



26 April 2018

COMPANY INFORMATION

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

Current Shares on Issue:
878,244,891
Market Capitalisation:
\$20M as at 24 April 2018

COMPANY DIRECTORS

Ian Daymond
Chairman

Bernard Olivier
Managing Director

Cobus van Wyk
Chief Operations Director

Christiaan Jordaan
Director

Evan Kirby
Director

Twitter: @Mustang_Res
mustangresources.com.au

Quarterly activities report for the period ending 31 March 2018

Montepuez ruby strategy on track with another discovery and first sales in Thailand; Caula graphite project shows significant vanadium potential; First cashflow at Caula targeted for H1 2019

Highlights

Montepuez Ruby Project, Mozambique

- During the quarter Mustang made strong progress on the Montepuez Ruby Project located in the heart of this globally significant gem-field
- A total of 29,069.1 carats were recovered from the processing of 43,940m³ (~68,107 tonnes) of stockpiled material at Montepuez with:
 - An average grade of 0.42 carats/tonne achieved for the quarter, 13.5% higher than Q4 2017; and
 - A total of 329,309 carats of rubies in the Company's available-for-sale inventory as at 10 April 2018
- New ruby-bearing gravels discovered during the quarter, located 3.5km directly south-west of Mustang's 200tph processing plant
- New sales and marketing office established in Chanthaburi:
 - Maiden sales of A\$230,953 achieved by 10 April 2018
 - 18,288 carats of mostly lower and medium quality rubies sold at an average price of A\$12.67 per carat
- Total sales of ~A\$1.23M achieved since September 2017 through the sale of 100,184 carats at an average price of A\$12.29 per carat recovered from exploration activities
- Significant interest received from well-known international jewellery brands and buyers who seek sustainable and responsibly produced rubies with full supply chain assurance

Caula Graphite & Vanadium Project, Mozambique

- Associated vanadium present at Caula project with MOD014 intersecting 125m of vanadium at an average of 0.42% V₂O₅ (incl. multiple intersections from 0.7% to 1.02% V₂O₅)
- Assays show grades of up to 24.2% Total Graphitic Carbon (TGC) and 1.02% Vanadium (V₂O₅) including:
 - 125m (from 17m downhole) at 14.1% TGC average (incl. multiple intersections from 23 to 24% TGC); including
 - 96 m downhole at 24.2% TGC
 - 52 m downhole at 23.9% TGC
 - 125m (from 17m downhole) at 0.42% V₂O₅ average (incl. multiple intersections from 0.7% to 1.02% V₂O₅); including
 - 74m downhole at 1.02% V₂O₅
 - 71m and 75m downhole at 0.98% V₂O₅
- Caula emerging as one of the world's higher-grade graphite and vanadium projects
- Graphite and vanadium strategy announced in March 2018 with focus on fast-tracking a dual graphite and vanadium development plan to deliver first cashflow in H1 2019
- Further higher-grade results (up to 0.68% V₂O₅) over extensive widths from diamond drilling on Licence 5873L, 7.5km south of previous drilling on Mustang's Caula Graphite & Vanadium Project in Mozambique

Corporate

- In January 2018 Arena Investors LP, a major US institutional investor with more than US\$750 million in assets under management, committed to invest a net A\$19.95 million in Mustang under a multi-tranche convertible note facility
- First tranche of A\$1.9 million received on signing of agreement with follow-on tranche of A\$3.8 million approved by shareholders in February 2018 and available for drawdown by the Company in May 2018
- Non-renounceable 1 for 4 pro rata rights issue at an issue price of \$0.023 per New Share closed on Thursday, 22 March 2018 at 5.00pm WST
- Total subscription amount received from the Entitlement Offer (before costs) was \$2,454,485 made up of \$1,696,675 of entitlements plus \$757,810 of shortfall taken up by eligible shareholders
- Appointment of experienced resources executive Dr. Evan Kirby as a Non-Executive Director. He is a metallurgist with more than 40 years' experience
- Mustang had A\$2.137 million cash on hand as at 31 March 2018

Operations Report

Montepuez Ruby Project, Mozambique

Mustang's Resources' (ASX:MUS) Montepuez Ruby Project in Northern Mozambique is located in the heart of the globally significant Montepuez gem-field, adjacent to the advanced mining operations of Gemfields (JSE: PGL subsidiary) and early-stage exploration assets of Fura Gems Inc. (TSXV: FURA).

During the quarter under review, Mustang continued to make strong progress on the development of Montepuez, in Northern Mozambique securing a key mining concession, revising its sales and marketing strategy, opening a Thailand sales office and discovering a new ruby-bearing (secondary) gravel deposit.

In February 2018 the Company announced that the Government of Mozambique had issued Mining Concession 8955C over the area previously covered by prospecting and exploration licence 8245L that forms an integral part of the Company's Montepuez Ruby Project.

The licence is valid for an initial term of 25 years up to 5 December 2042. The majority of the ruby bulk sampling and pitting conducted by Mustang during Q1 was on 8245L.

The Company will also need to complete a full Environmental Impact Assessment (EIA) and associated enjoyment of land ("DUAT") within the three years from the grant of the Concession, which process. This process was initiated during the quarter with the Company being well advanced in securing the DUAT and completing the EIA.



Figure 1: Selection of high quality rubies recovered in January 2018

Following a review of its sales and marketing strategy conducted in Q1, the Company decided to implement a series of measures which better reflect the current exploration and development status of the Montepuez Ruby Project.

As a result, Mustang established a sales and marketing office in Chanthaburi, Thailand in March 2018. This facility is markedly smaller and lower-cost than that in Mauritius and more in line with the Company's emphasis on project and ruby market development and ongoing market research.

Thailand is considered the world-leader in trading and beneficiation of coloured gemstones, especially rubies and sapphires. Since the 15th century, Chanthaburi and Bangkok have been the main trading and beneficiation centres for the coloured gemstone industry in Thailand.

Mustang's revised marketing strategy will be based on regular sales of rubies of all product categories to local and international customers. This process will generate valuable market intelligence for Mustang, enabling it to identify the demand for the various categories of stones. It will also enable Mustang to establish strong relationships with major ruby customers and meet their individual requirements as they arise and as they change over time. This measured approach to marketing is intended to generate regular cash flow for Mustang as it continues to pursue exploration and bulk sampling activities.

Subsequent to quarter's end, Mustang announced that it had achieved ruby sales totalling A\$230,953 in the first month (and up to 10 April 2018) since opening the new marketing and sales office in Chanthaburi. A total of 18,228 carats of rubies, predominantly in the lower and medium quality ranges, were sold for an average of A\$12.67 per carat.

The sales can be summarised in the following general categories:

Category	Value (A\$)	Carats Sold	A\$/ct
Higher Quality Ruby	13,406	14	957.57
Medium Quality Ruby	193,908	10,605	18.28
Lower Quality Ruby	23,639	7,609	3.11
Total	230,953	18,228	12.67

The Company commenced larger-scale exploration activities at Montepuez Ruby Project in Mozambique during H1 2017 and conducted its first sale of rubies generated from these exploration activities during H2 2017. Total sales of A\$1,231,449 have been generated since September 2017 to date from the sale of 100,184 carats (all categories) at an average price of A\$12.29 per carat. Total cash receipts during the period (including insurance claim monies) are A\$1,655,099.

The establishment of the marketing and sales office in Thailand has already generated significant interest from well-known international jewellery brands and customers who have met Mustang and visited the office.

The office enables Mustang to establish strong relationships with major jewellery brands and ruby customers who require ethically produced gemstones with product transparency, full supply chain assurance and consistent supply from a sustainable and responsible mining company.

Subsequent to the end of the quarter, the Company also announced that it has discovered a new ruby-bearing gravel deposit just 3.5km from its processing plant at the Montepuez.

The discovery was made during an extensive exploration and test pitting campaign undertaken at Montepuez during Q1 2018, which resulted in the development of 196 test pits during the period. The program has returned a host of positive results which will be followed up in the new exploration field season starting in Q2. The new deposit was discovered in an area referred to as Block D, located on Licence 8955C, approximately 3.5km to the south-west of the Company's 200tph processing plant (see Figure 2 below). Mustang is further encouraged by the confirmation of ruby bearing gravels in Block A, B and C, confirming the extension of ruby mineralisation extending from the LM bulk sampling pits.

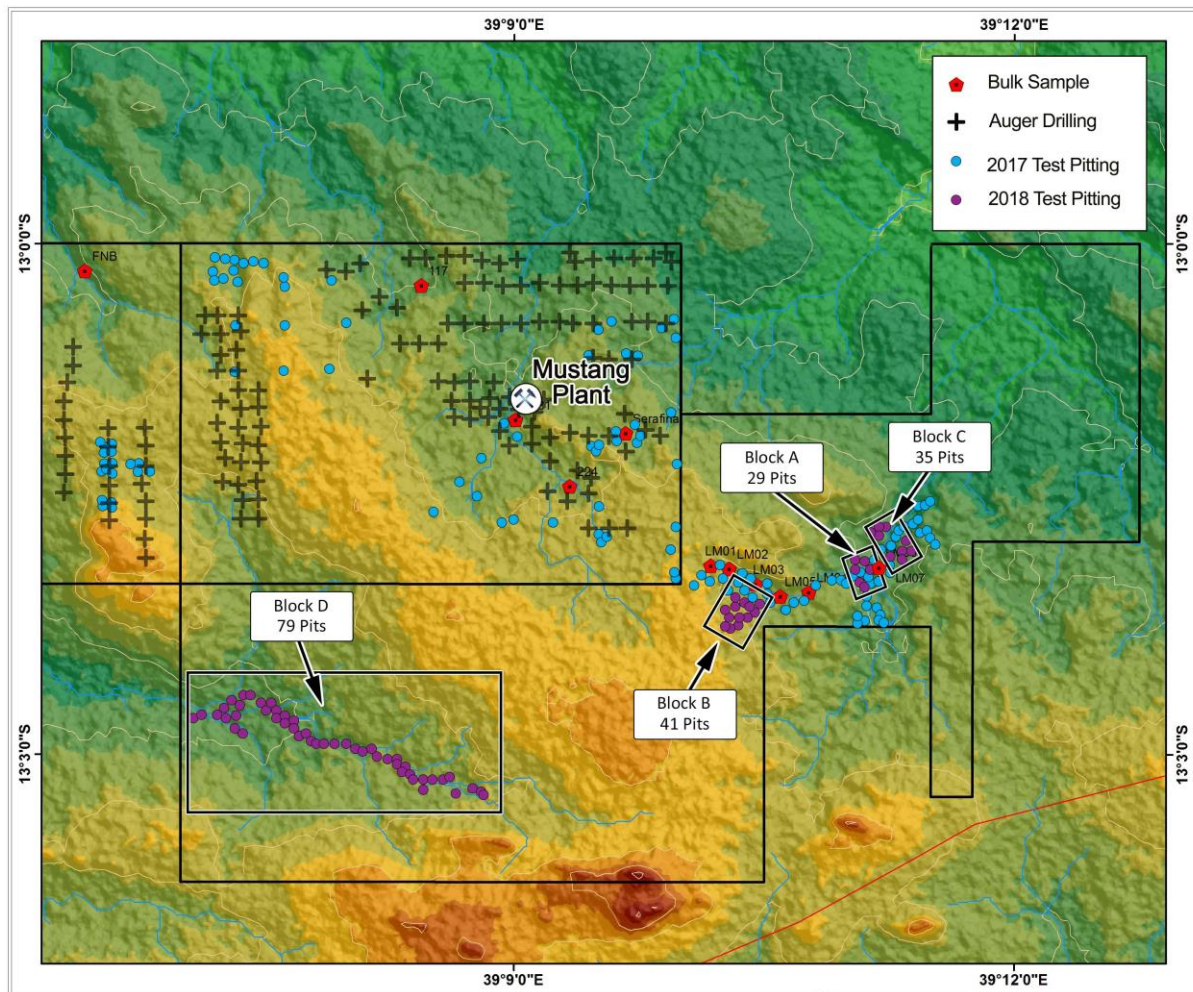


Figure 2: Map indicating location of Mustang’s new ruby deposit (Block D) relative to the processing plant and “LM” deposit

During Q1, a total of 29,069.1 carats were recovered from the processing of 43,940m³ (68,107 tonnes) of material at Montepuez, resulting in an average grade for the quarter of 0.42 carats/tonne.

The Q1 2018 recovery grades were approximately 13.5% higher than Q4 2017, while tonnes processed were approximately 15% lower. In Q4 2017, approximately 80,658 tonnes were processed with 29,983 carats recovered at an average grade of 0.37 carats/tonne.

As at 10 April 2018, the Company had a total ruby inventory of 329,309 carats available for sale.

Caula Graphite & Vanadium Project, Mozambique

The Caula Graphite & Vanadium Deposit is located along strike from Syrah Resources’ (ASX:SYR) world-class Balama project in Mozambique and hosts high grade graphite up to 26% TGC as well as high percentages (>55%) of large, jumbo and super jumbo flakes which compares very favourably to its African graphite peers (see Figure 3 below).

The Caula Project is located within a world-class graphite province and there is significant potential to expand the maiden JORC Inferred Mineral Resource estimate of 5.4 million tonnes at 13% TGC (6% cut-off) through ongoing exploration and drilling and to also estimate a maiden vanadium resource.

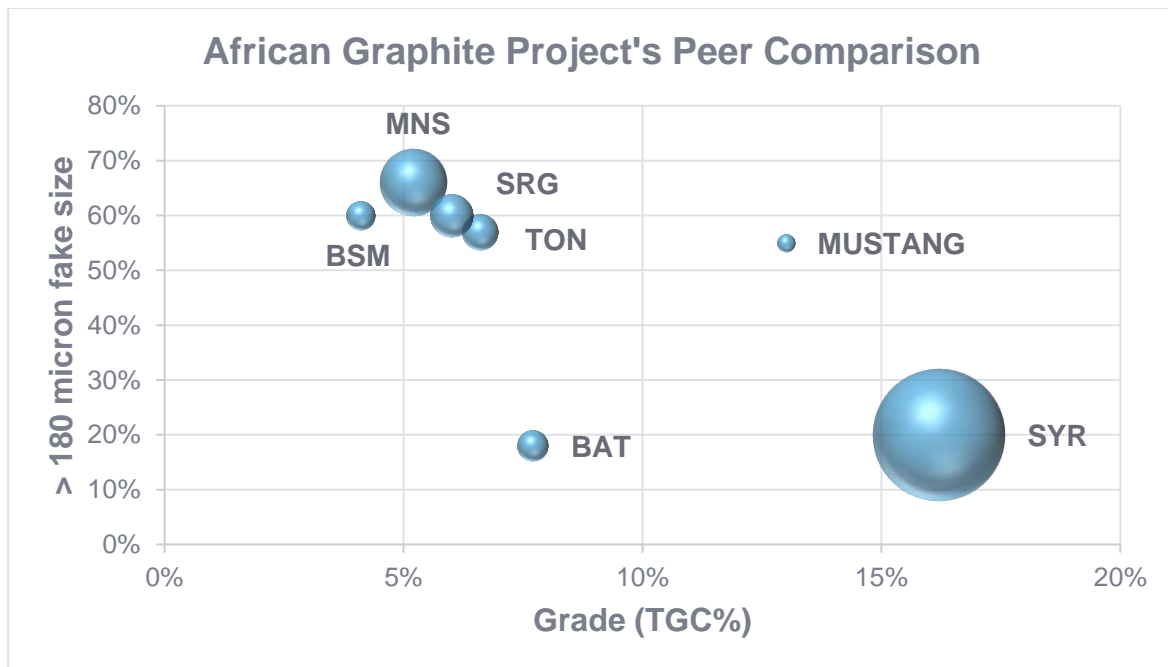


Figure 3: Comparative chart of African graphite companies based on grade and flake size. The size of the bubble for each company represents their estimated current market capitalisation in A\$ during Q1. The chart clearly shows Mustang's prime position in the top right-hand corner with both high grade and large flake size. The market capitalisation comparison further highlights the Board's view that, given the quality of the project, Mustang is greatly undervalued.

During the quarter Mustang received the first assay results from the diamond drilling campaign forming part of its Scoping Study. Assay results from MODD014 include outstanding intersections up to 24% TGC and 1.02% V₂O₅ with an average grade of 14% TGC and 0.42% V₂O₅ over 125m from 17m downhole.

Importantly, the presence of vanadium mineralisation strongly correlated with the high-grade graphite mineralisation, at a time when vanadium prices have exceeded US\$35,000 per tonne. This prompted a strategic review of Caula which resulted in Mustang deciding to fast track the project's development to aim for first cashflow in H1 2019.

The review found:

- Exploration activities have encountered wide intersections of mineralisation with potentially economic graphite and vanadium values.
- Furthermore, the scale and configuration (general topography, width, dip, strike length, and surface outcrop) of the deposit are favourable to trial mining activities ahead of full economic scale exploitation.
- Trial mining and processing, at a capacity of ~100,000tpa (plant feed), will generate detailed technical information for use in formal feasibility studies of full-scale project development. It will also provide product samples for the evaluation by offtake partners, the evaluation of marketing arrangements and the generation of revenue from the sale of the graphite and vanadium products.
- Cost considerations indicate that the Company could finance the establishment of trial mining and processing from its currently available finance facility supplementing its recent rights issue funding.

- Work completed to date has shown that Caula could deliver an exceptional combination of both high-grade (13% TGC) mineralisation and graphite products with large flakes sizes (~55% large, jumbo and super jumbo) and acceptable purity levels (>95% TGC average in all graphite product flake sizes).
- The vanadium content of the ore could contribute very significant additional value, especially given the structural shift in the vanadium market. First assay results from the recent drilling campaign on Caula returned an average vanadium grade of 0.42% V₂O₅ over 125m (from 17m to 143m) of the graphitic mineralised zone.
- At the adjacent Montepuez Ruby Project, Mustang has an experienced team with proven capability to obtain exploration and mining permits and the ability to develop trial mining and processing operations. The team will be able to utilise the existing infrastructure and operations camp of the ruby project to assist with graphite project development.
- The recent conversion of two exploration licences to mining concessions on the Montepuez Ruby Project that borders the Caula Graphite Project is testimony to these abilities.
- Furthermore, the 200 tph capacity of the processing plant for the Montepuez Ruby Project is ten times larger than contemplated for the trial mining phase of the graphite and vanadium project.
- Completing all permitting, obtaining a mining licence and commencing trial mining operations will strongly differentiate the Caula Project from peer group members who have not progressed so far.

Vanadium Economic Potential

Work done during the quarter has shown that the Caula ores are considered to be broadly similar to ore at the nearby Balama Project of Syrah Resources (ASX:SYR). In July 2014, Syrah published the results of its vanadium scoping study.¹ The outcome of the study was very positive and most of the conclusions drawn have relevance to the Caula Graphite Project. The following points were noted:

- The vanadium in the ore did not report to the graphite concentrate and graphite concentrate samples were below the detection limit for vanadium analysis.
- There was strong correlation between graphite and vanadium grades in the ore.
- Vanadium could be recovered to a concentrate by a combination of froth flotation and wet high intensity magnetic separation (WHIMS). These are well established processing methods commonly applied in the mining and minerals industry.
- A vanadium chemicals plant could be sourced from China where there is extensive experience with vanadium extraction from graphitic and carbonaceous ores. Furthermore, as noted by Syrah, it is likely that the plant would be able to produce high-purity vanadium products that will sell at a significant premium to the industry standard 98% vanadium pentoxide flake.

Worldwide, the major use of vanadium is as an alloying agent in full alloy and high strength low alloy steels. China has recently increased the minimum specification for reinforcing steel used in buildings and as a result, domestic vanadium consumption is expected to increase by 10,000 tonnes per year (Metal Bulletin, August 2017). The vanadium market has already experienced a structural shift, changing China from being a net exporter of vanadium to becoming a net importer of vanadium. The use of vanadium in vanadium redox flow batteries (VRFB batteries), used for large scale energy storage is set to drive a further increase in demand. Consequently, vanadium supplies have tightened, and the price of vanadium has increased sharply over the last two years to current levels of ~US\$30,500 per tonne, making it the best performing battery metal of 2017².

¹ Refer to Syrah Resources' ASX Announcement dated 30 July 2014 "Vanadium Scoping Study Finalised".

² "Best performing battery metal of the year isn't cobalt", Mark Burton. Bloomberg. January 26, 2018.

Corporate

At the start of the quarter Arena Investors LP, a major US institutional investor with more than US\$750 million in assets under management, committed to invest a net A\$19.95 million in Mustang under a multi-tranche convertible note facility over 24 months.

The first tranche of A\$1.9million was received by Mustang on signing of agreement in January 2018 with a follow-on tranche of A\$3.8 million approved by shareholders in February 2018 and available for drawdown by the Company in May 2018.

Funding from Arena was supplemented by a well-supported 1 for 4 non-renounceable pro-rata rights issue which closed on 22 March and raised \$2,454,485 made up of \$1,696,675 of entitlements plus \$757,810 of shortfall taken up by eligible shareholders. The Shortfall will be placed by the Company at the same price of \$0.023 per New Share subscribed for and issued. The New Shares under the Shortfall are to be placed within 3 months after the Closing Date i.e. 22 June 2018. These financings allow Mustang to pursue the continued development of the Montepuez Ruby Project with the goal of establishing the feasibility of a commercial ruby mining operation and associated JORC Resource, as well as pursuing the development of the exciting Caula Graphite and Vanadium Project.

Also during the quarter, Mustang announced that Dr. Evan Kirby was appointed as Non-Executive Director and consulting metallurgist.

Dr Kirby is a metallurgist with more than 40 years' experience and has extensive corporate and technical expertise. Dr Kirby worked for 16 years in South Africa with Impala Platinum, Rand Mines and then Rustenburg Platinum Mines. In 1992, he moved to Australia and was employed by Minproc Engineers and then Bechtel Corporation, where he had management and technical responsibilities. In 2002, Evan established his own Australian based consulting business, Metallurgical Management Services. He has held leading roles in numerous metals and minerals projects, including many world-class developments, and has been a director of several ASX and AIM-listed mining companies. His hands-on experience includes diamonds, coloured gemstones, graphite, vanadium, gold and platinum group metals, mineral sands and base metals.

Mustang had A\$2.137 million cash on hand as at 31 March 2018 (refer to accompanying Appendix 5B).

For and on behalf of the Company.



Dr. Bernard Olivier
Managing Director

FOR FURTHER INFORMATION, PLEASE CONTACT:

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COMPETENT PERSON STATEMENTS:

Information in this report that relates to the Montepuez Ruby Project's Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr. Bernard Olivier, a Competent Person who is a registered member of the Australasian Institute for Mining and Metallurgy (AusIMM), which is a Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Dr Olivier is the Managing Director of the company. Dr Olivier 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, Mineral Resources and Ore Reserves. Dr Olivier consents to the inclusion of the data in the form and context in which it appears.

Information in this report that relates to the Caula Graphite & Vanadium Project's 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.

Mustang confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements referenced throughout this announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Mustang confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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

APPENDIX: TENEMENT OVERVIEW 31 MARCH 2018

LICENCE NO.	AREA (KM ²)	COMMODITY	ISSUE DATE	VALID UNTIL	INTEREST/RIGHT TO EARN INTEREST
8955C	32.8	RUBIES	05-12-2017	05-12-2042	65%
8921C	20	RUBIES	13-09-2017	13-09-2042	60%
5030L	139.5	RUBIES	03-09-2013	03-09-2018	52.5%
5873L	137.8	GRAPHITE	17-11-2014	17-11-2019	60% TO 75%
6678L	31.9	GRAPHITE	18-03-2014	18-03-2019	80%
6363L	75.7	GRAPHITE	18-11-2015	18-11-2020	90%
7560L	127.9	GRAPHITE	21-06-2016	21-06-2021	95%

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MUSTANG RESOURCES LIMITED

ABN

34 090 074 785

Quarter ended ("current quarter")

31 MARCH 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	43	1,030
1.2 Payments for		
(a) exploration & evaluation	(2,913)	(12,261)
(b) development	-	-
(c) production	-	-
(d) staff costs	(187)	(603)
(e) administration and corporate costs	(197)	(1,126)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,253)	(12,957)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(84)	(346)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	19
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(84)	(327)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,457	344
3.2 Proceeds from issue of convertible notes	1,900	10,400
3.3 Proceeds from exercise of share options		5,369
3.4 Transaction costs related to issues of shares, convertible notes or options	(159)	(931)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	4,198	15,182

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,568	399
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,253)	(12,957)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(84)	(327)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,198	15,182
4.5 Effect of movement in exchange rates on cash held	(292)	(160)
4.6 Cash and cash equivalents at end of period	2,137	2,137

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,087	1,518
5.2 Call deposits	50	50
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,137	1,568

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	151
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

6.1 Payment of director fees

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	\$21m	\$2m
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

A\$21 million face value unsecured convertible note facility has been secured by the Company from Arena Investors LP which is to be drawn-down in seven separate tranches as follows:

- A\$1.9 million (face value A\$2 million) was received upon signing of the Convertible Note Deed (with notes subject to conversion restrictions) with the convertible note to be issued (together with any shares issuable upon conversion) under the Company's existing placement capacity;
- A\$3.8 million (face value A\$4 million), which has been approved by shareholders, for the follow-on tranche which may be drawn by the Company 4 months after the first tranche issue date; and
- A\$2.85 million (face value A\$3 million) (subject to shareholder approval) for each of the remaining five tranches, with 3 to 4 months minimum between drawdowns thereof.

Each tranche has an 18-month term.

The convertible notes attract interest at 11% per annum accruing on monthly balances and are payable in cash or shares with tranche one interest payable in cash only. The notes are convertible at variable strike prices based on the lowest 1-day VWAP of the 20 trading days prior to conversion. Tranche 1 is subject to a floor price of 1.8 cents per share. Upon conversion the Company may choose to either deliver shares or cash equal to the value of the shares.

The noteholder is also entitled to options, subject to shareholder approval, equal to 40% of the face value of the notes exercisable at a price equal to 130% of the 5 day VWAP prior to the date of issue of the respective notes, with a 3 year term.

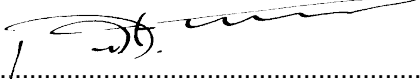
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	4,236
9.2 Development	618
9.3 Production	-
9.4 Staff costs	62
9.5 Administration and corporate costs	211
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	5,127

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

 (Company secretary)

Date: 26 April 2018.....

Print name: Robert Marusco.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.