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## **MUSTANG RESOURCES LIMITED**

**ACN 090 074 785**

## **NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 10:00am (WST)

**DATE:** 2 March 2018

**PLACE:** Conference Suite, Level 9, St Martins Centre, 40 St Georges Terrace,  
Perth, Western Australia

***The business of the Meeting affects your shareholding and your vote is important.***

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm (Sydney time) on 28 February 2018.***

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 2,000,000 Convertible Notes on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – ISSUE OF FIRST TRANCHE OPTIONS PURSUANT TO CONVERTIBLE NOTE FACILITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 25,723,472 Options pursuant to the Convertible Note Facility on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 3. RESOLUTION 3 – ISSUE OF CONVERTIBLE NOTES AND OPTIONS PURSUANT TO CONVERTIBLE NOTE FACILITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue the Convertible Notes and Options contemplated by the First Follow On Tranche pursuant to the Convertible Note Facility on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 4. RESOLUTION 4 – ISSUE OF DIRECTOR INCENTIVE OPTIONS – DR BERNARD OLIVIER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 5,000,000 Options to Dr Bernard Olivier (or his nominee) under the Mustang Long Term Incentive Plan on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf any Director who is eligible to participate in the Mustang Long Term Incentive Plan, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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#### 5. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 996,064 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,800,000 Advisor Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**Dated: 29 January 2018**

**By order of the Board**

**Robert Marusco  
Company Secretary**

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#### **Voting in person**

To vote in person, attend the Meeting at the time, date and place set out above.

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#### **Voting by proxy**

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9217 2400.***

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. BACKGROUND TO CONVERTIBLE NOTE FACILITY

#### 1.1 General

As announced on 8 January 2018, the Company has entered into a deed in relation to a convertible note facility with Arena Structured Private Investments (Cayman), LLC (**Noteholder**) with a face value of \$21,000,000 (**Facility**) (**Convertible Note Deed**).

The Company has received under the Facility an amount of \$1,900,000 in consideration for the issue of 2,000,000 Convertible Notes with an aggregate face value of \$2,000,000 on 15 January 2018 (**First Tranche**) and, subject to Shareholder approval 25,723,472 Options (refer to Resolution 2). Shareholder approval is being sought to ratify the issue of the Convertible Notes in the First Tranche (refer to Resolution 1).

The issue of further tranches of Convertible Notes (**Follow On Tranches**) under the Facility remains subject to Shareholder approval. The Company is seeking Shareholder approval for the issue of the Convertible Notes and Facility Options the subject of the first Follow On Tranche at the Meeting (refer to Resolution 3) (**First Follow On Tranche**).

Shareholder approval for subsequent tranches of Convertible Notes and Facility Options will be sought at separate Shareholder meetings at the appropriate time during the term of the Facility.

The Convertible Notes are to be issued in seven tranches in which the Company will receive a total of \$19,950,000:

- (a) First Tranche – \$1,900,000 (having a principal amount of \$2,000,000) has been received and all conditions to this issue have been met; and
- (b) Follow On Tranches – six conditional tranches of Convertible Notes, the first Follow On Tranche of \$3,800,000 (having a principal amount of \$4,000,000) and each subsequent Follow On Tranche being \$2,850,000 (each having a principal amount of \$3,000,000), to be issued by the Company to the Noteholder on the applicable issue date, being after the Company has given the Noteholder no less than 10 days' notice in advance of the proposed issue date of such Follow On Tranche which notice may not be given:
  - (i) in respect of the first Follow On Tranche following the First Tranche (**Tranche 2**), until 4 months after the issue date of the First Tranche;
  - (ii) in respect of the second Follow On Tranche following the First Tranche (**Tranche 3**), until 4 months after the issue date of Tranche 2;
  - (iii) in respect of the third Follow On Tranche following the First Tranche (**Tranche 4**), until 3 months after the issue date of Tranche 3;

- (iv) in respect of the fourth Follow On Tranche following the First Tranche (**Tranche 5**), until 3 months after the issue date of Tranche 4;
- (v) in respect of the fifth Follow On Tranche following the First Tranche (**Tranche 6**), until 4 months after the issue date of Tranche 5; and
- (vi) in respect of the sixth Follow On Tranche following the First Tranche (**Tranche 7**), until 4 months after the issue date of Tranche 6.

Each Convertible Note will be issued with a face value of \$1.00.

Each tranche of Convertible Notes has an 18-month term.

Should the Company fail to draw any portion or all of the Follow On Tranches prior to the 2 year anniversary of the issue date of the First Tranche, or to obtain any required Shareholder approvals for the transaction, the Company must pay the Noteholder the relevant Termination Payment (defined in Schedule 1), in addition to any other obligation of the Company under the Convertible Note Deed, and the Noteholder's obligation to subscribe for further Convertible Notes under the Facility lapses.

The Company must pay in cash to the Noteholder a transaction fee in aggregate equal to 2% of the relevant principal amount on a pro rata basis upon each draw down of the First Tranche and each of the Follow On Tranches.

A summary of the rights, privileges and restrictions attaching to the Convertible Notes is set out in Schedule 1.

The Directors consider that the Facility is in the best interests of Shareholders as it provides funding for further planned exploration and development work on its Montepuez Ruby and Caula Graphite Projects in Mozambique.

Under the Convertible Note Deed, the Noteholder will also be entitled to Options in the Company as set out in Schedule 2. Under the Convertible Note Facility the Noteholder will also be issued Facility Options upon Shareholder approval of Resolution 2 and upon the issue of each of the Follow On Tranches as calculated in the manner set out in Schedule 1 (which remain subject to separate Shareholder approval at the appropriate time in the future).

## **1.2 Effect of the issue on the Company**

The principal effect of the Facility on the Company will be to:

- (a) increase the Company's cash reserves by \$19,950,000 (before costs associated with the issue of Convertible Notes), assuming full draw down under the Facility;
- (b) increase the number of unquoted unsecured Convertible Notes on issue from nil to 21,000,000, assuming full draw down under the Facility;
- (c) give rise to the Company having a liability for the amount of the face value of the Facility drawn down;
- (d) if the Convertible Notes or accrued interest are converted, either wholly or in part to Shares, increase the number of Shares on issue as a consequence of the issue of Shares on such conversion; and

- (e) increase the number of Options on issue as a consequence of the requirement to issue new Facility Options with each tranche of Convertible Notes.

### 1.3 Potential effect on capital structure

- (a) As at the date of this Notice, the total number of issued Shares is 771,433,387.
- (b) The capital structure of the Company will be affected by the conversion of the Convertible Notes by the Noteholder which will result in additional Shares being issued.
- (c) Subject to limits on the conversion under the Convertible Note Deed, the Convertible Notes can be converted at any time after their issue and prior to the date of maturity (being 18 months from the date of their respective issues (**Maturity Date**)) at the request of the Noteholder, or they will automatically be redeemed on the Maturity Date.
- (d) If the full amount of the Facility is drawn down and the Noteholder converts the entire Facility, then based on an average conversion price of \$0.031 per new Share (this was the last closing price prior to announcement of the Facility) and assuming the full face value of \$21,000,000 is converted (**Convertible Note Assumptions**), 677,419,355 new Shares would be issued. The actual effect of the share capital of the Company will depend on what percentage of the Convertible Notes are actually converted and the price which the conversion occurs.
- (e) 25,723,472 Facility Options will be issued, subject to Shareholder approval, in relation to the First Tranche.
- (f) Facility Options will also be issued for each of the Follow On Tranches. The quantity will be equal to 40% of the principal amount of the tranche (being \$1,600,000 for the first Follow On Tranche and \$1,200,000 for each other Follow On Tranche) divided by the 5 trading day volume weighted average price (**VWAP**) of Shares as traded on ASX and published by Bloomberg ending on the last trading day before the date of issue of the respective Follow On Tranche (**5 Trading Day VWAP**). Assuming the Facility is fully drawn down and the 5 Trading Day VWAP is \$0.031 (**Options Assumptions**) a total of 245,161,291 Facility Options will be issued in relation to the Follow On Tranches.

The effect on the issued share capital of the Company on conversion of all the Convertible Notes and the issue and exercise of all Facility Options issued under the Facility is set out in the table below, based on the Convertible Note Assumptions and Option Assumptions and assuming no other Shares are issued (e.g. from the exercise, conversion or vesting of existing or new convertible securities or the issue of new Shares). This does not account for any interest payable under the Facility being converted into Shares.

The actual effect on the share capital of the Company will depend on what percentage of the Convertible Notes are actually converted, the price at which the conversion occurs and the 5 Trading Day VWAP at the time of issue of the Facility Options.

<b>Shares</b>	<b>Number</b>
Shares on issue at the date of this Notice	771,433,387
Shares issued upon conversion of the entire Facility <sup>1</sup>	677,419,355
Shares issued assuming the exercise of all Facility Options <sup>1</sup>	270,884,763
<b>Total Shares on issue following conversion of the entire Facility</b>	<b>1,719,737,505</b>

<b>Options</b>	<b>Number</b>
Options on issue prior to agreement of the Facility <sup>2</sup>	143,264,745
Facility Options issued under the Facility	270,884,763
<b>Total Options on issue following conversion of the entire Facility<sup>3</sup></b>	<b>414,149,508</b>

<b>Performance Rights</b>	<b>Number</b>
Performance Rights on issue prior to agreement of the Facility <sup>2</sup>	14,000,000
Performance Rights issued under the Facility	Nil
<b>Total Performance Rights on issue following conversion of the entire Facility</b>	<b>14,000,000</b>

**Notes:**

- 1 The Noteholder has agreed not to convert any Convertible Notes, exercise any Facility Options or receive Shares under the Equity Payment Option (defined in Schedule 1), which would result in the Noteholder holding a relevant interest in more than 19.99% of the issued Shares (or such other limit prescribed by section 606(1)(c)(i) of the Corporations Act from time to time), except to the extent permitted under section 611 of the Corporations Act. Based on the Shares on issue at the date of this Notice the maximum number of Shares the Noteholder can have a relevant interest in is 154,209,534 Shares.
- 2 Details of exercise prices expiry dates of the Facility Options and performance milestone and expiry for the Performance Rights are set out in the Company's Appendix 3B lodged with ASX.
- 3 Subject to Resolution 4 being passed by the requisite majority, the Company has agreed to issue a further 5,000,000 Options to Dr Bernard Olivier.



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## **2. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTES**

### **2.1 General**

As set out in Section 1.1, the Company has issued 2,000,000 Convertible Notes to the Noteholder.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Convertible Notes (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **2.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 2,000,000 Convertible Notes were issued;
- (b) the Convertible Notes were issued for \$0.95 each with a face value of \$1.00 and otherwise on the terms and conditions set out in Schedule 1;
- (c) the Convertible Notes were issued to the Noteholder, who is not a related party of the Company; and
- (d) the funds raised from this issue (\$1,900,000 before costs) are being used for costs associated with bulk sampling activities and to fund accelerated auger drilling program at the Montepuez Ruby Project and exploration work on the Caula Graphite Project and for general working capital purposes.

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## **3. RESOLUTION 2 – ISSUE OF FIRST TRANCHE OPTIONS PURSUANT TO CONVERTIBLE NOTE FACILITY**

### **3.1 General**

As noted in Section 1.1, the Company has agreed, subject to Shareholder approval, to issue 25,723,472 Facility Options to the Noteholder in consideration for receipt of the First Tranche of funds under the Facility.

Resolution 2 seeks Shareholder approval to issue these Facility Options to the Noteholder.

### **3.2 ASX Listing Rule 7.1**

A summary of ASX Listing Rule 7.1 is set out in Section 2.1.

The effect of Resolution 2 will be to allow the Company to issue these Facility Options during the period of 3 months after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules), and to allow the Company to issue the Shares on exercise of those Facility Options without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1.

### **3.3 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 2:

- (a) the maximum number of Facility Options to be issued is 25,723,472;
- (b) the Facility Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of these Facility Options will occur on the same date in accordance with and subject to the terms of the Convertible Note Deed;
- (c) the Facility Options will be issued for nil cash consideration;
- (d) the Options will be issued to the Noteholder, who is not a related party of the Company;
- (e) the Facility Options will be issued on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised from the issue of the Facility Options.

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## **4. RESOLUTION 3 – ISSUE OF CONVERTIBLE NOTES AND OPTIONS PURSUANT TO CONVERTIBLE NOTE FACILITY**

### **4.1 General**

As noted in Section 1.1, the Company is able to draw down up to \$3,800,000 under the First Follow On Tranche, subject to Shareholder approval and other conditions specified in Schedule 1, by giving notice 4 months after the issue date of the First Tranche (i.e. 10 May 2018). In consideration for this draw down the Company would be required to issue to the Noteholder 4,000,000 Convertible Notes and a number of Facility Options calculated in accordance with the formula specified in the Convertible Note Deed.

Resolution 3 seeks Shareholder approval to issue these Convertible Notes and Facility Options to the Noteholder.

### **4.2 ASX Listing Rule 7.1**

A summary of ASX Listing Rule 7.1 is set out in Section 2.1.

The effect of Resolution 3 will be to allow the Company to issue the Convertible Notes and Facility Options for the First Follow On Tranche under the Convertible Note Facility to the Noteholder during the period of 3 months after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules), and to allow the Company to issue the Shares on conversion of those Convertible Notes and the Shares on exercise of those Facility Options without using the Company's 15% annual placement capacity.

#### **4.3 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 3:

- (a) the maximum number of Convertible Notes to be issued is 4,000,000 and the number of Facility Options to be issued will be equal to the principal amount of the applicable Convertible Notes multiplied by 40% (e.g. \$1,600,000) and then divided by the 5 trading day volume weighted average price (**VWAP**) of Shares as traded on ASX and published by Bloomberg ending on the last trading day before the date of issue of the Convertible Notes of the First Follow On Tranche (e.g. based on a 5 Trading Day VWAP of \$0.031 and assuming the First Follow On Tranche was fully drawn down, 51,612,904 Facility Options would be issued) with a fraction rounded up to the nearest whole number;
- (b) the Convertible Notes and Facility Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of these equity securities will occur on the same date in accordance with and subject to the terms of the Convertible Note Deed;
- (c) the Facility Options will be issued for nil cash consideration. The issue price of each Convertible Notes is \$0.95 with a face value of \$1.00;
- (d) the Convertible Notes and Facility Options will be issued to the Noteholder, who is not a related party of the Company;
- (e) the Convertible Notes will be issued on the terms summarised in Schedule 1 and the Facility Options will be issued on the terms and conditions set out in Schedule 2; and
- (f) the Company intends to use the funds raised from the issue of the Convertible Notes for costs associated with bulk sampling activities and to fund accelerated auger drilling program at the Montepuez Ruby Project and exploration work on the Caula Graphite Project and for general working capital purposes. No additional funds will be raised from the issue of the Facility Options.

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## **5. RESOLUTION 4 – ISSUE OF DIRECTOR INCENTIVE OPTIONS TO DR BERNARD OLIVIER**

### **5.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 5,000,000 Options (**Director Incentive Options**) to Dr Bernard Olivier (**Participant**) (or his nominees) on the terms and conditions set out below.

Resolution 4 seeks Shareholder approval to issue the Director Incentive Options to the Participant (or his nominees).

## 5.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Director Incentive Options constitutes giving a financial benefit and the Participant is a related party of the Company by virtue of being a Director.

The Directors (other than the Participant who abstained from considering this matter due to their material personal interest in the matter) consider that the issue of the Director Incentive Options to the Participant (or his nominees) is reasonable remuneration which falls within the exception in section 211 of the Corporations Act having regard to the circumstances of the Company, the duties and responsibilities of the Participant and was negotiated at arm's length as part of the terms of his appointment as Managing Director and also falls within the exception in section 210 of the Corporations Act, and accordingly, Shareholder approval is not required for the purpose of section 208 of the Corporations Act.

## 5.3 ASX Listing Rules

ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

## 5.4 Technical information required by ASX Listing Rule 10.14

Pursuant to and in accordance with ASX Listing Rule 10.15, the following information is provided in relation to Resolution 4:

- (a) the maximum number of Director Incentive Options to be issued to the Participant (or his nominees) is 5,000,000 as follows:
  - (i) 2,500,000 Options vesting after 12 months continuous service by the Participant to the Company and exercisable at a 25% premium to the 30 day VWAP on the date of issue, each on or before that date which is 3 years after the date of issue; and
  - (ii) 2,500,000 Options vesting subject to the Company's market capitalisation being not less than \$100,000,000 over a period of 20 consecutive trading days within 18 months from his date of appointment as Managing Director of the Company and exercisable at a 25% premium to the 30 day VWAP on the date of issue, each on or before that date which is 3 years after the date of issue.

The terms of the Director Incentive Options will otherwise be governed by the rules of the Plan;

- (b) the Plan Securities will be issued to the Participant (and/or his nominees) for nil consideration and no consideration will be payable upon the vesting and exercise of the Director Incentive Options other than the exercise price in respect of the Director Incentive Options. Accordingly, no loans will be made in relation to, and no funds will be raised from, the issue or vesting of the Director Incentive Options;
- (c) the Plan and issue of Plan Securities under the Plan was approved by Shareholders on 24 November 2017. On 15 January 2018, 2,500,000 Shares and 7,500,000 Options were issued under the Plan. Of these, 1,500,000 Shares and 4,500,000 Options were issued to persons referred to in ASX Listing Rule 10.14 (i.e. a Director, an associate of the Director, or a person whose relationship with the Company, Director or associate of the Director is, in ASX's opinion, such that approval should be obtained), being Mr Ian Daymond, as approved by Shareholders on 24 November 2017;
- (d) as at the date of this Notice, all Directors are entitled to participate in the Plan; and
- (e) the Director Incentive Options will be issued to the Participant (and/or his nominees) no later than 12 months after the Meeting.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Incentive Options to the Participant (and/or his nominees) as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Director Incentive Options pursuant to Resolution 4 will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

## 5.5 Board recommendations

The Director Incentive Options the subject of Resolution 4 are considered by the Directors, excluding Dr Bernard Olivier, to be appropriate and fair in addition to standard director's fees, and were considered necessary to attract Bernard to the Board, to recognise his calibre as a highly qualified and experienced chief executive, and to provide a strong, effective and long-term incentive for him to create shareholder wealth.

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## 6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF SHARES

### 6.1 General

On 15 January 2018, the Company issued 996,064 Shares in consideration for professional services provided to the Company.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 2.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

## 6.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 996,064 Shares were issued at a deemed issue price of \$0.03 and were issued for nil cash consideration in satisfaction of professional services provided to the Company;
- (b) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) the Shares were issued to Zenix Nominees Pty Ltd (583,264) and MVP Capital Pty Ltd (412,800), who are not related parties of the Company; and
- (d) no funds were raised from this issue as the Shares were issued in consideration for professional services provided by Zenix Nominees Pty Ltd and MVP Capital Pty Ltd.

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## 7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

### 7.1 General

On 16 October 2017, the Company issued 1,800,000 Advisor Options in consideration for professional services provided to the Company.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Advisor Options (**Advisor Options Ratification**).

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 2.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### 7.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Advisor Options Ratification:

- (a) 1,800,000 Advisor Options were issued;
- (b) the Advisor Options were issued for nil cash consideration in satisfaction of professional services provided by Jett Capital Advisors;
- (c) the Advisor Options were issued on the terms and conditions set out in Schedule 3;
- (d) the Advisor Options were issued to Jett Capital Advisors, who is not a related party of the Company; and
- (e) no funds were raised from this issue as the Advisor Options were issued in consideration for services provided to the Company by Jett Capital Advisors.

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## GLOSSARY

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**\$** means Australian dollars.

**Advisor Options** means the Options the subject of Resolution 6 with the terms and conditions set out in Schedule 4.

**AEDT** means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

**ASIC** means the Australian Securities & Investments Commission.

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

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

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

**Chair** means the chair of the Meeting.

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

**Constitution** means the Company's constitution.

**Convertible Notes** or **Notes** means the convertible notes issued by the Company which are convertible into Shares on the terms and conditions of the Convertible Note Deed.

**Convertible Note Deed** means the convertible note deed entered into between the Company and the Noteholder and announced to ASX on 8 January 2018, which outlines the terms of the Convertible Note Facility.

**Convertible Note Facility** or **Facility** means the facility with a face value of \$21,000,000 on the terms as set out under the Convertible Note Deed.

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

**Director Incentive Options** means the Options the subject of Resolution 4 issued pursuant to the Plan.

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Facility Options** means the Options issued to the Noteholder under the Convertible Note Deed with the terms and conditions set out in Schedule 2.

**First Follow On Tranche** has the meaning given in Section 1.1.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Noteholder** means Arena Structured Private Investments (Cayman), LLC.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Advisor Option, Director Incentive Option or Facility Option as the context requires.

**Performance Right** means a right to acquire a Share on the terms set out in the Plan for a specified performance period and subject to satisfaction of a specified performance hurdle.

**Plan** means the Mustang Long Term Incentive Plan as approved by Shareholders at the Company's annual general meeting held on 24 November 2017.

**Plan Securities** means an Option, Performance Right or Share issued pursuant to the Plan.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Section** means a section of the Explanatory Statement.

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

**Shareholder** means a registered holder of a Share.

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



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## **SCHEDULE 1 – CONVERTIBLE NOTE FACILITY TERMS**

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The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Noteholder.

(a) **Term**

Each tranche of Convertible Notes has a term of 18 months.

Should the Company fail to draw any portion or all of the Follow On Tranches prior to the 2 year anniversary of the issue date of the First Tranche, or to obtain any required Shareholder approvals for the transaction, the Company must pay the Noteholder the relevant Termination Payment (defined in paragraph (m) of this Schedule 1), in addition to any other obligation of the Company under the Convertible Note Deed, and the Noteholder's obligation to subscribe for further Convertible Notes under the Facility lapses.

(b) **Face Value**

The Facility has a total face value of \$21,000,000.

Each Convertible Note will be issued with a face value of \$1.00.

(c) **Purchase Price**

Is 95% of Face Value and is therefore as follows:

- (i) the First Tranche has an aggregate face value of \$2,000,000 and therefore a purchase price of \$1,900,000;
- (ii) the first Follow On Tranche has an aggregate face value of \$4,000,000 and therefore a purchase price of \$3,800,000; and
- (iii) the remaining Follow On Tranches each have an aggregate face value of \$3,000,000 and therefore a purchase price of \$2,850,000.

Total purchase price being \$19,950,000 (**Purchase Price**).

(d) **Conditions to draw down of Follow On Tranches**

The draw down of the Follow On Tranches is subject to the satisfaction of the following conditions precedent:

- (i) the Company providing evidence that it has sufficient capacity or the necessary Shareholder approvals for the issue and conversion of the convertible notes in accordance with the Convertible Note Deed terms as well as for the issue and exercise of the Facility Options to be issued to the Noteholder and if required the issue of Shares under the Equity Payment Option (as defined in paragraph (g) of this Schedule 1);
- (ii) the market capitalisation of the Company being at least \$12.3 million;
- (iii) the Company confirming at the time that no Event of Default (as defined in paragraph (m) of this Schedule 1) and no event or circumstance which with the passage of time or the fulfilment of any condition is reasonably likely to become an Event of Default is continuing unremedied or would occur as a result of the issue by the Company of the relevant Tranche; and

- (iv) the Company confirming at the time that no material adverse event or change of control (as defined in the Convertible Note Deed) has occurred and no event or circumstance which with the passage of time or the fulfilment of any condition is reasonably likely to become a material adverse change or change of control is continuing unremedied or would occur as a result of the issue by the Company of any of the relevant Tranche.

(e) **Issue dates**

The Convertible Notes will be issued as follows:

- (i) First Tranche – on 15 January 2018;
- (ii) Follow On Tranches – after the Company has given the Noteholder no less than 10 days' notice in advance of the proposed issue date of such Follow On Tranche which notice may not be given:
- (A) in respect of Tranche 2, until 4 months after the issue date of the First Tranche (i.e. 10 May 2018);
- (B) in respect of Tranche 3, until 4 months after the issue date of Tranche 2;
- (C) in respect of Tranche 4, until 3 months after the issue date of Tranche 3;
- (D) in respect of Tranche 5, until 3 months after the issue date of Tranche 4;
- (E) in respect of Tranche 6, until 4 months after the issue date of Tranche 5; and
- (F) in respect of Tranche 7, until 4 months after the issue date of Tranche 6.

(f) **Options**

- (i) Subject to Shareholder approval, upon issue of each tranche of Convertible Notes the Noteholder is entitled to an issue of Options calculated as follows:

$$\frac{\text{Principal Amount of Convertible Notes issued} \times 40\%}{5 \text{ Trading Day VWAP before the date of issue of the Convertible Notes}}$$

- (ii) The exercise price of the Options will be 130% of the average VWAP of Shares for the 5 consecutive trading days prior to the date of issue of the Options.
- (iii) The expiry date of the Options will be 3 years from the date of issue.
- (iv) the Company may, instead of issuing Shares on exercise of an Option, pay cash to the Noteholder in immediately available funds within 2 business days of the date of the notice of exercise, calculated as follows:

*Cash = N x closing price on the last trading day before the date of the notice of exercise.*

*N = number of Options being exercised*

- (v) The Options are otherwise issued on the terms and conditions set out in Schedule 2.

(g) **Interest**

The Company must pay interest at a rate equal to 11% per annum on accruing monthly balances on 30 June and 31 December in each year and on the Maturity Date. The interest can be paid in cash or, at the election of the Company, by issuing Shares to the Noteholder (**Equity Payment Option**) (other than for the First Tranche where interest is payable in cash only).

The Company must pay an additional 2% interest per annum on amounts payable to the Noteholder which are not paid in full when due, accruing on monthly balances of the outstanding amount and capitalised on the last business day of each month if still not repaid (**Default Interest**). The Default Interest can also be paid in cash or at the election of the Company by issuing Shares to the Noteholder.

In order to exercise the Equity Payment Option:

- (i) the VWAP of Shares for the business day immediately preceding the exercise date must be at least \$0.01;
- (ii) the Shares must be freely tradeable;
- (iii) the Company must have received all requisite Shareholder approvals or otherwise be able to issue the Shares without breaching the Listing Rules;
- (iv) the Noteholder and its associates must not hold more than a 15% interest in the Shares; and
- (v) the Noteholder must not breach the following restrictions:
  - (A) The Noteholder agrees not to convert more than 50% of the First Tranche Convertible Notes issued to it before 1 month after the issue date of the First Tranche, provided that if an Event of Default (defined in paragraph (m) of this Schedule 1) has occurred at any time before that date, the Noteholder is free to convert any number of those Convertible Notes without restriction.
  - (B) The Noteholder also agrees not to convert any Convertible Notes, exercise any Facility Options or receive any Shares under the Equity Payment Option, which would result in the Noteholder holding a relevant interest in more than 19.99% of the issued Shares (or such other limit prescribed by section 606(1)(c)(i) of the Corporations Act from time to time), except to the extent permitted under section 611 of the Corporations Act.

(together the **Conversion Restrictions**).

In the event the Equity Payment Option is exercised, the issue price of each Share is taken to be the lesser of:

- (i) an amount equal to 93% of the VWAP of Shares for the trading day immediately preceding the exercise of the Equity Payment Option; and

- (ii) at any time during the period of 6 months after notification of satisfaction or waiver of the conditions precedent to the issue of the relevant tranche of Convertible Notes has been given in accordance with the terms of the Convertible Note Deed (**Closing**), a price equal to 150% of the average VWAP of Shares for the 20 trading days prior to Closing.

(h) **Security**

The Convertible Notes are unsecured.

(i) **Conversion**

Subject to the Conversion Restrictions, the Noteholder may convert Convertible Notes into Shares and interest on those Convertible Notes (other than interest for the First Tranche Convertible Notes) as at the conversion date at the conversion price, being:

- (i) In relation to the First Tranche, the higher of:
  - (A) the lowest 1 day Volume Weighted Average Price (**VWAP**) as published by Bloomberg during the prior 20 trading day period ending on the last Trading Day before the applicable Conversion Date; and
  - (B) the floor price of \$0.018; and
- (ii) in relation to each of the Follow On Tranches, the lowest 1 day VWAP as published by Bloomberg during the prior 20 Trading Days period ending on the last Trading Day before the Conversion Date.

**(Conversion Price).**

The number of Shares issued will be equal to the aggregate principal amount of the relevant Convertible Notes divided by the Conversion Price. Alternatively, the Company can satisfy this obligation by paying to the Noteholder the equivalent amount in cash.

(j) **Protective Provisions**

Upon the occurrence of certain events, including a bonus issue of Shares, a rights issue, a private placement of Shares, a reorganisation or reconstruction of capital, a dividend, or issues of Shares at a discount to market (other than a pro rata rights issue to be undertaken by the Company on or about the date of the First Tranche, providing that such issue is at a discount to market of no more than 20%), the Conversion Price that is not variable may be altered.

(k) **Redemption and Repayment**

A Convertible Note must be redeemed on the Maturity Date if the note has not been converted into Shares before the Maturity Date.

The Company will pay to a Noteholder an amount equal to the outstanding principal amount plus accrued but unpaid interest.

The payment will be made in immediately available funds, without deduction, in Australian dollars.

The Company is unable to voluntarily redeem a Convertible Note before the Maturity Date.

(l) **Transferability**

The Convertible Notes are transferable, subject to the Company's consent and compliance at all times to the Corporations Act and any applicable law.

(m) **Events of Default**

The Events of Default are set out below.

If an Event of Default occurs and continues unremedied for a period of 5 business days, the Noteholder may declare at any time by notice to the Company that:

- (i) the entire outstanding principal amount, together with accrued interest, and all other amounts accrued or outstanding under the Convertible Note Deed or the Convertible Notes, is either:
  - (A) payable on demand; or
  - (B) immediately due for payment and payable,and the Company must redeem all the Convertible Notes on issue and must pay the Termination Payment to the Noteholder;
- (ii) the Noteholder's obligations specified in the notice are terminated; and
- (iii) the Noteholder may exercise any or all of its rights, remedies, powers or discretions under the Convertible Note Deed.

**Termination Payment** means an amount equal to 15% of the principal amount of all Convertible Notes which have not been issued under any tranche.

**Events of Default**

*Defined terms below are as used in the Convertible Note Deed.*

The following are Events of Default:

- (a) **(ASX)**: the ASX makes a determination that the terms of the Convertible Notes do not comply with the Listing Rules, including, for the avoidance of doubt, Listing Rule 6.1 and Listing Rule 6.12;
- (b) **(shareholder meeting)**: the Company fails to call the general meeting of its shareholders in accordance with the terms of the Convertible Note Deed or to obtain the approval of its shareholders at that meeting;
- (c) **(shareholder approval)**: the Company fails to obtain the approval of its shareholders for any transaction under this Deed;
- (d) **(failure to issue Shares)**: the Company has not issued any Shares to the Investor within 5 Business Days of receipt of a Conversion Notice, the date of exercise of the Equity Payment Option or the date of exercise of any Options;
- (e) **(payment)**: the Company fails to pay any cash amount due under this Deed on its due date or within 5 Business Days after its due date;
- (f) **(performance default)**: failure by the Company to perform any other material obligation, covenant or undertaking under this Deed, excluding payment default, and, in relation to any rectifiable failure, within 14 days following notice by the Investor requiring rectification;

- (g) **(Company Warranties)**: the Company is breach of any of the Company Warranties;
- (h) **(trading value)** the average daily trading value of Shares on the ASX over any 15 consecutive Trading Days is less than \$50,000;
- (i) **(Market Capitalisation)** the Market Capitalisation of the Company, as calculated by the Investor, falls below \$12,300,000;
- (j) **(Closing Price)** the Closing Price per Share on the ASX on any Trading Day is less than \$0.01;
- (k) **(Filing)** the Company fails to file any annual or quarterly reports required by law or the Listing Rules;
- (l) **(compliance)** the Company fails to comply with any of the Listing Rules;
- (m) **(Subsidiaries)**: an entity that is a Subsidiary of the Company at the date of this Deed ceases to be a Subsidiary of the Company;
- (n) **(merger)**: the Company consolidates with, merges or amalgamates into or transfers all or substantially all of its assets to any person (the consummation of any such event, a 'Merger'), unless:
  - (i) the entity formed by such Merger or the person that acquired such properties and assets expressly assumes, by a supplemental agreement, all obligations of the Company under this Deed and the performance of every covenant and agreement applicable to it contained therein;
  - (ii) immediately after giving effect to any such Merger, no Event of Default is continuing unremedied or would result from the Merger; and
  - (iii) the entity formed by such Merger, or the person that acquired such properties and assets, expressly agrees, among other things, to indemnify the Investor against any Tax payable by withholding or deduction imposed on the Investor solely as a consequence of such Merger with respect to the payment of principal, premium and interest on the Convertible Notes;
- (o) **(insolvency)**: an Insolvency Event occurs in relation to the Company;
- (p) **(debt)** the Company incurs any Financial Indebtedness other than under this Deed prior to the last Maturity Date of the Convertible Notes;
- (q) **(cross default)**: any indebtedness of the Company or any of its subsidiaries is not paid when due (or within any applicable grace period) or is or becomes due and payable prior to its stated maturity date for any reason;
- (r) **(attachment)**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its subsidiaries;
- (s) **(enforcement)**: a mortgagee, chargee or other encumbrancer takes possession of, exercises rights under any security in relation to, or a receiver, receiver and manager, administrator, liquidator, provisional liquidator or officer of the Court is appointed in relation to, the whole or any substantial part of the property, assets or revenues of the Company or any of its subsidiaries (as the case may be);

- (t) **(Authorisations)**: any authorisation, approval or consent (including any governmental, regulatory or corporate approval or consent) required for the issue redemption or conversion of the Convertible Notes (**Authorisation**) is not obtained or is suspended, terminated, revoked, withdrawn or expires, modified, restricted or otherwise fails to remain in full force and effect (in whole or in part) in any way unacceptable to the Investor;
- (u) **(winding up)**: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its subsidiaries, or the Company or any of its subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations;
- (v) **(unlawful)**: it is or becomes unlawful for:
- (i) the Company to perform or comply with any one or more of its obligations under any of the Convertible Notes or this Deed;
  - (ii) the Investor to convert any Convertible Notes or hold any Shares, other than because of the operation of the terms of the Convertible Note Deed; or
  - (iii) the Company or any of its subsidiaries to carry on all or substantially all of its business or operations;
- (w) **(disposal)**: the Company or any of subsidiaries transfers or otherwise disposes of all or substantially all of its assets to any person;
- (x) **(expropriation)**: any Governmental agency:
- (i) condemns, nationalises, seizes, compulsorily acquires or otherwise expropriates any material assets of any of the Company, any of its subsidiaries or Projects;
  - (ii) nationalises, seizes, compulsorily acquires or otherwise expropriates all or any part of the share capital of any of the Company or any of its subsidiaries;
  - (iii) assumes custody or control of all or any part of the material assets or business operation of any of the Company, any of its subsidiaries or Projects; or
  - (iv) takes any action that would result in the dissolution or disestablishment of any of the Company, any of its subsidiaries;
  - (v) otherwise takes any other action which:
    - (A) prevents the Company or any of its subsidiaries or their respective management from conducting all or a substantial part of its business or operations;
    - (B) deprives the Company or any of its subsidiaries of the use of any material asset;
- (y) **(business activity)**: all or any material part of the Company's business activity or Projects is abandoned, is placed on care and maintenance or is subject to an unscheduled stoppage for more than 60 consecutive days;

- (z) **(Project)**: all or any material part of any Project is abandoned, is placed on care and maintenance or is subject to an unscheduled stoppage for more than 60 consecutive days;
- (aa) **(audit)**: a material qualification is made by any auditor appointed by the Company or any of its subsidiaries to audit its financial statements;
- (bb) **(non-Listing)**: the Shares cease to be listed on the ASX or are suspended from trading for more than 5 Trading Days;
- (cc) **(Material Adverse Change)**: a Material Adverse Change occurs or is reasonably likely to occur in relation to or affects the Company;
- (dd) **(Change of Control)**: a Change of Control of the Company occurs, is agreed or is reasonably likely to occur; and
- (ee) **(restrictions)**: the Company breaches any of its restrictions under the terms of the Convertible Note Deed.



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## SCHEDULE 2 – FACILITY OPTION TERMS

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1. Subject to section 7, each Facility Option entitles the holder to one fully paid ordinary share (**Share**) in the capital of Mustang Resources Limited (**Company**).
2. The Facility Options may be exercised at any time prior to 5.00pm (Australian AEDT) on the date that is 36 months from the issue date.
3. Subject to section 8, the exercise price of the Facility Options is 130% of the average VWAP of the Company's Shares for the 5 consecutive trading days prior to the issue date of the Facility Options (**Exercise Price**).
4. To exercise the Facility Options, the Option holder must duly complete, execute and deliver to the Company an exercise notice in the form attached as Exhibit A (**Notice of Exercise**). Facility 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 Facility Options exercised and the consequent number of Shares to be issued. 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.
5. All Shares issued upon the exercise of the Facility Options will rank equally in all respects with the Company's then issued Shares.
6. There are no participating rights or entitlements inherent in the Facility 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 Facility Options. The Option holder has no rights to a change in the exercise price of the Facility Option or a change to the number of underlying securities over which the Facility Option can be exercised other than in relation to a Bonus Issue.
7. If there is a bonus issue (**Bonus Issue**) to Shareholders, the number of Shares over which a Facility Option is exercisable will be increased by the number of Shares which the holder would have received if the Facility 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.
8. 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 ASX Listing Rules.
9. The Facility Options are transferable, subject at all times to any transfer restrictions imposed by ASX or under applicable securities laws, including the Corporations Act 2001 (Cwlth) (**Act**).
10. The Facility Options will not be listed.
11. The Company will, within 7 days of the exercise of the Facility Options, apply for official quotation by the ASX of all Shares issued upon the exercise of the Facility Options. If required, the Company will give ASX a notice that complies with section 708A(5)(e) of the Act, or, if the Company is unable to issue such a notice, lodge a prospectus prepared in accordance with the Act and do all such things necessary to satisfy section 708A(11) of the Act to ensure that an offer for sale of the Shares does not require disclosure to Investor.

12. The Facility Options may not be exercised by or on behalf of a person in the United States unless the Facility 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.


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### SCHEDULE 3 – ADVISOR OPTION TERMS

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1. Subject to section 7, each Option entitles the holder to one fully paid ordinary share (**Share**) in the capital of Mustang Resources Limited (**Company**).
2. The Options may be exercised at any time prior to 5.00pm (Australian WST) on 16 October 2020.
3. Subject to section 8, the exercise price of the Options (**Exercise Price**) is \$0.013 per Option.
4. To exercise the Options, the Option holder must duly complete, execute and deliver to the Company an exercise notice in the form attached 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 and the consequent number of Shares to be issued. 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.
5. All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares.
6. 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. 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.
7. 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.
8. 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 ASX Listing Rules.
9. The Options are transferable, subject at all times to any transfer restrictions imposed by ASX or under applicable securities laws, including the Corporations Act 2001 (Cwth) (**Act**).
10. 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.

**Lodge your vote:**

 **Online:**  
www.investorvote.com.au

 **By Mail:**  
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Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 850 505  
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**Proxy Form**

**XX**



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**Your access information that you will need to vote:**

**Control Number: 181363**

**SRN/HIN:**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 10:00am (WST) Wednesday, 28 February 2018**

**How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

**Appointment of Proxy**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

**Signing Instructions for Postal Forms**

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

**Attending the Meeting**

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Mustang Resources Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Mustang Resources Limited to be held at the Conference Suite, Level 9, St Martins Centre, 40 St Georges Terrace, Perth, Western Australia on Friday, 2 March 2018 at 10:00am (WST) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolution:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 4 (except where I/we have indicated a different voting intention below) even though Resolution 4 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 4 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratification of prior issue of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Issue of First Tranche Options pursuant to Convertible Note Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Convertible Notes and Options pursuant to Convertible Note Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Director Incentive Options – Dr Bernard Olivier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of prior issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of prior issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / / \_\_\_\_\_