

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity	Mustang Resources Limited
ACN	090 074 785

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | Class of securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of securities issued or to be issued (if known) or maximum number which may be issued | <p>Up to 192,858,347</p> <p>(this remains subject to completion of the entitlement issue pursuant to the revised offer document dated 22 February 2018 (Offer Document) and is based on the number of shares on issue at the date of the Offer Document and ignores the effect of rounding of fractional entitlements)</p> |
| 3 | Principal terms of the securities (eg, if options, exercise price and expiry date; if partly paid securities, the amount outstanding and due dates for payment; if convertible securities, the conversion price and dates for conversion) | Fully paid ordinary shares |

4	<p>Do the securities rank equally in all respects from the date of allotment with an existing class of quoted securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes – equal with existing fully paid ordinary shares.</p>
5	Issue price or consideration	<p>\$0.023 per share</p>
6	<p>Purpose of the issue</p> <p>(If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>To raise funds of up to \$4,435,742 to be used for continuing costs associated with bulk sampling and exploration activities on the Montepuez Ruby Project, exploration activities on the Caula Graphite Project, general working capital purposes and expenses of the offer.</p>
6a	<p>Is the entity an eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>Yes</p>
6b	The date the security holder resolution under rule 7.1A was passed	<p>24 November 2017</p>
6c	Number of securities issued without security holder approval under rule 7.1	<p>Nil</p>
6d	Number of securities issued with security holder approval under rule 7.1A	<p>Nil</p>

6e	Number of securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil
6f	Number of securities issued under an exception in rule 7.2	Up to 192,858,347 (this remains subject to completion of the entitlement issue pursuant to the Offer Document and is based on the number of shares on issue at the date of the Offer Document and ignores the effect of rounding of fractional entitlements)
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	Not Applicable
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not Applicable
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	<u>ASX Listing Rule 7.1</u> 1,658,421 Securities (increasing to up to 30,587,173 Securities assuming 192,858,347 shares are issued pursuant to the Offer Document) <u>ASX Listing Rule 7.1A</u> 77,043,732 Quoted Securities (increasing to up to 96,329,566 Quoted Securities assuming 192,858,347 shares are issued pursuant to the Offer Document)
7	Dates of entering securities into uncertificated holdings or despatch of certificates	28 March 2018

8	Number and class of all securities quoted on ASX (including the securities in section 2 if applicable)	Number	Class
		934,291,734	Fully paid ordinary shares
		61,938,095	Listed Options (MUSOA) exercisable at \$0.035 on or before 25 January 2020

9	Number and class of all securities not quoted on ASX (including the securities in section 2 if applicable)	Number	Class
		30,000,000	Fully paid Ordinary Shares – escrowed to 6 June 2018
		8,000,000	Unlisted Options exercisable at \$0.15 on or before 14 June 2019
		14,000,000	Unlisted Options exercisable at \$0.075 on or before 21 June 2019
		7,500,000	Unlisted Options exercisable at \$0.06 on or before 4 August 2019
		2,662,879	Unlisted Options exercisable at \$0.0273 on or before 23 January 2020
		729,771	Unlisted Options exercisable at \$0.0273 on or before 25 January 2020
		1,519,559	Unlisted Options exercisable at \$0.10 on or before 9 March 2020
		3,000,000	Unlisted Options exercisable at \$0.15 on or before 31 March 2020
		3,000,000	Unlisted Options exercisable at \$0.20 on or before 31 March 2020
		2,181,818	Unlisted Options exercisable at \$0.0715 on or before 20 July 2020
		13,333,333	Unlisted Options exercisable at \$0.117 on or before 20 July 2020
		12,765,957	Unlisted Options exercisable at \$0.1222 on or before 20 July 2020
		3,333,333	Unlisted Options exercisable at \$0.117 on or before 15 September 2020
		1,800,000	Unlisted Options exercisable at \$0.13 on or before 16 October 2020
		7,500,000	Unlisted Options exercisable at \$0.0307 on or before 15 January 2021
		14,000,000	Class E Performance Rights expiring 31 December 2019 (vesting on proving a JORC compliant inferred graphite resource of a minimum of 50 million tonnes at >5% total graphite content on or before 31 December 2019 on any of the licences comprising the Balama Project at the date of issue of the Class E Performance Rights (5873L, 6527L, 6678L).
		2,000,000	Convertible Notes with a face value of \$1.00 and a conversion price equal to the higher of: the lowest one (1) day Volume Weight Average Price (VWAP) as published by Bloomberg selected by Arena over the twenty (20) trading days prior to the conversion of the Convertible Notes and a floor price of \$0.018 and a maturity date of 10 July 2019.

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A
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Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the +securities will be offered	One (1) new Share for every four (4) Shares held at the record date.
14	+Class of +securities to which the offer relates	Fully paid ordinary shares
15	+Record date to determine entitlements	28 February 2018
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	Fractional entitlements will be rounded up to the nearest whole Share
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	United Arab Emirates, Switzerland, China, Hong Kong, Hungary, Indonesia, Malaysia, Philippines, Singapore, Thailand, USA and South Africa.
19	Closing date for receipt of acceptances or renunciations	Not Applicable
20	Names of any underwriters	Not Applicable

21	Amount of any underwriting fee or commission	Not Applicable
22	Names of any brokers to the issue	Not Applicable
23	Fee or commission payable to the broker to the issue	Not Applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not Applicable
25	If the issue is contingent on security holders' approval, the date of the meeting	Not Applicable
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	5 March 2018
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	23 February 2018
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do security holders sell their entitlements in full through a broker?	Not applicable
31	How do security holders sell part of their entitlements through a broker and accept for the balance?	Not applicable
32	How do security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	+Issue date	29 March 2018

Part 3 - Quotation of the Unlisted Options is not sought

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Questions 35 to 42 are not applicable

Quotation agreement

1 Quotation of our additional securities is in ASX's absolute discretion. ASX may quote the securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those securities should not be granted quotation.
- An offer of the securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

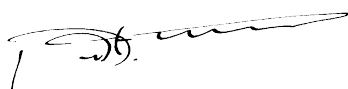
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any securities to be quoted and that no-one has any right to return any securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the securities be quoted.
- If we are a trust, we warrant that no person has the right to return the securities to be quoted under section 1019B of the Corporations Act at the time that we request that the securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before quotation of the securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Date: 22 February 2018

Print name: **Robert Marusco**
Company Secretary

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12

Produced 01/06/12

Part 1Rule 7.1 – Issues exceeding 15% of capital		
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated		
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	457,149,921	
Add the following:	68,572,467	Fully paid ordinary shares (as approved by shareholders on 22 May 2017) issued on 9/3/17
• Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2	234,128	Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 16/3/17
	3,896,110	Fully paid ordinary shares (as approved by shareholders on 22 May 2017) issued on 31/5/17
	30,000,000	Fully paid ordinary shares (as approved by shareholders on 22 May 2017) issued on 6/6/17
• Number of fully paid ordinary securities issued in that 12 month period with shareholder approval	4,761,905	Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 21/6/17
	1,003,905	Fully paid ordinary shares (as approved by shareholders on 1 Sept 2017) issued on 21/6/17
• Number of partly paid ordinary securities that became fully paid in that 12 month period	3,896,103	Fully paid ordinary shares (as approved by shareholders on 22 May 2017) issued on 11/8/17
	1,800,000	Fully paid ordinary shares (as approved by shareholders on 24 Nov 2017 AGM) issued on 11/8/17
Note:	2,310,516	Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 8/9/17
• <i>Include only ordinary securities here – other classes of equity securities cannot be added</i>	11,270,491	Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 8/9/17
• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i>	29,688,524	Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 15/9/17
• <i>It may be useful to set out issues of securities on different dates as separate line items</i>	15,243,902	Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 19/9/17
	8,237,232	Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 27/9/17
	12,531,328	Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 4/10/17
	99,330	Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 4/10/17
	5,780,780	Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 12/10/17
	33,834,586	Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 16/10/17
	38,847,117	Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 19/10/17
	69,300	Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 19/10/17
	38,709,677	Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 26/10/17
	2,500,000	Fully paid ordinary shares (as approved by shareholders on 24 Nov 2017 AGM to Long Term Incentive Plan) issued on 15/01/18
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil	

<p>“A”</p>	<p>770,437,322</p> <p>(increasing to up to 963,295,669 assuming 192,858,347 shares are issued pursuant to the Offer Document, being the issue contemplated by Part 1 of this Appendix 3B)</p>
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Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	115,565,598 (increasing to up to 144,494,350 assuming 192,858,347 shares are issued pursuant to the Offer Document, being the issue contemplated by Part 1 of this Appendix 3B)

Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period not counting those issued:</p> <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>1 share issued on 11/8/17</p> <p>1,800,000 options exercisable at \$0.13 each on or before 16/10/2020 issued on 16/10/17</p> <p>2,000,000 convertible notes on 15/01/18 (equivalent to a maximum of 111,111,112 shares)</p> <p>412,800 shares (issued for professional services) issued on 15/01/18</p> <p>583,264 shares (issued for professional services) issued on 15/01/18</p>
“C”	113,907,177

Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	<p>115,565,598</p> <p>(increasing to up to 144,494,350 assuming 192,858,347 shares are issued pursuant to the Offer Document, being the issue contemplated by Part 1 of this Appendix 3B)</p>
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	113,907,177

Total ["A" x 0.15] – "C"	1,658,421 (increasing to up to 30,587,173 assuming 192,858,347 shares are issued pursuant to the Offer Document, being the issue contemplated by Part 1 of this Appendix 3B) <i>[Note: this is the remaining placement capacity under rule 7.1]</i>
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Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate "A", the base figure from which the placement capacity is calculated	
"A" <i>Note: number must be same as shown in Step 1 of Part 1</i>	770,437,322 (increasing to up to 963,295,669 assuming 192,858,347 shares are issued pursuant to the Offer Document, being the issue contemplated by Part 1 of this Appendix 3B)
Step 2: Calculate 10% of "A"	
"D"	0.10 <i>Note: this value cannot be changed</i>
Multiply "A" by 0.10	77,043,732 (increasing to up to 96,329,566 assuming 192,858,347 shares are issued pursuant to the Offer Document, being the issue contemplated by Part 1 of this Appendix 3B)
Step 3: Calculate "E", the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> <i>This applies to equity securities – not just ordinary securities</i> <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> 	-

<ul style="list-style-type: none"> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
<p>“E”</p>	<p>-</p>

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
<p>“A” x 0.10</p> <p><i>Note: number must be same as shown in Step 2</i></p>	<p>77,043,732</p> <p>(increasing to up to 96,329,566 assuming 192,858,347 shares are issued pursuant to the Offer Document, being the issue contemplated by Part 1 of this Appendix 3B)</p>
<p>Subtract “E”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	-
<p>Total [“A” x 0.10] – “E”</p>	<p>77,043,732</p> <p>(increasing to up to 96,329,566 assuming 192,858,347 shares are issued pursuant to the Offer Document, being the issue contemplated by Part 1 of this Appendix 3B)</p> <p><i>Note: this is the remaining placement capacity under rule 7.1A</i></p>