

MUSTANG RESOURCES LIMITED

ACN 090 074 785

PROSPECTUS

For the offer of up to 100,000 Quoted Options at an issue price of \$0.001 per Quoted Option to raise approximately \$100 (before expenses).

This Prospectus has been prepared primarily for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Quoted Options issued by the Company prior to the Closing Date.

IMPORTANT NOTICE

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

The Quoted Options offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Mr Ian Daymond
Non-Executive Chairman

Mr Christiaan Jordaan
Managing Director

Mr Cobus van Wyk
Non-Executive Director

Company Secretary

Mr Robert Marusco

ASX Code

MUS

Share Registry*

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000

Auditor*

PricewaterhouseCoopers
Brookfield Place
125 St Georges Terrace
Perth WA 6000

Contact Details

Registered Office

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South Perth WA 6151

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Sydney NSW 2000

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Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC and ASX	27 January 2017
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Opening Date of Offer	27 January 2017
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Closing Date of Offer*	5:00pm (WST) on 30 January 2017
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* The Directors reserve the right to bring forward or extend the Closing Date at any time after the Opening Date without notice.

3. IMPORTANT NOTES

This Prospectus is dated 27 January 2017 and a copy 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.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No Quoted Options will be issued on the basis of this Prospectus after the expiry date.

The Offer is only available to those who are personally invited to accept the Offer. Applications for Quoted Options offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

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.

3.1 Risk Factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 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 Quoted Options or any 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 Quoted Options pursuant to this Prospectus.

3.2 Investors outside Australia

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of Quoted Options in any jurisdiction where, or to any person to whom, it would be unlawful to issue in this Prospectus.

3.3 Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representations not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 100,000 Quoted Options at an issue price of \$0.001 per Quoted Option to raise approximately \$100 (before expenses).

The Offer will only be extended to specific parties on invitation from the Directors. Application Forms will only be provided by the Company to these parties.

All of the Quoted Options offered under this Prospectus will rank equally with Quoted Options on issue at the date of this Prospectus. The full terms and conditions of the Quoted Options are set out in Section 6.1.

All Shares issued on exercise of the Quoted Options will rank equally with the Shares then on issue. A summary of the rights and liabilities attaching to the Shares is set out in Section 6.2.

4.2 Objective

The Company is seeking to raise only a nominal amount under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Quoted Options issued by the Company without disclosure under Chapter 6D of the Corporations Act 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.

4.3 Minimum Subscription

There is no minimum subscription in respect of the Offer.

4.4 Applications

Applications for Quoted Options must only be made by investors at the direction of the Company and must be made using the Application Form accompanying this Prospectus.

Payment for the Quoted Options must be made in full by cheque made payable to “**Mustang Resources Limited**” and crossed “Not Negotiable” in respect of all Quoted Options applied for at the issue price of \$0.001 per Quoted Option.

Completed Application Forms and accompanying cheques must be mailed or delivered in the manner specified on the Application Form so they are received no later than the Closing Date.

4.5 Underwriter

The Offer is not underwritten.

4.6 ASX Listing

Application for Official Quotation of the Quoted Options offered pursuant to this Prospectus will be made within 7 days of the date of this Prospectus. If ASX does not grant Official Quotation of the Quoted Options 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 Quoted Options offered pursuant to this Prospectus and will repay all application monies for those Quoted Options within the time prescribed under the Corporations Act, without interest.

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

4.7 Issue of Quoted Options

The issue of Quoted Options offered under the Offer will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until the Quoted Options are issued. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether any Quoted Options are issued and each Applicant waives the right to claim any interest.

The Directors will determine the recipients of all the Quoted Options. The Directors reserve the right to reject any application or to allocate any Applicant fewer Quoted Options than the number applied for.

Where the number of Quoted Options issued is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no issue of Quoted Options is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

4.8 Restrictions on the distribution of the Prospectus

The distribution of this Prospectus outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws.

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.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application for Quoted Options on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Quoted Options issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date (including prior to the date of this Prospectus).

Under the Offer, an amount of approximately \$100 (before expenses) will be raised. All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to Section 8.8 for further details relating to the estimated expenses of the Offer.

5.2 Financial Effect of the Offer

Expenses of the Offer are expected to be \$12,000, and will be greater than any proceeds that will be received. The expenses of the Offer (exceeding \$100) will be met from the Company's existing cash reserves. The Offer will have an effect on the Company's financial position of reducing the cash balance by \$11,900, being receipt of funds of \$100 less expenses of the Offer of \$12,000.

5.3 Effect of the Offer

The effect of the Offer on the capital structure of the Company is set out below.

Shares

	Number
Shares currently on issue as at the date of this Prospectus ¹	457,149,921
Shares offered pursuant to the Offer	Nil
Total Shares on issue after completion of the Offer	457,149,921

Options

	Number
Options on issue as at the date of this Prospectus:	
<u>Quoted</u>	
Exercise price \$0.25 / Expiry date 30 June 2017	31,324,181
Exercise price \$0.035 / Expiry date 23 January 2020 ²	66,700,000
<u>Unquoted</u>	
Exercise price \$0.21 / Expiry date 22 May 2017	2,238,806
Exercise price \$0.25 / Expiry date 30 June 2017	8,750,000
Exercise price \$0.2412 / Expiry date 10 November 2017	149,253
Exercise price \$0.06 / Expiry date 31 December 2017	1,000,000
Exercise price \$0.09 / Expiry date 31 December 2017	2,000,000
Exercise price \$0.15 / Expiry date 31 December 2017	2,000,000
Exercise price \$0.15 / Expiry date 14 June 2019	8,000,000

Exercise price \$0.075 / Expiry date 21 June 2019	19,000,000
Exercise price \$0.06 / Expiry date 4 August 2019	7,500,000
Exercise price \$0.0273 / Expiry date 23 January 2020	6,156,933
Options offered pursuant to the Offer	100,000
Total Options on issue after completion of the Offer	154,919,173

Performance Rights

	Number
Performance Rights on issue as at the date of this Prospectus ^{3,4}	14,000,000
Performance Rights offered pursuant to the Offer	Nil
Total Performance Rights on issue after completion of the Offer	14,000,000

Notes

- 1 31,550,418 Shares are subject to ASX imposed escrow until 2 March 2017 and 5,650,000 Shares are subject to ASX imposed escrow to 10 June 2017.
- 2 The Quoted Options offered under this Prospectus are on the same terms and conditions as this class of Options.
- 3 Vesting condition is 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 (4661L, 4662L, 5873L, 6527L, 6636L, 6678L).
- 4 6,860,000 Performance Rights are subject to ASX imposed escrow until 10 June 2017.

6. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

6.1 Quoted Options

For the purposes of Section 6.1 the use of the capitalised term Option is a reference to a Quoted Option.

The terms of the issue of the Quoted Options are:

- (a) Subject to paragraph (g), each Option entitles the holder to one Share in the capital of the Company.
- (b) The Options may be exercised at any time prior to 5.00pm WST on 23 January 2020.
- (c) Subject to paragraph (h), the exercise price of the Options is AUD \$0.035 each.
- (d) To exercise the Options, each Option holder must duly complete, execute and deliver to the Company an exercise notice in the form attached hereto as Exhibit A ("Notice of Exercise"). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must, among other things, state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
- (e) All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company will apply to the ASX in accordance with the Listing Rules for all Shares issued pursuant to the exercise of the Options to be admitted to quotation.
- (f) There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Options. Thereby, the Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised other than in relation to a Bonus Issue.
- (g) If there is a bonus issue ("Bonus Issue") to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue ("Bonus Shares"). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
- (h) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules.
- (i) The Options are transferable subject to any restrictions imposed by ASX or under applicable securities laws.

- (j) The Options may not be exercised by or on behalf of a person in the United States unless the Options and the underlying Shares have been registered under the United State Securities Act of 1933, as amended, and applicable state securities laws, or exemptions from such registration requirements are available.

6.2 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued upon exercise of the Quoted Options 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.

(a) 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.

(b) Voting rights

Subject to the Constitution and to any rights or restrictions attached to any shares or class of shares, at a general meeting:

- (i) on a show of hands, every member present has one vote;
- (ii) on a poll, every member present has:
 - (A) one vote for each fully paid share held by the member and in respect of which the member is entitled to vote; and
 - (B) a fraction of a vote for each partly paid share held by the member and in respect of which the member is entitled to vote, equivalent to the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share.

(c) Dividend rights

Subject to the Corporations Act and this constitution, the directors may pay any interim, special or final dividends as, in their judgment, the financial position of the Company justifies.

The directors may rescind a decision to pay a dividend if they decide, before the payment date, that the Company's financial position no longer justifies the payment.

Subject to any rights or restrictions attached to a share or class of shares:

- (i) all dividends in respect of a share must be paid in the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share;
- (ii) all dividends must be apportioned and paid proportionately to the amount paid during any portion or portions of the period in respect of which the dividend is paid;
- (iii) an amount paid on a share in advance of a call is to be ignored; and
- (iv) interest is not payable by the Company in respect of any dividend.

Subject to the Company constitution, the directors may set aside out of the profits of the Company reserves or provisions for any purpose as they think fit.

The directors may implement a dividend reinvestment plan on the terms they think fit under which the whole or any part of a dividend due to members who participate in the plan on their shares or any class of shares may be applied in subscribing for securities of the Company or of a related body corporate. The directors may amend, suspend or terminate a dividend reinvestment plan implemented by them.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- (i) divide among the members the whole or any part of the property of the Company; and
- (ii) determine how the division is to be carried out as between the members or different classes of members.

A division under paragraph 6.2(d)(i) may be otherwise than in accordance with the legal rights of the members and, in particular, any class may be given preferential or special rights or may be excluded altogether or in part.

If any of the property to be divided under paragraph 6.2(d)(i) includes securities with a liability to calls, a person entitled under the division to any of the securities may within 10 days after the passing of the special resolution referred to in that rule, by notice in writing direct the liquidator to sell the person's proportion of the securities and to account for the net proceeds and the liquidator must, if practicable, act accordingly.

(e) **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.

(f) **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.

(g) **Future increase in capital**

Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, ASX Settlement Operating 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 have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions they think fit.

Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as the directors think fit.

(h) **Variation of rights**

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- (i) with the written consent of the holders of 75% of the shares of the class; or
- (ii) by a special resolution passed at a separate meeting of the holders of shares of the class.

(i) **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.

7. RISK FACTORS

7.1 Introduction

The Quoted Options offered under this Prospectus and the Shares issued on exercise of those Quoted Options 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 Quoted Options 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 Quoted Options and Shares.

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

7.2 Company specific

(a) Going concern risk

The Company's financial report for the year ended 30 June 2016 (released to ASX on 5 October 2016) includes a note on the financial condition of the Company and the existence of a material uncertainty that may cast doubt on the consolidated entity's ability to continue as a going concern.

Notwithstanding this uncertainty, the Directors believe that following the placement (announced to ASX on 15 December 2016) the Company has 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 7.2(h) for further details.

(b) Absence of agreements with minority holders

The Company does not wholly own any of the licences in which it has an interest nor does it hold a direct interest in any of those licences.

Contractual terms exist in relation to the initial exploration activities proposed by the Company but subsequent to the sole funding periods there are currently no long form agreements governing the joint venture relationship of the various parties. The Company intends to execute further formal agreements (eg. shareholder agreements) with the various licence holders and minority shareholders of the special purpose vehicles holding the licences during the sole funding period, however, where a formal agreement is not entered the ability of the Company to proceed with further activities on the licences may be impaired.

In order for the Company to be able to achieve its objectives the Company is reliant on the holders of the remaining interests (direct or indirect) in those licences to comply with their contractual obligations under the applicable contract. Where the other party fails to comply with

its obligations there is a possibility, depending on the nature of the breach, that title to the licences could be forfeited or fines or other sanctions imposed. It may then be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms. The Company has no current reason to believe that any such party will not satisfy its obligations under the applicable contract.

(c) **Earn-in completion risk**

To complete the acquisition of the interest in 6363L which is prospective for graphite, a contingent payment of US\$1,000,000 (US\$200,000 in cash and US\$800,000 in Shares) in the event a JORC compliant Reserve of not less than 200 million tons of graphite with an average grade exceeding 7.5% total graphite content is delineated on the licence. It should be noted that drilling has not yet started on this project.

To complete the acquisition of the interest in 5030L which is prospective for rubies, two further separate payments of US\$750,000 each are payable to the licence holder within 6 months of and within 12 months of the commissioning/start-up of the bulk sampling plant, further contingent on the license being transferred to a special purpose vehicle in which the Company's 75% owned subsidiary Montepuez Minerals Pty Ltd holds a 70% share. The Company notes that bulk sampling start-up is yet to commence.

Depending on the Company's working capital position at the time of payment ability to generate income from its operations, the Company may require further financing to complete the acquisition of the interests in 6363L and 5030L.

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, it will be unable to complete the acquisition of an interest in either or both of these licences on the current terms. There is 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.

(d) **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.

Under Mozambican law between 5% and 20% of the share capital of a Mozambican mining company must be reserved for disposal preferentially to Mozambican individuals.

Mozambican law also requires that direct or indirect transfer of participating interests, titles or mining rights, including the transfer of shares (whether listed on an exchange or not), irrespective of their being a change of control, is subject to prior authorisation from the Government of Mozambique. Any such transaction that proceeds without authorisation is in violation of Mozambican law and not enforceable in Mozambique. Nevertheless, such violation does not risk the title to the licences, the ability to conduct activities on the licences, to apply for renewal or transfer of the licences. In respect of the renewal or transfer of the licences in which the Company has an interest, the mining authority of Mozambique may require the regularisation of previous unauthorised transfers prior to approval of the renewal or transfer.

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.

(e) **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.

(f) **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.

(g) **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.

(h) **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.

(i) **Exploration and development risks**

The business of ruby, diamond and 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.

The Company's ability to commercially exploit the licences in which it has an interest will also depend on a robust transport and service infrastructure network in Mozambique to deliver equipment, supplies and resources to and from any mining operations. Development of such transport or service infrastructure may be unpredictable and not up to the standard generally seen in more developed nations. Material delays in the transportation of equipment, supplies and resources may delay the development of the licences and have an adverse effect the Company's business, results of operations and financial condition.

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. Until the Company is able to realise value from its projects it is likely to incur ongoing operating losses.

(j) **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.

(k) **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.

(l) **Workforce health risks**

In addition, malaria and other diseases represent a serious threat to maintaining a skilled workforce in the mining industry throughout Africa. Malaria and other diseases are a major healthcare challenge faced by the Company's operations in Mozambique. There can be no assurance that the Company will not lose members of its workforce, workforce man hours or incur increased medical costs which may have a material adverse effect on the Company's operations.

7.3 **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. In any event, a Quoted Option does not entitle a holder to any dividends.

(g) **Taxation**

The acquisition and disposal of Quoted Options 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 Quoted Options 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 Quoted Options under this Prospectus.

7.4 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 Quoted Options offered under this Prospectus.

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

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

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
27/01/2017	Change in substantial holding
24/01/2017	Cleansing Statement
24/01/2017	Appendix 3B
20/01/2017	Results of Meeting
20/01/2017	Plant Commissioned and Rubies Delivered to USA
19/01/2017	Change of Director's Interest Notice – Amendment – van Wyk
19/01/2017	Change of Director's Interest Notice – Amendment – Jordaan
29/12/2016	Becoming a substantial holder
29/12/2016	Ceasing to be a substantial holder
22/12/2016	Cleansing Statement
22/12/2016	Appendix 3B
21/12/2016	Notice of General Meeting/Proxy Form
15/12/2016	Mustangs Raises \$2.8 Million in Oversubscribed Placement
12/12/2016	Trading Halt
09/12/2016	Mustang Ruby & Graphite Project Update
24/11/2016	Mustang Recovers Further Gem Quality Rubies
23/11/2016	Becoming a substantial holder
23/11/2016	Ceasing to be a substantial holder
22/11/2016	Final Director's Interest Notice - F Petruzzelli
22/11/2016	Resignation of Director
21/11/2016	Results of Meeting
07/11/2016	Investor Presentation
28/10/2016	Activity and Cashflow Reports for September 2016 Quarter
26/10/2016	Mustang Recovers 460cts from Plant Startup
20/10/2016	Notice of Annual General Meeting/Proxy Form
18/10/2016	Unmarketable Parcels Process Update
12/10/2016	RBMG Research Report
12/10/2016	Investor Presentation
05/10/2016	Appendix 4G

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 at www.mustangresources.com.au.

8.3 Market price of Shares and Quoted Options

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

The Quoted Options are in a class of securities that has been admitted to Official Quotation on ASX but trading has not yet commenced, therefore, there is no trading history.

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:

Highest	\$0.064	25 January 2017
Lowest	\$0.02	28 and 30 December 2016 and 9 January 2017
Last	\$0.064	25 January 2017

8.4 Substantial Shareholders

Based on public information, as at 27 January 2017, 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 LLP	40,862,500	8.94%
Regius Resources Group Limited	23,374,028	5.11%
Frank Petruzzelli	23,124,802	5.06%

There will be no change to the substantial holders as a result of the issue of any Quoted Options offered pursuant to the Offer.

8.5 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed director of the Company, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) 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 of the Company:

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

Security Holdings

Directors' relevant interests in securities of the Company at the date of this Prospectus are as set out below:

Director	Shares	Options	Performance Rights
Christiaan Jordaan	29,725,308	Nil	6,860,000
Ian Daymond	500,000	Nil	Nil
Cobus van Wyk	29,725,308	Nil	6,860,000

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 annual remuneration paid to both executive and non-executive Directors (inclusive of statutory superannuation contributions and consulting fees) for the previous two completed financial years and the proposed annual remuneration for the current financial year.

Director	FY 2017	FY 2016	FY 2015
Christiaan Jordaan ¹	\$ 251,850	\$258,064	Nil
Ian Daymond	\$80,700	\$62,375	\$75,579
Cobus van Wyk	\$45,000	\$269,375	\$242,070

Notes

1 Christiaan Jordaan was appointed a Director on 1 February 2016.

8.6 Interests of experts and advisers

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

- (a) 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;
- (b) promoter of the Company; or
- (c) 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:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) 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:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$7,500 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid approximately \$284,695.13 (excluding GST and disbursements) for legal services provided to the Company.

8.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as proposed directors of the Company, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

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.

8.8 Estimated Expenses of Offer

The estimated expenses of the Offer are estimated to be approximately \$12,000 (excluding GST) and are expected to primarily comprise legal fees, ASX listing fees and ASIC fees. The estimated expenses will be paid out of the Company's existing working capital.

8.9 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 Form. If you have not, please contact the Company 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.

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

The Company will not be issuing 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 Quoted Options 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 CHES 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 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 the Company, the Directors and management.

The Company cannot and do 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 have 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 7.

8.12 Privacy Act

If you complete an application for Quoted Options, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Securityholder, facilitate distribution payments and corporate communications to you as a Securityholder 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 Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company 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 Quoted Options, the Company may not be able to accept or process your application.

9. DIRECTORS' CONSENT

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 in writing to the lodgement of this Prospectus with the ASIC.



**Mr Christiaan Jordaan
Managing Director
For and on behalf of
MUSTANG RESOURCES LIMITED**

10. **DEFINITIONS**

\$ means Australian dollars.

Applicant means an investor that applies for Quoted Options under the Offer using an Application Form pursuant to this Prospectus.

Application Form means the 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 CHES.

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

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited.

Closing Date means closing date for receipt of an Application Form as set out in Section 2 (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 directors of the Company at the date of this Prospectus.

Offer means the offer of Quoted Options referred to in the "Details of the Offer" section of this Prospectus.

Official Quotation means official quotation on ASX.

Opening Date means the opening date for receipt of an Application Form under this Prospectus as set out in Section 2.

Option means an option to acquire a Share.

Option holder means a holder of an Option.

Performance Right means a conditional right to be issued a Share subject to satisfaction of a performance milestone within a specified time.

Prospectus means this Prospectus.

Quoted Option means an Option with the terms and conditions set out in Section 6.1.

Section means a section of this Prospectus.

Security means a Share, an Option or a Performance Right as the context requires.

Securityholder means a holder of a Security.

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

Shareholder means the holder of a Share.

Share Registry means the share registry of the Company as specified in the corporate directory in this Prospectus.

WST means Western Standard Time as observed in Perth, Western Australia.