under the Offers does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Application Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

3.17 Modification and termination of the SPP Offer and Dispute Resolution

The Company may modify or terminate the SPP Offer at any time including closing the SPP Offer early.

The Company will notify ASX of any modification to, or termination of, the SPP Offer. The omission to give notice of any modification to, or termination of, the SPP Offer or the failure of ASX to receive such notice will not invalidate the modification or termination.

The Company may settle in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with, or by reason of, the operation of the SPP Offer, whether generally or in relation to any participant or application, and the decision of the Company will be conclusive and binding on all participants and other persons to whom the determination relates.

The Company reserves the right to waive strict compliance with any provision of the terms and conditions of this Prospectus. The powers of the Company under this Prospectus may be exercised by the Directors or any delegate of the Directors.

3.18 Enquiries

Any questions concerning the Offers should be directed to Christiaan Jordaan, Managing Director, on + 61 2 9239 3119.

4. PURPOSE AND EFFECT OF THE SPP OFFER

4.1 Purpose of the Offers

The primary purpose of the SPP Offer is to raise up to \$1,870,567 (before costs and assuming full oversubscription).

The funds raised from the SPP Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the SPP Offer	Full Subscription (\$)	%	Full Over Subscription (\$)	%
1.	Exploration on the Montepuez Ruby Project	\$270,000	54.00%	\$1,125,599	60.17%
2.	Drilling on the Balama Graphite Project	\$100,000	20.00%	\$400,000	21.38%
3.	Expenses of the Offer ¹	\$82,849	16.57%	\$168,863	9.03%
4.	Working capital	\$47,151	9.43%	\$176,105	9.42%
	Total	\$500,000	100.00%	\$1,870,567	100.00%

Notes:

1. Refer to Section 8.7 for further details relating to the estimated expenses of the SPP Offer.

In the event the Company raises more than the minimum subscription of \$500,000 but less than the full oversubscription, the additional funds raised will be first applied towards increased expenses of the SPP Offer and then towards accelerating exploration on the Montepuez Ruby Project (through increasing processing volumes on the bulk sampling program), drilling and sample analysis on the Balama Graphite Project and working capital.

In addition, the Company has recently received \$1,534,800 under Tranche 1 of the Placement, and subject to Shareholder approval, will receive up to a further \$2,465,200 under Tranche 2 of the Placement in addition to funds expected to be received from Landstead Capital L.P. (subject to Shareholder approval). These funds are expected to be used for ongoing drilling and exploration works at the Company's existing Montepuez Ruby Project, payment of outstanding creditors and to boost working capital.

On completion of the SPP Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Cleansing Offer is included primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date of the Cleansing Offer (including prior to the date of this Prospectus).

4.2 Effect of the Offers

The principal effect of the Offers, assuming the maximum number of Shares offered under this Prospectus are issued and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$1,702,104 (after deducting the estimated expenses of the Offers) immediately after completion of the Offers; and
- (b) increase the number of Shares on issue from 194,250,598 as at the date of this Prospectus to 241,024,777 Shares following completion of the Offers.

4.3 Pro-forma balance sheet

The unaudited balance sheet as at 12 May 2016 and the unaudited pro-forma balance sheet as at 12 May 2016 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming the maximum number of Shares offered under this Prospectus are issued and including expenses of the Offers.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	UNAUDITED 12 May 2016	UNAUDITED PRO-FORMA 12 May 2016
CURRENT ASSETS		
Cash	496,804 ¹	2,280,758 ²
Other current assets	805,390 ³	805,390
TOTAL CURRENT ASSETS	1,302,194	3,086,148
NON-CURRENT ASSETS		
Exploration	23,553,794 ⁴	18,202,743 ⁵
Plant & Equipment ⁶	1,399,097	1,399,097
TOTAL NON-CURRENT ASSETS	24,952,891	19,601,840
TOTAL ASSETS	26,255,085	22,687,988
CURRENT LIABILITIES		
Creditors ⁷	919,849	919,849
Provisions	110,973	110,973
TOTAL CURRENT LIABILITIES	1,030,821	1,030,821

	UNAUDITED 12 May 2016	UNAUDITED PRO-FORMA 12 May 2016
TOTAL LIABILITIES	1,030,821	1,030,821
NET ASSETS (LIABILITIES)	25,224,263	21,657,167
EQUITY		
Share capital contributed	133,585,478	135,379,432 ⁸
Reserves	13,341,691	7,990,640
Retained loss	(123,318,625)	(123,318,625)
Non-controlling interests	1,605,719	1,605,719
TOTAL EQUITY	25,224,263	21,657,167

Notes:

- Cash includes all funds held by the Company and its subsidiaries.
- Cash on hand assumes the maximum number of Shares offered under this Prospectus are issued less the costs of the Offers as outlined in Section 8.7.
- Other current assets include:
 - Prepayments of \$77,915;
 - VAT tax refunds receivable in Mozambique of \$64,879;
 - Other general receivables of \$53,566; and
 - Funding of \$609,030 received from Lanstead under the agreements entered into by the Company in November 2015.
- The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective diamond, graphite and ruby interests.
- On the 19 April 2016, the Company cancelled the following Performance Rights;
 - 2,238,806 Class A Performance Rights;
 - 1,119,403 Class B Performance Rights;
 - 2,238,806 Class C Performance Rights;
 - 1,119,403 Class D Performance Rights;
 - 14,000,000 Class F Performance Rights; and
 - 14,000,000 Class G Performance Rights.

The value of these cancelled Performance Rights have been written off against the carrying value of exploration assets.
- Plant, equipment and office furniture is represented at its carrying value net of depreciation as at 31 December 2015. No adjustment for depreciation has been made in the unaudited financial statements or the pro-forma financial statements.
- The creditors include a total of \$569,122 which is due to related parties. Subject to Shareholder approval at the General Meeting, this amount will not be paid out in cash but rather will be settled by the issue 11,382,440 Shares at a deemed issue price of \$0.05 as outlined in the Notice of Meeting dated 11 May 2016.
- The effect of the agreements entered into by the Company with Lanstead, as outlined in Section 7.1, have not been reflected in the unaudited pro-forma balance sheet. Subject to Shareholder approval, the Company will receive additional funds from

Lanstead in consideration for 21,250,000 Shares to be issued to Lanstead as outlined in Section 7.1. In addition, Lanstead will receive a fee of \$42,500 for the entering into the sharing agreement which, at the election of the Company, can be satisfied via the issue of 1,602,500 Shares to Lanstead. Shareholder approval for the issue of Shares to Lanstead is being sought at the General Meeting.

4.4 Effect on capital structure

The effect of the Offers on the capital structure of the Company, assuming the maximum number of Shares offered under this Prospectus are issued, is set out below.

Shares

	Number
Shares currently on issue ¹	194,250,598
Shares offered pursuant to the SPP Offer	46,764,179
Shares offered pursuant to the Cleansing Offer	10,000
Total Shares on issue after completion of the Offers	241,024,777

Shares – Completion of the Offers, Tranche 2 of the Placement

Following completion of the Offers (assuming the maximum number of Shares offered under this Prospectus are issued) and after Shareholder approval is obtained for Tranche 2 of the Placement and the issue of Shares to related parties and to Lanstead, the Company will have the following Shares on issue:

	Number
Shares on issue after completion of the Offers	241,024,777
Shares offered pursuant to Tranche 2 of the Placement ²	61,630,000
Shares to be issued to related parties ²	11,382,440
Shares to be issued to Lanstead ²	22,312,500
Total Shares on issue after completion of the Offers, Tranche 2 of the Placement and issues to related parties and Lanstead	336,349,717

Options

	Number
Options currently on issue ³	44,462,240
Options offered pursuant to the SPP Offer	Nil
Total Options on issue after completion of the Offers, Tranche 2 of the Placement and issues to related parties and Lanstead Capital L.P.⁴	44,462,240

Performance Rights

	Number
Performance Rights currently on issue ⁵	14,000,000
Performance offered pursuant to the SPP Offer	Nil
Total Performance Rights on issue after completion of the Offers, Tranche 2 of the Placement and issues to related parties and Lanstead Capital L.P.	14,000,000

Notes:

- Includes the Shares issued under Tranche 1 of the Placement.
- The Company is seeking Shareholder approval at the General Meeting for the issue of:
 - 61,630,000 Shares under Tranche 2 of the Placement;
 - 11,382,440 Shares to Directors or entities associated with Directors and vendors, in lieu of fees and purchase consideration owing to those parties; and
 - 22,312,500 Shares to Lanstead.

Please refer to the Company's Notice of General Meeting dated 11 May 2016 for further details.
- Comprising:
 - 31,324,181 quoted Options exercisable at \$0.25 each on or before 30 June 2017;
 - 149,253 unquoted Options exercisable at \$0.2412 each on or before 10 November 2017;
 - 2,238,806 unquoted Options exercisable at \$0.21 each on or before 22 May 2017 (escrowed until 21 May 2016);
 - 500,000 unquoted Options exercisable at \$0.20 each on or before 31 October 2016 (escrowed until 10 June 2017);
 - 1,500,000 unquoted Options exercisable at \$0.20 each on or before 1 December 2016 (escrowed until 10 June 2017); and
 - 8,750,000 unquoted Options exercisable at \$0.25 each on or before 30 June 2017.
- Assumes no Options are exercised.
- Comprising:
 - 7,140,000 unquoted Class E Performance Rights (escrowed until 21 May 2016); and
 - 6,860,000 unquoted Class E Performance Rights (escrowed until 10 June 2017).

The Class E Performance Rights will vest, and convert to Shares at a ratio of 1:1, upon proving a JORC Compliant Inferred Graphite Resources of a minimum of 50 million tonnes @ >5% Total Graphite Content, on any of the Balama licences on or before 31 December 2019.

4.5 Details of substantial holders

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Lanstead Capital L.P. ¹	26,250,000	13.51%
Regius Resources Group Limited ¹	23,374,028	12.03%

Frank Petruzzelli ¹	23,124,802	11.90%
Thomas Booth	12,497,487	6.43%

On completion of the Offers those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below¹:

Shareholder	Shares	% ²
Lanstead Capital L.P. ¹	26,250,000	10.89%
Regius Resources Group Limited ¹	23,374,028	9.70%
Frank Petruzzelli ¹	23,124,802	9.59%
Thomas Booth	12,497,487	5.19%

Notes:

1. In addition, the Company is seeking Shareholder approval at the General Meeting for the issue of:
 - (i) 22,312,500 Shares to Lanstead;
 - (ii) 6,051,280 Shares to Regius Resources Group Limited in lieu of consulting fees and outstanding purchase consideration payable to Regius Resources Group Limited in relation to the acquisition of an 80% interest in Montepeuz Minerals Pty Ltd and the acquisition of rights to earn 90% and 95% interests in two further graphite licences;
 - (iii) 300,000 Shares to Mr Petruzzelli in lieu of Director's fees owing to Mr Petruzzelli; and
 - (iv) 3,431,160 Shares to MDB Taxation and Business Advisors Pty. Ltd., an entity controlled by Mr Petruzzelli, in lieu of consulting fees owing to MDB Taxation and Business Advisors Pty. Ltd.

Please refer to the Company's Notice of General Meeting dated 11 May 2016 for further details. Further details of the issue of Shares to Lanstead are set out in Section 7.1.

2. Assumes that the maximum number of Shares offered under this Prospectus are issued and that the relevant Shareholders do not subscribe for Shares under the SPP Offer.

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

5.1 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

5.2 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

5.3 Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms

and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

5.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

5.5 Shareholder liability

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

5.6 Transfer of shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

5.7 Future increase in capital

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

5.8 Variation of rights

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

5.9 Alteration of constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

6. RISK FACTORS

6.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.2 Company specific

(a) Dilution risk

Upon implementation of the SPP Offer, assuming the SPP Offer is oversubscribed and no Options are exercised or Performance Rights are vested, the number of Shares in the Company will increase from 194,250,598 currently on issue to 241,015,773. In addition, subject to Shareholder approval at the General Meeting, the Company proposes to issue:

- (i) up to 61,630,000 Shares under Tranche 2 of the Placement;
- (ii) 11,382,440 Shares to Directors or entities associated with Directors and vendors, in lieu of fees and purchase consideration owing to those parties; and
- (iii) 22,312,500 Shares to Lanstead.

This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the SPP Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged is not a reliable indicator as to the potential trading price of Shares after implementation of the SPP Offer.

(b) Going concern risk

The Company's financial report for the half-year ended 31 December 2015 (released to ASX on 11 March 2016) includes a note on the financial condition of the Company and the possible existence of a material uncertainty about the consolidated entity's ability to continue as a going concern.

Notwithstanding the 'Material uncertainty regarding going concern' paragraph included in the half-year financial report, the Directors believe that upon the successful completion of the Placement and SPP Offer, the Company will have sufficient funds to adequately meet the Company's current expenditure commitments and short term working capital requirements. However, it is highly likely that further funding will be required to meet the medium to long term working capital costs of the Company. Please refer to Section 6.2(g) below for further details.

In the event that the Placement and SPP Offer are not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern, and which is likely to have a material adverse effect on the Company's activities.

(c) **Risks associated with operating in Mozambique**

The ruby, diamond and graphite projects acquired by the Company are located in Mozambique, which is considered to be a developing country and as such subject to emerging legal and political systems compared with the system in place in Australia. Investing and operating in foreign jurisdictions carry political, economic and other uncertainties, including, but not limited to, changes in mining and exploration policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual risk, foreign exchange restrictions, currency exchange rate fluctuation, royalty and tax increase and other risks arising out of foreign government sovereignty over the areas in which the Company's operations will be conducted. Any of these factors could result in conditions that delay or in fact prevent the Company from exploring or ultimately developing any of the foreign projects.

The Company is exposed to the risks of operating in such a jurisdiction, including, without limitation:

- (i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation or in an ownership dispute;
- (ii) a higher degree of discretion held by various government officials or agencies;
- (iii) the lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- (v) relative inexperience of the judiciary and court in matters affecting the Company.

The commitment to local business people, government officials and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

No assurance can be given regarding future stability in these or any other country in which the Company may have an interest.

(d) **Tenure and access for tenements in Mozambique**

Mining and exploration tenements in Mozambique are subject to periodic renewal. Where a licensee has met the terms of the grant, renewal will not be denied. However, if development conditions are not met there is no guarantee that current or future tenements or future applications for production tenements will be approved.

(e) **Environmental and other regulatory risks**

Environmental legislation is evolving in a manner which will likely require stricter standard and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulations in Mozambique, if any, will not materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Various governmental approvals and permits will also be required in connection with various aspects of the Company's operations from time to time. To the extent such approvals or permits are required and not obtained, the Company may be delayed or prevented from proceeding with planned exploration or development.

(f) **Activity of garimpeiros on tenements**

Some artisanal and unlicensed ruby mining activities by illegal artisanal miners (**garimpeiros**) with hazardous and risky excavation practices occur on limited areas within the Company's licence areas. Access by the Company to some parts of the licence areas may be impeded from time to time unless the Company successfully engages with those garimpeiros, with the assistance of local authorities and the Government. Based upon the recent experience of Gemfields Plc with garimpeiros on its ground nearby, the Company considers that it will be possible to reach a mutually beneficial accommodation with the garimpeiros, thereby removing any significant issue with access to tenure and security of its operations.

(g) **Additional requirements for capital risk**

The Company will require further financing in addition to amounts recently raised. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations and scale back its mining and exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(h) **Exploration and development risks**

The business of graphite exploration, project development and production, by its nature, contains elements of significant risk with no

guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining consents and approvals necessary for the conduct of exploration, development and production; and
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from the existing projects or any new assets acquired by the Company, undergoing an exploration and development program depends on successful exploration and establishment of production facilities. Factors including costs and reliability and commodity prices affect successful project development and operations.

Mining activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of equipment.

Industry operating risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown and environmental hazards such as accidental spills or leakages, or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposits. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(i) **Competition risk**

The Company will be participating in a highly competitive market, however there are few, if any, specific competitors who have a dominant market share and dictate the structure or practices in the market.

The fact that there are no dominant competitors makes market entry and penetration easier but not without the need to ensure that the Company

can position and differentiate itself to gain market share. There is no certainty that the Company will be successful in this market.

Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(j) **Reliance on key personnel and the need to attract qualified staff**

The Company's success depends on the core competencies of its Directors and management team to operate in the resource and mining industry. The loss of one or more of these persons could adversely affect the growth prospects, operating results and financial performance of the Company. There can be no assurance that the Company will be able to attract or retain sufficiently qualified personnel on a timely basis or retain its key management personnel.

Further, in order to undertake the Company's planned development activities, it may require additional financial, administrative, permitting and operational personnel. While the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

6.3 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Commodity Price Risk**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the corporate overhead expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(c) **Government policy changes**

Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations, and exploration, development and mining activities of the Company. It is possible that the current systems of exploration,

development and mine permitting in Mozambique may change, resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation.

(d) **Risk of international operations generally**

International sales and operations are subject to a number of risks, including:

- (i) potential difficulties in enforcing agreements (including joint venture agreements) and collecting receivables through foreign local systems;
- (ii) potential difficulties in protecting intellectual property;
- (iii) increases in costs for transportation and shipping; and
- (iv) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

(e) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(f) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors.

No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(g) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

6.4 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

7. MATERIAL CONTRACTS

7.1 Lanstead Agreements

As announced on 11 May 2016, the Company has entered into agreements with Lanstead Capital L.P. (**Lanstead**) pursuant to which Lanstead will subscribe for 21,250,000 Shares (**Lanstead Shares**) and the parties have also entered into a sharing agreement.

Under the terms of the subscription agreement, the Company will receive \$127,500 of the \$850,000 subscription amount to be paid by Lanstead upon the issue of the Lanstead Shares to Lanstead, with the remainder to be invested in the sharing agreement (**Credit Support**). The Company will then receive monthly cash payments with the amount to be paid determined by the Company's Share price performance measured against a benchmark price of \$0.0533 per Share (**Benchmark Price**) each month over 18 months commencing from 60 days after the date of the issue of the Lanstead Shares.

If the Share price exceeds the Benchmark Price for that month, the Company will receive more than 100% of the monthly settlement due on a pro rata basis. Should the Share price be below the Benchmark Price for that month the Company would receive less than 100% of the monthly settlement on a pro rata basis.

In no event would a decline in the Share price result in any increase in the number of Shares to be issued to Lanstead.

The obligations of the Company under the subscription agreement remain conditional upon Lanstead delivering:

- (a) to an escrow agent, on behalf of the Company, UK Government Bonds (**Bonds**) with a market value on the date immediately preceding the date of delivery of at least \$850,000, based on the current market values at the time of delivery; and
- (b) to the Company, a schedule listing for each Bond the exact amount, maturity and ISIN number.

The obligations of Lanstead under the subscription agreement remain conditions upon:

- (a) ASX not indicating before 10.01 am (Sydney Time) on the day that the last condition set out (b) to (d) below (inclusive) is satisfied (or in the event that the Company exercises its option to extend the long stop date past 17 June 2016 (by paying \$45,000 to Lanstead) (**Long Stop Date**), no later than 10.01 am (Sydney Time) on 21 June 2016) that quotation of the Lanstead Shares will not be granted;
- (b) no event occurring or matter arising on or after the date of the subscription agreement and before quotation of the Lanstead Shares which, if the warranties given by the Company had been repeated on each day of that period with reference to the circumstances existing as at each such deemed repetition, would have rendered any of the warranties untrue or incorrect and would thereby have had a material adverse change on the financial position or prospects of the Company and its associated undertakings taken as a whole;
- (c) the Company having allotted the Lanstead Shares (conditional only upon quotation); and

- (d) the Company, not more than three business days after the date Lanstead delivers the Bonds to the escrow agent, lodging with the ASX a "cleansing notice" pursuant to sub-sections 708A(5)(e) and (6) or lodges a cleansing prospectus,

or (in the case of any time or date specified above) such later time or date (being not later than 3.00 pm (Sydney Time) on the Long Stop Date) as the Company and Lanstead may agree in writing.

If any of the above conditions are not fulfilled (nor waived) by 3.00 pm (Sydney Time) on the Long Stop Date, the subscription agreement shall automatically terminate.

The Company paid Lanstead a refundable deposit of \$50,000. The deposit will be fully refunded by Lanstead to the Company once subscription is completed at the first monthly settlement. The deposit has been deducted from the Credit Support Mustang has already posted with Lanstead under the sharing agreement which it entered into in November 2015.

At the Company's option the closing date may be extended until 21 June 2016 by payment of a \$45,000 closing extension fee on or before 17 June 2016.

In connection with the entry into the sharing agreement, the Company is required to pay to Lanstead a fee of \$42,500 on or before the Long Stop Date. The fee may, at the election of the Company, be satisfied by the issue of 1,602,500 Shares.

7.2 Corporate Advisory Engagement Letter – Hartleys

The Company has entered into a corporate advisory engagement letter with Hartleys Limited (ACN 104 195 057) (**Hartleys**) pursuant to which Hartleys has agreed to assist the Company through the provision of corporate advice and capital raising services to meet its funding requirements and to progress towards the development of the Company's projects and achieving other goals as they arise from time to time (**Engagement Letter**).

The Company will pay Hartleys a capital raising fee of 6% (exclusive of goods and services tax) of the amount subscribed under the Placement and the SPP Offer. In addition, subject to obtaining Shareholder approval, the Company has agreed to issue to Hartleys' wholly-owned subsidiary, Zenix Nominees Pty Ltd:

- (a) 6,000,000 Options exercisable at \$0.15 each; and
- (b) 14,000,000 Options exercisable at \$0.075 each,

(together the **Advisor Options**). Shareholder approval for the issue of the Advisor Options is being sought at the General Meeting.

A corporate advisory retainer will also be payable to Hartleys in connection with on-going corporate advisory services, as well as any reasonable out of pocket expenses incurred in connection with the Engagement Letter.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
11/05/2016	Mustang Work Program Update
11/05/2016	Notice of General Meeting/Proxy Form
11/05/2016	Execution of Lanstead Agreement Secures Additional Funding
09/05/2016	Prospectus
09/05/2016	Appendix 3B
29/04/2016	Quarterly Activities & Cashflow Report
28/04/2016	Placement
26/04/2016	Trading Halt
19/04/2016	Appendix 3B
19/04/2016	Investor Presentation
12/04/2016	Appendix 3B
05/04/2016	Change in substantial holding
04/03/2016	Montepuez Ruby Project Works Program Update
30/03/2016	Ruby Market Analysis
30/03/2016	Response to ASX Appendix 3X and 3Y Query
29/03/2016	Change of Director's Interest Notice - Date Corrected
29/03/2016	Change of Director's Interest Notice - Date Corrected
29/03/2016	Change of Director's Interest Notice - Date Corrected
18/03/2016	Appendix 3B - Final issue of shortfall options
18/03/2016	Change of Director's Interest Notice
18/03/2016	Change of Director's Interest Notice
18/03/2016	Change of Director's Interest Notice
18/03/2016	Initial Director's Interest Notice
18/03/2016	Change in substantial holding
16/03/2016	Change in substantial holding

Date	Description of Announcement
11/03/2016	Half Yearly Report and Accounts
08/03/2016	Exercise of Option to Acquire 2 Additional Graphite Licences
07/03/2016	Cancellation of Performance Share Rights Approved
04/03/2016	Appointment of Company Secretary & CFO
03/03/2016	March 2016 Investor Presentation
03/03/2016	Shareholder Approval of Major Resolutions
03/03/2016	Cleansing Prospectus
02/03/2016	Appendix 3B - Issue of Shares & Options Approved at EGM
26/02/2016	Results of Meeting
25/02/2016	Prospective Geology Identified at Montepuez
16/02/2016	Exceptional High Grade Graphite Intersections Confirmed
10/02/2016	Ruby Project Overview - s708 Investors
29/01/2016	Quarterly Cash Flow Report
29/01/2016	Quarterly Activities Report
27/01/2016	Notice of General Meeting/Proxy Form
31/12/2015	Listing Rule 9.7 Waiver Application Rejected
24/12/2015	Letter to Shareholders
11/12/2015	Asset Acquisitions Purchase Consideration Reduced
10/12/2015	Mustang Strengthens Leadership Team
07/12/2015	Ceasing to be a substantial holder - van Wyk
03/12/2015	Change in substantial holding - Petruzzelli
02/12/2015	Becoming a substantial holder
01/12/2015	Massive Shallow Graphite Zones Identified at Balama Project
27/11/2015	Retraction of Non JORC Compliant Statements
26/11/2015	Cleansing Prospectus
25/11/2015	Amended Appendix 3B
23/11/2015	Appendix 3B
23/11/2015	Mustang Raises \$5.75M to Fast Track Growth
20/11/2015	Results of Annual General Meeting
20/11/2015	AGM Presentation to Shareholders
19/11/2015	Trading Halt
11/11/2015	Letter to Option Holders
11/11/2015	Letter to Overseas Shareholders
11/11/2015	Letter to Eligible Shareholders
10/11/2015	Appendix 3B - Options Prospectus
10/11/2015	Entitlement Issue Prospectus - Options
09/11/2015	Significant Graphite Intersections Recorded @ Balama Project

Date	Description of Announcement
30/10/2015	Withdrawal of Entitlement Prospectus
30/10/2015	Entitlement Options Prospectus
30/10/2015	Quarterly Activities & Cash Flow Reports
29/10/2015	Appendix 4G and Corporate Governance Statement
29/10/2015	Annual Report 2015

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.mustangresources.com.au.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

	Price	Date
Highest	\$0.12	23 February 2016
Lowest	\$0.036	16 May 2016
Last	\$0.036	16 May 2016

8.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or

- (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Performance Rights
Ian Daymond ⁴	100,000	33,333 ¹	Nil
Christiaan Jordaan ⁴	23,374,028	Nil	6,860,000 ²
Jacobus van Wyk ⁴	23,374,028	Nil	6,860,000 ²
Andrew Law ⁴	Nil	Nil	Nil
Frank Petruzzelli ⁴	23,124,802	6,609,464 ³	4,200,000 ²

Notes:

1. Quoted Options exercisable at \$0.25 each on or before 30 June 2017.
2. Comprising Class E Performance Rights.
3. Comprising:
 - (a) 5,403,867 quoted Options exercisable at \$0.25 each on or before 30 June 2017; and
 - (b) 1,205,597 unquoted Options exercisable at \$0.21 each on or before 21 May 2017.
4. In addition, the Company is seeking Shareholder approval at the General Meeting for the issue of:
 - (a) 400,000 Shares to Mr Daymond in lieu of Director's fees owing to My Daymond;
 - (b) 6,051,280 Shares to Regius Resources Group Limited, an entity associated with Christiaan Jordaan and Jacobus van Wyk, in lieu of consulting fees and outstanding purchase consideration payable to Regius Resources Group Limited;
 - (c) 300,000 Shares to Mr van Wyk in lieu of Director's fees owing to Mr van Wyk;
 - (d) 900,000 Shares to Fusion WA Pty Ltd, an entity controlled by Andrew Law, in lieu of consulting fees owing to Fusion WA Pty Ltd;
 - (e) 300,000 Shares to Mr Petruzzelli in lieu of Director's fees owing to Mr Petruzzelli; and
 - (f) 3,431,160 Shares to MDB Taxation and Business Advisors Pty. Ltd., an entity controlled by Mr Petruzzelli, in lieu of consulting fees owing to MDB Taxation and Business Advisors Pty. Ltd.

The Directors have indicated their intention to participate in the SPP Offer. The Company has obtained from ASX a waiver of ASX Listing Rule 10.11 to permit the Company to issue Shares to related parties under the SPP Offer without Shareholder approval.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is determined by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will

be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors:

Director	FY 2016	FY 2015	FY 2014
Ian Daymond	\$65,700 ¹	\$80,700 ²	\$Nil
Christiaan Jordaan ³	\$125,925	\$Nil	\$Nil
Jacobus van Wyk ⁴	\$200,000 ⁵	\$164,059	\$Nil
Andrew Law	\$192,914 ⁶	\$51,635	\$Nil
Frank Petruzzelli ⁷	\$209,466.40 ⁸	\$Nil	\$Nil

Notes:

- Of this amount, and subject to Shareholder approval at the General Meeting, \$20,000 will be settled by way of issue of Shares.
- Daymond & Associates Pty Ltd, an entity associated with Ian Daymond was paid a \$15,000 (excluding GST) consulting fee during the 2015 financial year in regards to the Company's relisting.
- Christiaan Jordan was appointed on 1 February 2016.
- Jacobus van Wyk was appointed on 10 June 2015. Prior to 10 June 2015, Mr van Wyk was engaged as a consultant to the Company.
- Of this amount, and subject to Shareholder approval at the General Meeting:
 - \$46,800 will be settled by way of issue of Shares in satisfaction of consulting fees owing to Regius Resources Group, an entity controlled by Mr van Wyk; and
 - \$15,000 will be settled by way of issue of Shares in satisfaction of Director's fees owing to Mr van Wyk.
- Of this amount, and subject to Shareholder approval at the General Meeting, \$45,000 will be settled by way of issue of Shares.
- Mr Petruzzelli was appointed on 13 July 2015. Mr Petruzzelli is entitled to \$45,000 per annum as a non-executive Director. In addition the Company expects to pay MDB Taxation and Business Advisors Pty. Ltd. (of which Mr Petruzzelli is a Principal) consulting fees of \$75,000 in the 2016 financial year. The agreement between the Company and MDB Taxation and Business Advisors Pty. Ltd. was terminated by the Company, effective 1 April 2016.
- Of this amount, and subject to Shareholder approval at the General Meeting, \$186,558 will be settled by way of issue of Shares.

8.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or

- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (d) the formation or promotion of the Company; or
- (e) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the SPP Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$203,505.98 (excluding GST and disbursements) for legal services provided to the Company.

Hartleys Limited has acted as corporate advisor to the Company and will receive the consideration described in Section 7.2. During the 24 months preceding lodgement of this Prospectus with the ASIC, Hartleys Limited has been paid fees totalling \$10,000 (plus GST) by the Company.

8.6 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.7 Expenses of the Offers

The total expenses of the Offers (assuming full oversubscription) are estimated to be approximately \$168,234 (excluding GST) and are expected to be applied towards the items set out in the table below:

	Full Subscription \$	Full Oversubscription \$
ASIC fees	2,320	2,320
ASX fees	3,529	7,309
Corporate advisory fees	30,000	112,234
Legal fees	15,000	15,000
Share registry	5,000	5,000
Printing, distribution and other expenses	27,000	27,000
Total	82,849	168,863

8.8 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on + 61 3 347 2409 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.mustangresources.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.9 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification

Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.11 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Christiaan Jordaan
Director
For and on behalf of
MUSTANG RESOURCES LIMITED

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

AEST means Australian Eastern Standard Time as observed in Melbourne, Victoria.

Applicant means an Eligible Shareholder who applies for Shares pursuant to the SPP Offer.

Application Form means the SPP Application Form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Class Order means ASIC Class Order CO 09/425.

Cleansing Offer means the offer of up to 10,000 Shares at an issue price of \$0.04 per Share to raise up to \$400 under this Prospectus.

Closing Date means the date specified in the timetable set out in Section 2.1 (unless extended or closed early).

Company means Mustang Resources Limited (ACN 090 074 785).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholders has the meaning given in Section 3.4.

General Meeting means the meeting of Shareholders to be held on 14 June 2016.

Issue Date means the date specified in the timetable set out in Section 2.1 (unless the Closing Date is extended).

Lanstead means Lanstead Capital L.P. (a limited partnership established in England and Wales).

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement has the meaning given in Section 3.2.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out in Section 2.1.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

SPP Offer has the meaning given in Section 3.1.