

Appendix 3B

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

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

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

Name of entity	Mustang Resources Limited
ACN	090 074 785

We (the entity) give ASX the following information.

Part 1 - All issues

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

- | | | |
|---|---|--|
| 1 | Class of securities issued or to be issued | <ul style="list-style-type: none"> (i) Fully paid ordinary shares (ii) Unquoted Options (iii) Convertible Notes (iv) Expiry of unquoted options |
| 2 | Number of securities issued or to be issued (if known) or maximum number which may be issued | <ul style="list-style-type: none"> (i) 3,496,064 (ii) 7,500,000 (iii) 2,000,000 (iv) (expiry of 4,149,253 unquoted options) |
| 3 | Principal terms of the securities (eg, if options, exercise price and expiry date; if partly paid securities, the amount outstanding and due dates for payment; if convertible securities, the conversion price and dates for conversion) | <ul style="list-style-type: none"> (i) Fully paid ordinary shares (ii) Exercisable at \$0.0307 with expiry date 15 January 2021 (iii) Conversion Price on the Convertible Notes shall be equal to the higher of: the lowest one (1) day Volume Weight Average Price (VWAP) as published by Bloomberg selected by Arena over the twenty (20) trading days prior to the conversion of the Convertible Notes and a floor price of \$0.018. (iv) 149,253 Unquoted options exercise price of \$0.2412 Expiry Date: 10 November 2017 and 2,000,000 Unquoted options exercise price of \$0.09 Expiry Date: 31 December 2017 and 2,000,000 Unquoted options exercise price of \$0.015 Expiry Date: 31 December 2017. |

4 Do the securities rank equally in all respects from the date of allotment with an existing class of quoted securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

- (i) Yes – fully paid ordinary shares.
- (ii) No – upon the exercise of the Options, fully paid Ordinary Shares issued will rank equally with the existing fully paid Ordinary Shares on issue.
- (iii) No – upon conversion the fully paid ordinary shares issued will rank equally with the existing fully paid ordinary shares on issue.
- (iv) N/A – options expired.

5 Issue price or consideration

- (i) As follows:
- 412,800 issued at 5 day VWAP of \$0.03 per share in consideration for professional services provided to the Company
- 583,264 issued at 30 day VWAP of \$0.03 per share in consideration for professional services provided to the Company
- 2,500,000 issued at Nil consideration via the Mustang Resources Long Term Incentive Plan as part of the Company's performance linked incentive component in the remuneration package for directors and key employees
- (ii) 7,500,000 issued at Nil consideration via the Mustang Resources Long Term Incentive Plan as part of the Company's performance linked incentive component in the remuneration package for directors and key employees
- (iii) \$1,900,000 (\$0.95 per convertible note)

6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<p>(i) As follows:</p> <p>996,064 issued in consideration for professional services provided to the Company</p> <p>2,500,000 issued via the Mustang Resources Long Term Incentive Plan as part of the Company's performance linked incentive component in the remuneration package for directors and key employees</p> <p>(ii) As follows:</p> <p>7,500,000 issued via the Mustang Resources Long Term Incentive Plan as part of the Company's performance linked incentive component in the remuneration package for directors and key employees</p> <p>(iii) To raise funds of \$1,900,000 to be used for costs associated with bulk sampling activities and to fund an accelerated auger drilling program at the Montepuez Ruby Project and exploration work on the Caula Graphite Project, and for general working capital purposes</p>
6a	Is the entity an eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h <i>in relation to the securities the subject of this Appendix 3B</i> , and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	24 November 2017
6c	Number of securities issued without security holder approval under rule 7.1	<p>(i) 996,064</p> <p>(ii) Nil</p> <p>(iii) 2,000,000 (equal to a maximum of 111,111,112 shares)</p>
6d	Number of securities issued with security holder approval under rule 7.1A	Nil
6e	Number of securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	<p>(i) Nil</p> <p>(ii) Nil</p> <p>(iii) Nil</p>
6f	Number of securities issued under an exception in rule 7.2	<p>(i) 2,500,000</p> <p>(ii) 7,500,000</p> <p>(iii) Nil</p>

6g If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.

Not Applicable

6h If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements

Not Applicable

6i Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements

<u>ASX Listing Rule 7.1</u> 1,283,412 Securities <u>ASX Listing Rule 7.1A</u> 76,793,731 Quoted Securities

7 Dates of entering securities into uncertificated holdings or despatch of certificates

15 January 2018

	Number	Class
8	741,433,387	Fully paid ordinary shares
	61,938,095	Listed Options (MUSOA) exercisable at \$0.035 on or before 25 January 2020

Number and class of all securities quoted on ASX (including the securities in section 2 if applicable)

	Number	Class
Number and class of all securities not quoted on ASX (including the securities in section 2 if applicable)	30,000,000	Fully paid Ordinary Shares – escrowed to 6 June 2018
	8,000,000	Unlisted Options exercisable at \$0.15 on or before 14 June 2019
	14,000,000	Unlisted Options exercisable at \$0.075 on or before 21 June 2019
	7,500,000	Unlisted Options exercisable at \$0.06 on or before 4 August 2019
	2,831,509	Unlisted Options exercisable at \$0.0273 on or before 23 January 2020
	561,141	Unlisted Options exercisable at \$0.0273 on or before 25 January 2020
	1,519,559	Unlisted Options exercisable at \$0.10 on or before 9 March 2020
	3,000,000	Unlisted Options exercisable at \$0.15 on or before 31 March 2020
	3,000,000	Unlisted Options exercisable at \$0.20 on or before 31 March 2020
	2,181,818	Unlisted Options exercisable at \$0.0715 on or before 20 July 2020
	13,333,333	Unlisted Options exercisable at \$0.117 on or before 20 July 2020
	3,333,333	Unlisted Options exercisable at \$0.117 on or before 15 September 2020
	12,765,957	Unlisted Options exercisable at \$0.1222 on or before 20 July 2020
	1,800,000	Unlisted Options exercisable at \$0.13 on or before 16 October 2020
	7,500,000	Unlisted Options exercisable at \$0.0307 on or before 15 January 2021
14,000,000	Class E Performance Rights expiring 31 December 2019 (vesting on proving a JORC compliant inferred graphite resource of a minimum of 50 million tonnes at >5% total graphite content on or before 31 December 2019 on any of the licences comprising the Balama Project (4661L, 4662L, 5873L, 6527L, 6636L, 6678L))	
2,000,000	Convertible Notes with a face value of \$1.00 and a conversion price equal to the higher of: the lowest one (1) day Volume Weight Average Price (VWAP) as published by Bloomberg selected by Arena over the twenty (20) trading days prior to the conversion of the Convertible Notes and a floor price of \$0.018.	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A

Part 2 - Bonus issue or pro rata issue

Questions 11 to 33 are not applicable

Part 3 - Quotation of the Unlisted Options is not sought

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

34 Type of securities
(tick one)

(a) Securities described in Part 1 – Fully paid Ordinary Shares only

(b) All other securities

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

Entities that have ticked box 34(a)

Questions 35 to 42 are not applicable

Quotation agreement

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

2 We warrant the following to ASX.

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

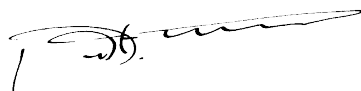
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

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

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

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

Sign here:



Date: 15 January 2018

Print name: **Robert Marusco**
Company Secretary

Appendix 3B – Annexure 1

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

Introduced 01/08/12

Part 1 Rule 7.1 – Issues exceeding 15% of capital		
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated		
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	372,309,913	
<p>Add the following:</p> <ul style="list-style-type: none"> Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid ordinary securities issued in that 12 month period with shareholder approval Number of partly paid ordinary securities that became fully paid in that 12 month period <p>Note:</p> <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	<p>84,840,000 Fully paid ordinary shares (as approved by shareholders on 20 January 2017) issued on 24/1/17</p> <p>68,572,467 Fully paid ordinary shares (as approved by shareholders on 22 May 2017) issued on 9/3/17</p> <p>234,128 Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 16/3/17</p> <p>3,896,110 Fully paid ordinary shares (as approved by shareholders on 22 May 2017) issued on 31/5/17</p> <p>30,000,000 Fully paid ordinary shares (as approved by shareholders on 22 May 2017) issued on 6/6/17</p> <p>4,761,905 Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 21/6/17</p> <p>1,003,905 Fully paid ordinary shares (as approved by shareholders on 1 Sept 2017) issued on 21/6/17</p> <p>3,896,103 Fully paid ordinary shares (as approved by shareholders on 22 May 2017) issued on 11/8/17</p> <p>1,800,000 Fully paid ordinary shares (as approved by shareholders on 24 Nov 2017 AGM) issued on 11/8/17</p> <p>2,310,516 Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 8/9/17</p> <p>11,270,491 Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 8/9/17</p> <p>29,688,524 Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 15/9/17</p> <p>15,243,902 Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 19/9/17</p> <p>8,237,232 Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 27/9/17</p> <p>12,531,328 Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 4/10/17</p> <p>99,330 Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 4/10/17</p> <p>5,780,780 Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 12/10/17</p> <p>33,834,586 Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 16/10/17</p> <p>38,847,117 Fully paid ordinary shares (upon conversion of convertible notes approved by shareholders 1 Sept 2017) issued on 19/10/17</p> <p>69,300 Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 19/10/17</p> <p>38,709,677 Fully paid ordinary shares (upon exercise of shareholder approved options) issued on 26/10/17</p> <p>2,500,000 Fully paid ordinary shares (as approved by shareholders on 24 Nov 2017 AGM to Long Term Incentive Plan) issued on 15/01/18</p>	

Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	767,937,314

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	115,190,597

Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p><i>Insert</i> number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>8 issued on 24/1/17</p> <p>1 issued on 11/8/17</p> <p>1,800,000 options exercisable at \$0.13 each on or before 16/10/2020 issued on 16/10/17</p> <p>2,000,000 convertible notes on 15/01/18 (equivalent to a maximum of 111,111,112 shares)</p> <p>412,800 shares (issued for professional services) issued on 15/01/18</p> <p>583,264 shares (issued for professional services) issued on 15/01/18</p>
“C”	113,907.185

Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	115,190,597
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	113,907,185
<p>Total [“A” x 0.15] – “C”</p>	<p>1,283,412</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	767,937,314
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	76,793,731
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	-
“E”	-

Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 <i>Note: number must be same as shown in Step 2</i>	76,793,731
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	-
Total ["A" x 0.10] – "E"	76,793,731 <i>Note: this is the remaining placement capacity under rule 7.1A</i>