BALAMA GRAPHITE PROJECT - UPDATE

27 July 2017

Caula confirmed as tier-1 project with more than half its graphite classed as jumbo and large flake

Caula sits along strike from SyrahResources' (ASX:SYR) advanced Balama Graphite Project in Mozambique

- **Metallurgical tests have produced high-grade concentrates (>95% TGC) and exceptional recoveries (96% recovery from fresh rock composite sample) from the Caula Graphite Project**
- **More than 55% of the fresh graphite assayed has been classed as Jumbo and Large Flake (46% classed as Jumbo and Large Flake for fresh and oxide composites combined)**
- **Tests were conducted using a simple, conventional flowsheet processing samples with ~13% Total Graphitic Carbon (TGC) head grade**
- **Previously announced diamond drilling at Caula has returned outstanding results with intersections of up to 26% TGC**
- **Results demonstrate Caula's potential to be a low-cost supplier to the expandable graphite and lithium ion battery industries**
- **Results will underpin maiden JORC Resource scheduled for release in late August 2017; scoping study to commence immediately thereafter**

Mustang Resources Ltd (**ASX: MUS**) is pleased to announce that it has received strong results from initial beneficiation testwork conducted on both oxide and fresh samples taken from its 80 per cent owned **Caula Graphite Project (Licence 6678L)**.

The Caula project is located along strike from Syrah Resources' (ASX:SYR) world-class Balama graphite project in Mozambique.

These results are based on non-optimised process testwork with scope for further optimisation through a coarser initial grind size and increased preservation of large and jumbo flakes in the intermediate processing stages.

COMPANY INFORMATION

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

Current Shares on Issue:
565,618,436

Market Capitalisation:
$28.28M as at 26 July 2017

COMPANY DIRECTORS

Ian Daymond
Chairman

Christiaan Jordaan
Managing Director

Cobus van Wyk
Director

Peter Spiers
Director

Twitter: @Mustang_Res

Samples were compiled from quarter diamond drill core samples collected during the recent resource drilling campaign.

The testwork flowsheet utilised on the fresh sample comprised an initial coarse grind to 0.71 mm, followed by a series of flotation and regrind stages, and achieved an excellent TGC recovery of 96%. The oxide sample achieved a TGC recovery of 87%.

The TGC recoveries of both samples are expected to improve with:

- Further flowsheet optimisation.
- Recycling of intermediate tailings streams during locked cycle testing. Current testwork was carried out under open circuit conditions with reported recoveries excluding graphite from intermediate tailings streams.

High recovery of jumbo and large flake (>180 µm or +80 mesh) was achieved for both the fresh (56%) and oxide (38%) material. Concentrate results for premium flake products are presented in Table 1. Fresh and oxide overall concentrate grades were 95.7% and 95.9% respectively.

Mustang Managing Director Christiaan Jordaan said the latest results confirmed that Caula was a Tier 1 graphite project.

"Not only does Caula host extensive high-grade graphite mineralisation, but preliminary metallurgical testing demonstrates that it also has more than 55% large and jumbo Flakes in the fresh ore." Mr Jordaan said.

"These results highlight the potential for Caula to be a low-cost graphite supplier to the fast-growing lithium battery and expandable graphite industries."

Table 1: Concentrates from Fresh and Oxide Grade Composites

Graphite Product	Size Fraction	Fresh Composite			Oxide Composite		
		Mass	TGC	TC	Mass	TGC	TC
	µm	%	%	%	%	%	%
Jumbo Flake	300	23.8%	97.90	98.00	13.2%	97.20	97.50
Large Flake	180	31.2%	97.26	97.46	24.6%	96.19	96.69
Medium Flake	150	9.9%	97.30	97.60	7.6%	95.90	96.50
Fine Flake	75	22.5%	96.07	96.41	43.2%	94.85	95.62

1: -106 µm product from >150 µm concentrate is all assumed to be -106+75 µm

The head grades of the samples tested (which are representative of the zones in which they were drilled) are well above the average of other premium flake deposits in the East Africa region. This puts the Caula project in a unique position of hosting both high grade, shallow graphite as well as exceptional flake size distribution, recoveries and concentrate grades.

- Oxide Sample Head Grade = 12.7% TGC
- Fresh Sample Head Grade = 13.3% TGC

The drill hole intervals sampled to create the oxide and fresh composites are shown in Table 2

Table 2: Testwork Composite Details

Composite ID	Hole ID	Down Hole Interval (m)	Mass (kg)
Oxide	MODD001	10.0-65.7	177.6
	MODD002	19.0-63.1	
	MODD003	14.9-68.0	
	MODD004	17.0-65.0	
	MODD005	13.4-66.0	
Fresh	MODD003	68.0-158.4	237.2
	MODD004	65.0-97.0	
	MODD005	66.0-100.4	

All TGC concentrate assays quoted were determined using the double LOI method. All TGC head assays quoted were determined using a combination of acid leach and ELTRA total combustion furnace. All TGC calculated head assays from combined metallurgical test products were within experimental limitations of the assayed head grade.

Mustang is excited by the prospect of developing a low cost high grade graphite product. The high head grade bodes well for the upcoming scoping study as it indicates that a smaller process plant (lower CAPEX) will be required to generate a similar final product output than other lower grade deposits in the region.

Table 3 below highlights the advantages of the Caula Project against other East African Peers. To have the deposit located in the mining friendly country of Mozambique improves the prospect of developing this deposit into a mining operation.

Table 3: Testwork Composite Details Peer Comparison

Project	Company	Deposit Location	Resource/ Reserve Grade	Concentrate Grade (%)	Large + Jumbo(Cum.) Flake
Caula (ASX.MUS)	Mustang Resources	Mozambique	**TBC**	**96**	**46%**
Balama (ASX.SYR)	Syrah Resources	Mozambique	16.6%	95	21%
Montepuez (ASX.BAT)	Battery Minerals	Mozambique	8.8%	96	30%
Mahenge (ASX.BKT)	BlackRock Mining	Tanzania	8.7%	98	51%
Nachu (ASX.MNS)	Magnis Resources	Tanzania	5.4%	98	66%
Namangale (ASX.VRC)	Volt Resources	Tanzania	4.9%	95	67%

JORC Resource & Scoping Study

MUS is currently completing its maiden JORC resource statement which it expects to release by September 2017.

The maiden JORC resource statement will underpin a scoping study for the development of the Caula Graphite Project, to be prepared by Wave International Pty Ltd ("Wave") in collaboration with Independent Metallurgical Operations Pty Ltd ("IMO"). Wave is a highly-experienced resource development consultant working extensively in the battery storage sector across commodities such as Lithium, Graphite, Cobalt and Vanadium, and with specific expertise in the development and delivery of projects throughout Africa. IMO is a specialist metallurgical consultant with significant processing experience and expertise in graphite, having developed graphite flowsheets for numerous other African graphite projects.

The scoping study is expected to commence in August 2017.

For and behalf of the Company.

Christiaan Jordaan
Managing Director

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FORWARD-LOOKING STATEMENTS:

This document may include forward-looking statements. Forward-looking statements include, but are not necessarily limited to the Company's planned exploration program and other statements that are not historic facts. When used in this document, words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although the Company considers that its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

COMPETENT PERSON'S STATEMENT:

Information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Johan Erasmus, a Competent Person who is a registered member of the South African Council for Natural Scientific Professions (SACNASP) which is a Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Mr Erasmus is a consultant to Sumsare Consulting, Witbank, South Africa which was engaged to undertake this work. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results. Mr Erasmus consents to the inclusion of the data in the form and context in which it appears.

The information in this release that relates to metallurgical test work is based on information compiled and / or reviewed by Mr Peter Adamini who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Adamini

is a full-time employee of Independent Metallurgical Operations (IMO) consulting to Wave International. Mr Adamini consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Mustang Resources Ltd (ASX:MUS)

Listed on the Australian Securities Exchange, Mustang Resources Limited (ASX: MUS) is an emerging gemstone developer and producer focused on the near-term development of the highly prospective Montepuez Ruby Project in northern Mozambique.

The Montepuez Ruby Project consists of four licences covering 19,300 hectares directly adjacent to the world's largest ruby deposit discovered by Gemfields PLC (AIM:GEM) in 2012. Since supply of rubies from sources outside Mozambique has become fractured and unreliable, Mustang stands to capitalise on the current demand around the worldfor ethically produced rubies by becoming a reliable, consistent supplier of high-quality rubies.

The Company is currently fast-tracking its work program on the Montepuez Ruby Project with high priority targets being identified and low-cost bulk sampling well underway. First rough ruby sales are scheduled for October 2017 under a closed bid tenderof an estimated 200,000 cts gem quality rubies. Website: www.mustangresources.com.au

APPENDIX 1 – RC DRILLHOLE SUMMARY TABLE

RC drillholes drilled as part of the 2015 maiden drill program

Drill Name	Coordinates - Zone 37		Concession Number	Down Hole Survey Results			
	Easting	Northing		Depth	AZIM	INC	MAG
MORC-001	479623	8546100	5873L	103m	159,1	69,8	36027
	13° 09' 05.5"	38° 48' 43.1"					
MORC-002	483870	8550568	5873L	91m	145,4	74,8	35644
	13° 06' 40.1"	38° 51' 04.3"					
MORC-003	484292	8555877	5873L	76m	83,8	76,4	34880
	13° 03' 47.3"	38° 51' 18.4"					
MORC-004	484939	8563344	6678L	99m	114,4	76,3	35298
	12° 59' 44.2"	38° 51' 40.0"					
MORC-006	478661	8546651	5873L	105m	139,6	70,4	36585
	13° 08' 47.5"	38° 48' 11.2"					
MORC-007	452240	8505362	6636	61m	137,4	67,4	35140
	13° 31' 10.5"	38° 33' 31.1"					
MORC-008	451450	8511181	4662L	85m	176,7	79,7	35069
	13° 28' 01.0"	38° 33' 05.2"					

RC drillholes drilled in October 2014 – refer to ASX announcement dated 10 June 2015 for additional information pertaining to these two drillholes

BHID	UTM East	UTM North	mRL	Azimuth	Dip	Depth	Hole Type	Licence No.
RC001	484791	8551728		120	-60	60	RC	5873L
RC002	479332	8554960		120	-60	50	RC	6527L

APPENDIX 2 – DD DRILLHOLE SUMMARY TABLE

Note - drill hole coordinates WGS 84 UTM. Intersections reported above an 1.82% TGC cut-off grade.

Drill Hole	East (m)	North (m)	Dip	Azimuth	EOH Depth (m)	From (m)	To (m)	Interval (m)	%TGC
MODD001	485,040	8,563,594	-55	153	65.68	10	14	4	20.98%
						17.4	20.44	3.04	20.56%
						21.44	24.44	3	21.87%
						26.44	35.44	9	14.03%
						38.44	42.44	4	12.44%
						43.44	53.86	10.42	17.58%
						59.44	65.68	6.24	9.34%
MODD002	485057	8563110	-55	43	63.14	19.04	21	1.96	19.58%
						31.64	33.05	1.41	8.43%
						37	43.06	6.06	13.16%
						44.71	46.76	2.05	8.62%
						56.54	58.13	1.59	14.50%
						62.69	63.14	0.45	8.06%
MODD003	484966	8563488	-55	115	158.42	14.85	21.42	6.57m	15.01%
						26.42	28.42	2m	5.52%
						30.63	31.31	0.68m	15.50%
						50.34	53.59	3.25m	13.60%
						63.11	64.42	1.31m	12.70%
						66	66.78	0.78m	6.98%
						68	75.13	7.13m	21.10%
						80.9	90	9.10m	13.53%
						100	114	14m	13.09%
						116	122	6m	8.83%
						122	129	7m	18.15%
						129	137	8m	19.94%
						137	144	7m	13.76%
						144	146	2m	1.99%
						146	158	12.42m	19.53%
MODD004	484949	8563339	-60	91	97.04	17	20.54	3.54m	8.55%
				.		21.22	22	0.82m	7.98%
						22.89	24	1.15m	13.60%
						25.32	27	1.22m	10.30%
						27.39	28	0.65m	9.16%
						28.61	30	0.93m	6.89%
						30.05	32.54	2.35m	11.35%
						32.91	37.04	3.93m	17.08%
						37.32	39	1.68m	2.73%
						39	43	4m	12.50%
						43	45	2m	3.30%
						45	49	4m	17.52%
						56.54	59.54	3m	6.26%
						61.57	68.54	6.97m	17.69%
						70.42	79	8.58m	18.08%
						79	93.2	14.2m	10.98%
						93.2	97.04	3.84m	1.47%

MODD005	484992	8563210	-57	56	100.44	13.35	20.44	7.09m	18.70%
						24.08	27	2.92m	10.25%
						30.97	33	2.03m	9.82%
						37.46	38.6	1.14m	6.89%
						43.87	49.58	5.71m	7.89%
						50.44	51.66	1.22m	13.40%
						54.3	60	5.7m	5.82%
						60	64	4m	18.85%
						64	69	5m	6.19%
						71	84	13m	9.10%
						84	92	8m	7.46%
						92	100.44	8.44m	16.32%
MODD007	452231	8505369	-58	121	56.21	17	22	5m	9.46%
						22	30	8m	13.40%
						30	36	6m	8.27%
						36	42	6m	8.61%
						43	49	6m	5.90%
MODD008	451447	8511185	-57	89	41.44	20.44	29.44	9m	2.80%
						30.74	34.73	3.99m	2.19%
						36.56	41.44	4.88m	5.31%

APPENDIX 3 – DD DRILLHOLE SUMMARY LOGS

Please refer to ASX announcement dated 6 March 2017 for a copy of the diamond drill hole logs

JORC CODE, 2012 EDITION – TABLE 1 -

Appendix to Graphite Announcement – 27 July 2017

Section 1 sampling techniques and data.

Criteria	JORC Code Explanation	MUS Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	**2014 Field Program** Sampling undertaken as part of the initial exploration program included rock chip sampling from graphitic-bearing surface outcrop within prospecting & exploration licences 4661L and 4662L. Three representative rock chip samples were collected from two outcrop locations and were submitted to SGS Laboratories and Set Point Laboratories in Johannesburg for Cg % analysis (LECO), as well as XRF (major elements) and petrographic description by optical microscopy. Two test RC holes were drilled within prospecting & exploration licences 6527L and 5873L to test prospective stratigraphy for the presence of graphite mineralisation. The drillhole locations were generated based on results from the initial ground EM survey and airborne magnetic data. A total of 13 drillhole intervals were selected for sampling based on geological logging and only zones logged as graphitic-rich were submitted to the laboratory for analysis. Reverse circulation drilling was used to collect 1m samples (roughly 35kg) by an air cyclone which was reduced to a 3kg sample by riffling. The bagged 3kg samples were submitted to SGS Laboratories and Set Point Laboratories in Johannesburg for Cg % analysis (LECO), as

Criteria	JORC Code Explanation	MUS Commentary
		well as XRF (major elements) and petrographic description by optical microscopy. A total of eleven intervals from hole RC001 were selected for sampling: - 5 – 6m - 9 – 10m - 22 – 23m - 32 – 33m - 37 – 38m - 42 – 43m - 43 – 44m - 47 – 48m - 50 – 51m - 51 – 52m - 57 – 58m Two intervals from hole RC002 were selected for sampling: - 5 – 6m - 17 – 18 m The initial exploration program was undertaken in order to confirm the presence of graphite mineralisation and results are not intended to be used for resource determination. **2015 Field Program** Samples have been taken from Reverse Circulation (RC) drillholes. Reverse circulation drilling was used to collect 1m samples (roughly 35kg) by an air cyclone which was reduced to a 3kg sample by riffling.

Criteria	JORC Code Explanation	MUS Commentary
		Drillhole collar locations were generated based on results from a recently flown airborne SkyTEM EM survey (refer to previous MUS ASX announcements). Ten RC drill holes have been drilled to date. A total of 77 intervals from RC drillhole MORC-004; 84 intervals from RC drill hole MORC-006 and 74 intervals from RC drill hole were selected for sampling. Drill hole intervals were selected for sampling based on geological logging and samples showing no clear example of graphite have been excluded from the analysis completed by SGS Randfontein, an accredited laboratory The 1m composite samples from the RC drilling were submitted to SGS Randfontein. The samples were riffle split on a 50:50 basis, with one split pulverised and analysed for Total Graphitic Carbon (TGC), Total Carbon (TC) and Total Sulphur (TS) using a Leco Furnace, and the remaining split held in storage. In addition, selected samples which are currently in storage will be submitted for flake size distribution analysis and XRF analyses to obtain the vanadium content. A single “test pit” 1 metre by 2.4 metres was excavated to a depth of 1.8 metres. The “test pit” was excavated in close proximity to MORC-002. To date no samples have been collected from the test pit. **2016 Field Program**

Criteria	JORC Code Explanation	MUS Commentary
		Seven cored boreholes were drilled as part of the 2016 field program. The diamond drilling (DD) was completed using a Boart Long-year LF 90 drill-rig and the core was recovered with HQ(III) equipment. The contractor used for the 2016 drill program is Major Drilling, a Canadian based operation with a local presence in Mozambique. • Drillhole collar locations were generated based on results from a flown airborne SkyTEM EM survey which was completed during 2015 (refer to previous MUS ASX announcements). • Sampling is of HQ(III) DD core. A total of 354 m of mineralisation were sampled over seven DD boreholes. Three DD holes (MOD004, MODD007, MODD008) have been twinned with existing RC holes (MORC004, MORC007, MORC008) for lithology and grade verification. • The core is photographed in sequence as the core is packed into the core trays at the drill site. • The recovered DD core is cut lengthwise with a core splitting saw to produce 1 m samples. Where lithological boundaries did not fit the 1m geometry, the sample length was to be a minimum of 0.4 m or a maximum of 1.5 m. • In the case of MODD008, the core is sampled in 3 m lengths (the drilling runs), due to a very deep oxidised horizon of the mineralized rock. For comparison with the RC results, this specific RC hole (MORC008) will be composited back to 3 m intervals. • Core is halved for normal analyses. In the case of duplicate analyses (1 in 20), the core is quartered. In total 1 161 kg of sample was taken over 362 samples for chemical analyses. • The remaining coreis halved in the mineralized zones to provide a quartered sample for metallurgical analysis. In total 551 kg of sample over 342 samples was taken for metallurgical test-work. • The remaining quarters and halves are retained in stratigraphic sequence in the coretrays. The remaining core has been photographed, and the trays wrapped in cling-film, before it was put in container storage on site at the Mustang camp outside Montepuez.

Criteria	JORC Code Explanation	MUS Commentary
		• Samples are to be submitted for LECO analyses as well as for XRF multi-element analyses in selected instances. Mineralised zone core as well as 1 m boundaries into non-mineralised zone core will be submitted for analysis. • Initial metallurgical analysis will be performed on between 2 and 4 composited samples. The sampling will be split between the oxidized and fresh mineralized zones.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	**2014 Field Program** Reverse circulation drilling was used to drill two 5.5 inch diameter holes. RC drill chips were collected by an air cyclone at 1m intervals for logging and sampling. Approximately 35kg per metre was collected and reduced to a 3kg sample by riffling. **2015 Field Program** Reverse circulation drilling was used to drill 5.5 inch diameter holes. RC drill chips were collected by an air cyclone at 1m intervals for logging and sampling. Approximately 35kg per metre was collected by an air cyclone which was reduced to a 3 kg sample by riffling. Reflex Ezy shot tools were used to take downhole survey measurements to monitor drillhole azimuth and dip. **2016 Field Program** • The core drilling was completed with a Boart Longyear LF-90 drilling rig. The drilling equipment was HQ(III) sized. • Drilling was planned to be perpendicular to strike, and as close as possible to true width intersections. • The borehole dip and azimuth was surveyed at 3 m intervals from the bottom of the borehole with a Reflex EZ-Trac tool. The maximum deviation from the planned azimuth was measured at

Criteria	JORC Code Explanation	MUS Commentary
		6°in MODD003.The maximum deviation from the planned dip was measured at 5° in MODD004. • Final borehole collar positions are to be surveyed with a differential GPS survey instrument, by an independent external surveyor. • The core was oriented with a Reflex Tool.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	**2014 Field Program** The condition and qualitative estimates of RC sample recovery were determined through visual inspection of the 1m sample bags and recorded at the time of sampling. A hard copy and digital copy of the sampling log is maintained for data verification. The samples obtained are considered to be representative of the drilled intervals and no preferential loss or gain of fine or coarse material was identified during the initial exploration program. **2015 Field Program** The condition and qualitative estimates of RC sample recovery were determined through visual inspection of the 1m sample bags and recorded at the time of sampling. A hard copy and digital copy of the sampling log are maintained for data verification. Recovery has been good with 35kg + being returned per metre drilled. Several wet intervals had poor to no sample recovery. • MORC001 the last metre was not recovered due to excess water (102-103m). • MORC003 three metres in the last 7 metres could not be recovered due to excess water make (70 – 71m, 72-73m and 76-77m).

Criteria	JORC Code Explanation	MUS Commentary
		Due to the early stage of exploration works at the project, no relationship between sample recovery and grade is known to exist at this point. **2016 Field Program** The condition and qualitative estimates of DD sample recovery were determined through visual inspection and measurement of the drilling core runs and recorded at the time of recovery at the drill-rig. A hard copy and digital copy of the sampling log are maintained for data verification.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Core recovery measurements are recorded for every borehole. • Where recoveries were found to be less than 95 %, the drill runs were shortened to 1 m, and drilling speed lowered to improve recovery. • In some instances (faulting and severe oxidation), core losses were unavoidable. These losses are recorded, and will be applied with circumspection in future modeling. **2014 Field Program** RC drillchip samples were geologically logged by trained geologists. The drillholes are considered by MUS to be 'scout test drill holes' and were not drilled for the purpose of Mineral Resource estimation. Logging of RC drill holes includes recording of lithology, mineralogy, mineralisation, weathering, colour and other features of the samples. RC Chip trays are photographed. Geological descriptions of the mineral volume abundances and assemblages are semi-quantitative. The drillholes were logged in full.**2015 Field Program**

Criteria	JORC Code Explanation	MUS Commentary
		RC drillchip samples were geologically logged by trained geologists. The drillholes are considered by MUS to be part of a maiden drill program aimed at identifying shallow graphite mineralisation. Mustang will use the results from this maiden program to prioritise target areas, which will then become the focus of further drillhole definition programs. Whilst the aim of this maiden drill program is not to produce a Mineral Resource Estimate. These holes may potentially be used for resource estimation purposes in the future. Logging of RC drill holes includes recording of lithology, mineralogy, mineralisation, weathering, colour and other features of the samples. RC Chip trays are photographed. Geological descriptions and estimates of visual graphite percentages on preliminary logs are semi-quantitative. All drill holes were logged in full. **2016 Field Program** • All holes drilled were logged in full and sampled by the site geologists. • All the logged information which includes depth, lithology, mineral assemblage, structural information, Cg mineralisation (laboratory data), collar survey and geologists are recorded in the field logging sheets and in digitalformat. • The recovered core is recorded in sequence asdigital photographs. • All the logged information which includes depth, lithology, mineral assemblage, Cg mineralisation (laboratory data), collar survey and geologist are recorded in a strip-log which is generated from the field logging sheets. • The analytical samples are in transit to the laboratory for

Criteria	JORC Code Explanation	MUS Commentary
		analysis. • Umpire samples have been identified and will be dispatched to a third party laboratory. • The samples for metallurgy have been identified and are in transit. • Metallurgical testing will commence once the chemical laboratory work have been completed. • The remaining core which is in storage, is recorded in sequence in digital photograph format.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	**2014 Field Program** RC samples were collected on the rig using riffle splitters to reduce the sample mass from 35kg to 3kg. Sample preparation of the RC chip samples follows industry best practice in sample preparation involving oven drying (105^{o}C), split (300g) and pulverising to a grind size of 85% passing 75 micron. The sample preparation for RC samples follows industry best practice. The majority of samples were dry, with some wet samples at depth in RC002. No field QC procedures were adopted (i.e. no certified standards or blanks were inserted and no field duplicates were collected). Due to the early nature of the project, nominal 1m composite sampling was undertaken for this phase of the exploration program. **2015 Field Program** RC samples are collected on the rig using riffle splitters to reduce the sample mass from 35kg to 3kg. Sample preparation of the RC chip samples follows industry best practice in sample preparation involving oven drying (105^{o}C), split (300g) and pulverising to a grind size of 85%

Criteria	JORC Code Explanation	MUS Commentary
		passing 75 micron. The sample preparation for RC samples follows industry best practice. The majority of samples were dry, with some wet samples at depth in MORC001 and MORC003. Field QC procedures were adopted as follows: • Insertion rate for blanks - 5% (1 in 20) • Insertion rate for standards - 5% (1 in 20) • Insertion rate for duplicates - 5% (1 in 20) • Umpire duplicates - 5% (1 in 20) Two CRM (GGC004 and GGC009) were obtained from Geostats Pty Ltd to monitor analysis of laboratory for graphitic carbon, carbon and sulphur. 1m RC composite sampling has been undertaken for this phase of the exploration program. **2016 Field Program** The majority of samples were moist (from the DD process) at recovery, with ambient temperatures sufficiently high to dry the oxidized core before the commencement of sampling. Field QC procedures were adopted as follows over and above the laboratory internal controls: • Insertion rate for blanks - 5% (1 in 20) • Insertion rate for standards - 5% (1 in 20) • Insertion rate for duplicates - 5% (1 in 20) • Umpire duplicates - 5% (1 in 20)

Criteria	JORC Code Explanation	MUS Commentary
		• Two Graphite standards (GGC004 and GGC009) were obtained from Geostats Pty Ltd to monitor analysis by the laboratory for graphitic carbon, carbon and sulphur. As far as possible 1m DD composite sampling has been undertaken for this phase of the exploration program. • The core is split by saw and half core is submitted for analyses generally as 1 m samples. When aduplicate sample is submitted, the core isquartered. • Mineralised samples are submitted for LECO analyses as well asfor ICP Multi-elementanalyses. • Within the total samples dispatched a random sequence of 5 % each of standards, blanks and duplicates are included. • Sample preparation is done by SGS in Johannesburg, before the prepared samples are analysed for contentdetermination. • Sampling procedure include drying, crushing, splitting and pulverizing ensures that 85% of the sample is 75 micron or less in size. A split of the sample is analysed using a LECO analyser to determine carbon in graphitecontent. • The sample procedure standards followed are internal to SGS and are listed below: • WGH 79 (Receive Sample Weight), SCR 32 (Sample Screening),CSA01V (Total Carbon by LECO), CSA05V (Graphitic Carbon by LECO), CSA06V (Sulphur by LECO), XRF 79V (Trace Element by pressed pellet). • QC measures include the submission of duplicate samples (5% of samples), blanks (5% of samples) and standards (5% of samples) over and above the internal controls at SGS. • The smallest core sample dimension after cutting is 29 mm. The large category flake size is > 8 mesh or 2.38 mm. The sample size exceeds the target material size comfortably. • Sampling for metallurgical testing is complete, and samples are in transit at present. • The metallurgical samples consist of quartered core, sampled and bagged generally per metre. • The metallurgical composites will be batched by the laboratory

Criteria	JORC Code Explanation	MUS Commentary
		metallurgists once the results from the initial laboratory work have been received.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	**2014 Field Program** Fourteen samples were analysed by SGS Laboratories in South Africa forGraphitic Carbon and Total Carbon on a Leco Combustion Infrared Detection instrument. In addition, these samples were analysed for multi element content (including V_2O_5) by XRF and underwent petrographic thin section analysis to determine graphitic carbon flake size distribution. Two samples were submitted to Set Point Laboratories for analysis of Graphitic Carbon and Total Carbon on a Leco Combustion Infrared Detection instrument, and vanadium by SD/ICP. Samples were also subjected to a size fraction distribution analysis. Detection limits for these analyses are considered appropriate for the reported assay grades and adequate for the phase of the exploration program. No geophysical tools were used to determine any element concentrations. No QC procedures were adopted (i.e. no certified standards or blanks were inserted and no field duplicates were collected). Both SGS and Set Point carried out sample preparation checks for fineness as part of their internal procedures to ensure the grind size of 85% passing 75 micron was being attained. Laboratory QAQC involves the use of internal lab standards using certified reference material, blanks, and repeats as part of their in-house procedures. **2015 Field Program**

Criteria	JORC Code Explanation	MUS Commentary
		A total 235 samples were analysed by SGS Laboratories in South Africa for Total Graphitic Carbon (TGC), Total Carbon (TC) and Total Sulphur (TS) using a Leco Furnace, and the other split held as in storage. Detection limits for these analyses are considered appropriate for the reported assay grades and adequate for the phase of the exploration program. No geophysical tools were used to determine any element concentrations. The assaying and laboratory procedures used are appropriate for the material tested. SGS carried out sample preparation checks for fineness as part of their internal procedures to ensure the grind size of 85% passing 75 micron was being attained. Laboratory QAQC involves the use of internal lab standards using certified reference material, blanks, and repeats as part of their in-house procedures. **2016 Field Program** • All samples are labelled with a unique sequential number with a sample ledger recording all samples. • QA/QC samples are included in a random sequence at a frequency of 5 % each for standards, blanks and duplicates. • The laboratory uses internal standards in addition to the standards, blanks and duplicates inserted by Mustang. • The standards are supplied by an external and independent third party. Two standards are to be used for the laboratory test-work; GGC-04 and GGC-09. • The blanks are made up from non- graphitic rock. The duplicates are a quartered sample of the original halved cores. • The detection limits are deemed sufficient for the purpose of future

Criteria	JORC Code Explanation	MUS Commentary
		Mineral Resource estimation. • The samples will be analysed by SGS, with sample preparation done in Johannesburg. Sampling procedures are listed above and includes drying, crushing, splitting and pulverizing such that 85% of the sample is 75 micron or less in size. A split of the sample will be analysed using a LECO analyser to determine carbon in graphite carbon content. • Laboratory test-work is scheduled for the first quarter of 2017, and the Metallurgy test-work will follow on in the second quarter of 2017.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	**2014 Field Program** Mr. Johan Erasmus, an independent geologist, has visually verified the geological observations reported in the RC drillholes. No twin holes were drilled. Sample information was recorded at the time of sampling in electronic and hard copy form. Data is documented by Mr. Johan Erasmus and primary data is kept in a Microsoft Access database. Assay data is received from the laboratory in electronic form and compiled into the Company's digital database. A copy of the data is stored in Mr. Erasmus' office as well as in Mustang's office in Pretoria, RSA. Assay data was reported as received from the laboratory (refer to MUS ASX announcement dated 10 June 2015). No adjustments or calibrations have been made to any assay data. **2015 Field Program** Mr. Johan Erasmus, an independent geologist, has visually verified the geological observations reported in the RC drillholes. No twin holes have been drilled to date. Sample information is recorded at the time of sampling in electronic and hard copy form. Data is documented by Mr. Johan Erasmus and primary data is kept in a Microsoft Access

Criteria	JORC Code Explanation	MUS Commentary
		database. A copy of the data is stored in Mr. Erasmus' office as well as in Mustang's office in Pretoria, RSA. Verification was based on use of duplicates, standards and blanks used. Assay data was reported as received from the laboratory. No adjustments or calibrations have been made to any assay data. **2016 Field Program** • The Exploration Manager and field geologists and are in the employment of Mustang, and external oversight is established with the contracting of Sumsare Consulting, a South-African consulting company. Sumsare is supplying an external Competent Person. • The twinning of RC boreholes was done by DD in 3 instances as a correlation exercise. MODD004 (for MORC004), MODD007 (for MORC007) and MODD008 (for MORC008). A comparison of the data obtained from these twinned holes will be completed once the latest analytical results are received. • The primary data is kept in the company office in Pretoria under the custodianship of the Exploration Manager. The CP has a duplicate dataset at his office in South-Africa, and the company has a dataset in the Australian office. • Assay data is not adjusted, and is released to the market as it is received from the laboratory.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine*	**2014 Field Program**

Criteria	JORC Code Explanation	MUS Commentary
	workings and other locations used in Mineral Resource estimation. • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	Collar locations and rockchip sample locations were surveyed with a Garmin 62/64 GPS Device. The Garmin devices typically have an error of +/- 7m. No downhole survey measurements were taken. All spatial data was collected in WGS 84 and the datum used is UTM Zone 37 South. **2015 Field Program** Collar locations were surveyed with a Garmin 62/64s GPS Device. The Garmin devices typically have an error of +/- 7m. All spatial data was collected in WGS 84 and the datum used is UTM Zone 37 South. A DTM surface was produced by SkyTEM as part of the recent airborne geophysics program completed by Mustang. **2016 Field Program** A hand-held Garmin 62/64s GPS was used to site the drill holes (xy horizontal error of 7 metres) and reported using WGS 84 grid and UTM datum zone 37 south. • The final collar positions will be surveyed using an independent surveyor with a differential GPS instrument. • Topographic control is good due to the SkyTEM survey that was completed during 2015. A DTM surface was produced by SkyTEM as part of the EM geophysics program. • The borehole dip and azimuth was surveyed at 3 m intervals from the bottom of the borehole with a Reflex EZ-Trac tool.

Criteria	JORC Code Explanation	MUS Commentary
		• Final borehole collar positions are to be surveyed with a differential GPS survey instrument, by an independent external surveyor. • The core was oriented with a Reflex Tool.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	**2014 Field Program** Two scout test RC drillholes were drilled in prospecting & exploration licences 6527L and 5873L and three rock chip samples were collected from surface outcrops in licences 4661L and 4662L. Drilling data is at the exploration level and data is not considered to be sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure. Drillhole collar information is tabulated in Appendix 1. No sample compositing has applied. Samples have been composited to a maximum of 0ne metre dor the RC samples. No sample compositing occurred for the grab sample analysis. **2015 Field Program** Eight of the RC drillholes were inclined on average at -74 to 78 degrees. Two of the RC drillholes were drilled vertically. Due to the early stage of the exploration program, there is no nominal sample spacing. Drillhole collars have been planned to test EM anomalies. Drilling data is at the exploration level and data is not considered to be sufficient to establish the degree of geological and grade continuity

Criteria	JORC Code Explanation	MUS Commentary
		appropriate for the Mineral Resource and Ore Reserve estimation procedure. No sample compositing has been applied. Samples have been composited to a maximum of one metre for the RC samples. No sample compositing occurred for the grab sample analysis. **2016 Field Program** • The spacing of five of the DD drill-holes was at a grid of approximately 150 m, while the remaining two DD drilled holes was spaced at an infinite grid. • All seven of the DD drill-holes were inclined on average at between -52° to 60°. The collar details are tabulated in Appendix 1. • Sample compositing for the DD program has not been applied.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	**2014 Field Program** RC drillholes were inclined at -60 ° orientated on a bearing of 120° (measured clockwise with North at 0 °). The orientation of the RC holes was designed based on regional geology interpretations and designed to test the broad stratigraphy. No sampling bias is considered to have been introduced. **2015 Field Program** The orientation of the RC holes were designed based on regional geology interpretations and designed to test the broad stratigraphy. The collar details are tabulated in Appendix 1.

Criteria	JORC Code Explanation	MUS Commentary
		No sampling bias is considered to have been introduced at this early stage of the project. **<u>2016 Field Program</u>** • The orientation of the DD holes were planned based on the regional geology interpretation and planned to test the broad stratigraphy. The collar details are tabulated in Appendix 1. • No sampling bias is considered to have been introduced at this early stage of the project. • From the previous surface mapping of the area, the regional foliation dips at steep angles of between 50 and 70 degrees to the west. • The drilling was hence planned at an inclined orientation of 55^{o} from the horizontal in an easterly direction across strike. From prior experience, drilling at angles shallower than 55^{o} is usually problematic. The SkyTEM EM data was used to fix a strike direction. • The borehole dip and azimuth was surveyed at 3 m intervals from the bottom of the borehole with a Reflex EZ-Trac tool. • Final borehole collar positions are to be surveyed with a differential GPS survey instrument, by an independent external surveyor. • The core was oriented with a Reflex Tool. • The structural analysis is in progress. So far an association between structure and Cg grade has not been established, but hinge zones are suspected to improve Cg grades, and potentially flake sizes.
Sample security	• *The measures taken to ensure sample security.*	**<u>2014 Field Program</u>** • Samples were kept in a locked room after collection, and shipped in sealed containers by Mustang to SGS and Set Point Laboratories in South Africa. • Sample residue was retained by SGS and Set Point for safekeeping until further analysis is needed.

Criteria	JORC Code Explanation	MUS Commentary
		2015 Field Program • Samples were stored at the company's field base in a locked and sealed shipping container until it was dispatched to the laboratory in Johannesburg. • Samples were transported in sealed containers by road to South Africa for analysis. The sample export procedure as required by the Mozambican government was followed, and the samples were delivered to SGS in Johannesburg for analysis. • No signs of tampering were reported by the laboratory upon sample receipt. **2016 Field Program** • Samples are stored at the company's field base until dispatched to the laboratory. Samples will be transported in sealed containers by road, to South Africa for analysis. • The sample export procedure as required by the Mozambican government is being followed, and the samples are to be delivered to SGS in Johannesburg for analysis. • The sample logistics between Mozambique and SouthAfrica are handled in-house by Mustang. • Any signs of tampering will be reported by the laboratory upon sample receipt. • The remaining core is kept in a safe facility under guard at the site office in Montepuez in Mozambique.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No external audits have been undertaken up to this stage of work.

Section 2 reporting of exploration results

Criteria	Explanation	MUS Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	Mustang's Balama Graphite Project area consists of 6 prospecting & exploration licences covering a total area of 666.64 $km^{2.}$ Mustang has acquired rights to earn majority interests in these licences by acquiring all of the issued capital of Balama Resources Pty Ltd under an agreement with Balama Resources Pty Ltd. Refer to ASX announcement dated 20 October 2014 for full details regarding ownership and earn-in rights. All statutory requirements were acquired prior to exploration work. All licences have been awarded and issued The Company is not aware of any impediments relating to the licences or the area.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	No prior exploration work done by other parties on the licence areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country wide airborne magnetics and radiometric geophysical surveys flown over the region by the Government of Mozambique.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The area is predominantly underlain by Proterozoic rocks that form a number of gneiss complexes that range from Palaeo to Neoproterozoic in age (Boyd et al., 20 10). The Mustang project area is underlain by metamorphic rocks of the Neoproterozoic Lurio Group within the Xixano Complex (Brice, 2012) in north-eastern Mozambique. The Xixano complex is composed dominantly of mafic to intermediate orthogneiss with intercalations of paragneiss, meta-arkose, quartzite, tremolite-rich marble and graphitic schist. Graphite rich units are comprised of sequences of metamorphosed carbonaceous pelitic and psammitic (sandstone) sediments within the Proterozoic Mozambique Belt (Brice, 2012). The metamorphic grade is typically of amphibolite facies.

Criteria	Explanation	MUS Commentary
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* • *easting and northing of the drill hole collar* • *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* • *dip and azimuth of the hole* • *down hole length and interception depth* • *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	Two RC holes were drilled in late 2014 as part of a scout drilling program. Refer to ASX announcement dated 10 June 2015 for further information and results. Ten RC holes were drilled in late 2015 as part of an EM survey verification drilling program. Refer to ASX announcement dated 10 June 2015 for further information and results. Seven DD boreholes were drilled between October and November of 2016. These holes were drilled to draw a comparison with some of the RC holes drilled during 2015, and to collect data for an initial JORC (2012) compliant resource statement. Information pertaining to drilling completed to date is provided in Appendix 1 and Appendix 2.

Criteria	Explanation	MUS Commentary
Data aggregation methods	*• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* *• Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* *• The assumptions used for any reporting of metal equivalent values should be clearly stated.*	No weighting averaging techniques, grade truncations or cut-off grades have been applied.
Relationship between mineralisation widths and intercept lengths	*• These relationships are particularly important in the reporting of Exploration Results.* *• If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* *• If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	No relationship between mineralisation widths and intercept lengths is known at this stage. Assay grades have been reported and tabulated by sample interval for the 2014 drill program and are reported in ASX announcement dated 10 June 2015. Assay grades have been reported and tabulated by sample interval for the 2015 drill program and are reported in ASX announcement dated 10 June 2015. The cored DD program for 2016 has been completed with structural data collected from orientated core intersections. The structural analysis will be completed as part of the technical report that accompanies the resource statement. Analytical results will be released as soon as the laboratory and metallurgical testwork is completed. The laboratory and metallurgy work is expected to be completed during the 1st and 2nd quarters of 2017.

Criteria	Explanation	MUS Commentary
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Appropriate plans and maps are included in the body of the announcement.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	The report is considered to be balanced. The 2014 drilling and rock-chip sampling results have been reported in ASX announcement dated 10 June 2015. The 2015 drilling and sampling results have been reported in the ASX announcement dated 10 June 2015. The 2016 drilling and sampling results will be reported in due course, as the results become available. An extended lead time is expected from the laboratories due to the metallurgical compositing that will follow on from the chemical analyses.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	Regional geological mapping and regional airborne geophysics (magnetics and radiometrics) have been obtained from the Mozambican Government. In addition Mustang flew airborne geophysics survey (SkyTEM) across 6 of its tenements. The geophysics datasets were used to aid in interpretations and plan the 2015 and 2016 drill-hole programs' collar locations. Additional metallurgical testwork / flowsheet optimisation is planned post resource and scoping study completion. Mustang will further evaluate flowsheet variability performance based on weathering and lithology domains.

Criteria	Explanation	MUS Commentary
Further work	• *The nature and scale of planned further work (e.g tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	The drilling of priority targets identified from the SkyTEM survey is ongoing. Areas on Prospecting Licences 5873L and 6678L have been identified for future drilling. Results will be announced as they become available.