



29 May 2018

Company Announcements Platform
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

NOTICE UNDER SECTION 708A(12C)(e) OF THE CORPORATIONS ACT 2001

This cleansing notice (**Cleansing Notice**) is given by Mustang Resources Limited (ACN 090 074 785) (**Company**) under Section 708A(12C)(e) of the Corporations Act 2001 (Cth) (**Corporations Act**) as amended by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*.

The Company hereby confirms that:

- (a) the convertible notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act;

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the convertible notes issued by the Company on the terms described below, to be on-sold to retail investors without further disclosure.

1. BACKGROUND

As announced on 22 May 2018, the Company has agreed amendments in relation to the convertible note facility with Arena Structured Private Investments (Cayman) LLC (**Noteholder**) with a face value of \$21,000,000 (**Facility**) (**Convertible Note Deed**) originally announced on 8 January 2018.

The amendments will primarily result in the second tranche being split into two separate tranches with the draw downs occurring in late May and then late June but with no change to the total amount drawn down.

In summary, the material amendments are:

- (a) The first follow on tranche has been split into two separate tranches as follows:

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- (i) \$1.995 million (A\$2.1 million face value) (Tranche 2A); and
- (ii) \$1.805 million (A\$1.9 million face value) (Tranche 2B).

The amount for all other tranches remains unchanged.

- (b) Tranche 2A is able to be drawn down at the same time as the original first follow on tranche (May 2018), however, the draw down of Tranche 2B will be on and from 25 June 2018. The minimum 3 to 4 months between the remaining tranches remains unchanged.
- (c) The issue of Convertible Notes under Tranche 2B will be out of the Company's placement capacity under Listing Rule 7.1. The issue of Options under Tranche 2B and the issue of Convertible Notes and Options under each other tranche continue to remain subject to Shareholder approval which the Company will seek at the appropriate time during the term of the Facility.
- (d) The conversion price for Tranche 2B is the higher of:
 - (i) 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; and
 - (ii) \$0.016.

The conversion price of all other tranches remains unchanged.

The Company has completed the issue of the first tranche of Convertible Notes and Options and has now received under the Facility an amount of \$1,995,000 in consideration for the issue of the Tranche 2A Convertible Notes and associated Options on the date of this Cleansing Notice, all as approved or ratified by Shareholders at the meeting held on 2 March 2018.

The issue of further tranches of Convertible Notes and associated Options (**Follow On Tranches**) under the Facility remains subject to Shareholder approval other than the Convertible Notes to be issued under Tranche 2B which are to be issued out of the Company's placement capacity under Listing Rule 7.1.

The Company will be convening a meeting of its Shareholders shortly to seek approval for the issue and convertibility of the Convertible Notes and associated Options to be issued under Tranche 3 of the Facility as well as to seek ratification in relation to the issue of the Tranche 2B Convertible Notes scheduled to occur prior to that meeting. Shareholder approval for subsequent tranches 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 eight 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 Convertible Notes and associated Options issued; and
- (b) Tranches 2A and 2B and other Follow On Tranches – seven conditional tranches of Convertible Notes, Tranche 2A of \$1,995,000 (having a principal amount of \$2,100,000) which has been received, Tranche 2B of \$1,805,000 (having a principal amount of \$1,900,000) 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 5 days' notice in advance of the proposed issue date of such Follow On Tranche which notice may not be given:

- (i) in respect of Tranche 2A, until 22 May 2018;
- (ii) in respect of Tranche 2B, until 20 June 2018;
- (iii) in respect of the third Follow On Tranche following the First Tranche (Tranche 3), until 20 September 2018 or the date which is at least 3 months after the issue date of Tranche 2B, whichever is later;
- (iv) in respect of the fourth Follow On Tranche following the First Tranche (Tranche 4), until 21 December 2018 or the date which is at least 3 months after the issue date of Tranche 3, whichever is later;
- (v) in respect of the fifth Follow On Tranche following the First Tranche (Tranche 5), until 22 March 2019 or the date which is at least 3 months after the issue date of Tranche 4, whichever is later;
- (vi) in respect of the sixth Follow On Tranche following the First Tranche (Tranche 6), until 26 July 2019 or the date which is at least 3 months after the issue date of Tranche 5, whichever is later; and
- (vii) in respect of the seventh Follow On Tranche following the First Tranche (Tranche 7), until 22 November 2019 or the date which is at least 3 months after the issue date of Tranche 6, whichever is later.

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 Section 4(l) of this Cleansing Notice), 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 Section 4 of this Cleansing Notice.

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 Vanadium-Graphite Projects in Mozambique.

2. CONTENTS OF THIS CLEANSING NOTICE

This Cleansing Notice sets out the following:

- (a) in relation to the Convertible Notes:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Convertible Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Notes; and
- (b) any information that:
 - (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and
 - (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to Shares; and
 - (iii) other information relating to the Company's status as a disclosing entity.

3. THE EFFECT OF THE ISSUE ON THE STRUCTURE OF THE COMPANY

3.1 Effect of the issue on the Company

The principal effect of the issue of the Convertible Notes on the Company will be to:

- (a) increase the Company's cash reserves by \$19,950,000 (before costs associated with the Convertible Note issue) with \$3,895,000 already received at the date of this Cleansing Notice;
 - (b) increase the number of unquoted unsecured Convertible Notes on issue from nil to 21,000,000, assuming the full draw down under the Facility of which 4,100,000 have been issued to the date of this Cleansing Notice;
 - (c) give rise to the Company having a liability for the amount of the face value of the Convertible Notes on issue;
 - (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 Options with each tranche of Convertible Notes.
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3.2 Pro Forma Consolidated Statement of Financial Position As at 30 April 2018 taking into account the issue of Convertible Note

- (a) Set out in Annexure A is a pro forma consolidated Statement of Financial Position as at 30 April 2018 for the Company based on the unaudited 30 April 2018 Management Accounts adjusted to reflect the proposed Convertible Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company.
- (b) The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

3.3 Potential effect on capital structure

- (a) As at the date of this Cleansing Notice, the total number of issued Shares is 914,850,211.
- (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, in addition to the 12,135,583 new Shares already issued on conversion of Convertible Notes with a face value of \$250,000 prior to the date of this Cleansing Notice, based on an average conversion price of \$0.02 per new Share (this was the last closing price prior to announcement of the amendments to the Convertible Note Deed) and assuming the full face value of \$21,000,000 is converted (**Assumptions**), 1,049,635,583 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 Options have been issued in relation to the First Tranche.
- (f) 41,749,503 Options (assuming a 5 Trading Day VWAP of \$0.02) have been issued in relation to Tranche 2A.
- (g) Options will also be issued for each of the other Follow On Tranches. The quantity will be equal to 40% of the face value of the tranche (\$760,000 for Tranche 2B 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 Convertible Notes of the respective tranche (**5 Trading Day VWAP**). Assuming the 5 Trading Day VWAP is \$0.02 a total of 338,000,000 Options will be issued.

The effect on the issued share capital of the Company on conversion of all the Convertible Notes and the issue and exercise of all Options issued

under the Facility is set out in the table below based on the Assumptions. This does not account for any interest payable under the Facility being converted into Shares.

Shares	Number
Shares on issue at the date of this Cleansing Notice ¹	914,850,211
Shares issued assuming the conversion of all remaining and future Convertible Notes issued under the Facility ²	1,037,500,000
Shares issued assuming the exercise of all remaining and future Options issued under the Facility ²	405,472,975
Total Shares on issue following conversion of all remaining and future Convertible Notes and Options issued under the Facility	2,357,823,186

Options	Number
Options on issue at the date of this Cleansing Notice ^{3,4}	215,737,720
Options issued under the remainder of the Facility	338,000,000
Total Options on issue following the remainder of the Facility being drawn down in full	553,737,720

Performance Rights	Number
Performance Rights on issue at the date of this Cleansing Notice ⁴	14,000,000
Performance Rights issued under the Facility	Nil
Total Performance Rights on issue following conversion of the entire Facility	14,000,000

Convertible Notes	Number
Convertible Notes on issue at the date of this Cleansing Notice ⁵	3,850,000
Convertible Notes issued under the remainder of the Facility	16,900,000
Total Convertible Notes on issue following the remainder of the Facility being drawn down in full^{5,6}	20,750,000

Notes:

- 1 This includes 12,135,583 new Shares already issued on conversion of Convertible Notes with a face value of \$250,000 prior to the date of this Cleansing Notice.

- 2 The Noteholder has agreed not to convert any Convertible Notes, exercise any Options or receive Shares under the Equity Payment Option (defined in Section 4(g) of this Cleansing Notice), 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 Cleansing Notice the maximum number of Shares the Noteholder can have a relevant interest in is 182,878,557 Shares.
- 3 This includes 25,723,472 Options issued in relation to the First Tranche prior to the date of this Cleansing Notice.
- 4 Details of exercise prices and expiry dates of the Options and performance milestone and expiry dates for the Performance Rights are set out in the Company's Appendix 3B lodged with ASX.
- 5 Details of the conversion price and maturity dates of the Convertible Notes are set out in the Company's Appendix 3B lodged with ASX. In addition, this Cleansing Notice contains comprehensive details of the terms of the Convertible Notes in Section 4.
- 6 250,000 Convertible Notes have been converted prior to the date of this Cleansing Notice.

4. RIGHTS AND LIABILITIES ATTACHING TO THE CONVERTIBLE NOTES UNDER THE FACILITY

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 Section (l) of this Cleansing Notice), 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 \$2,100,000 and therefore a purchase price of \$1,995,000; and
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- (iii) the second Follow On Tranche has an aggregate face value of \$1,900,000 and therefore a purchase price of \$1,805,000; and
- (iv) each subsequent 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 options to be issued to the Noteholder and if required the issue of Shares under the Equity Payment Option (as defined in Section 4(g) of this Cleansing Notice);
- (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 Section 4(l) of this Cleansing Notice) 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 5 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 2A, until 22 May 2018;
 - (B) in respect of Tranche 2B, until 20 June 2018;
 - (C) in respect of Tranche 3, until 20 September 2018 or the date which is at least 3 months after the issue date of Tranche 2B, whichever is the later;
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- (D) in respect of Tranche 4, until 21 December 2018 or the date which is at least 3 months after the issue date of Tranche 3, whichever is the later;
- (E) in respect of Tranche 5, until 22 March 2019 or the date which is at least 3 months after the issue date of Tranche 4, whichever is the later;
- (F) in respect of Tranche 6, until 26 July 2019 or the date which is at least 3 months after the issue date of Tranche 5, whichever is the later; and
- (G) in respect of Tranche 7, until 22 November 2019 or the date which is at least 3 months after the issue date of Tranche 6, whichever is the later.

(f) **Options**

- (i) Subject to Shareholder approval, upon issue of each tranche of Convertible Notes (other than Tranche 2B where the issue is 2 business days after Shareholder approval of their issue) 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 Section 5 of this Cleansing Notice.

(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 (other than for the First Tranche where interest is payable in cash only).

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 Section 4(l) of this Cleansing Notice) 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 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 (other than the First Tranche) and interest on those Convertible Notes into Shares 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;
- (ii) In relation to Tranche 2B, 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 \$0.016; and
- (iii) in relation to each of the Follow On Tranches other than Tranche 2B, 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 (and interest if applicable) 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) **Events of Default**

The Events of Default are as set out in Annexure B to this Cleansing Notice.

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/or
- (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.

(m) **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.

5. RIGHTS AND LIABILITIES ATTACHING TO OPTIONS ISSUED UNDER THE FACILITY

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 EST) on the date that is 36 months from the issue date.
 3. Subject to section 8, the exercise price of the 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 Options (**Exercise Price**).
 4. To exercise the Options, the Option holder must duly complete, execute and deliver to the Company an exercise notice (**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.
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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 (Cwlth) (**Act**).
10. The Options will not be listed.
11. The Company will, within 7 days of the exercise of the Options, apply for official quotation by the ASX of all Shares issued upon the exercise of the 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 Options may not be exercised by or on behalf of a person in the United States unless the Options and the underlying Shares have been registered under the United State Securities Act of 1933, as amended, and applicable state securities laws, or exemptions from such registration requirements are available.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED UNDER THE CONVERTIBLE NOTES

The Shares issued to the Noteholder on the conversion of the Convertible Notes and upon the exercise of the Options issued under the Facility will rank equally in all respects with all of the Company's existing Shares. The rights attaching to the Shares, including new Shares to be issued to the Noteholder on the conversion of the Convertible Notes under the Facility, are set out in the Company's Constitution, and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

The Company intends to apply to ASX Limited for quotation of the Shares issued on conversion of any Convertible Notes.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be inspected free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

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

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

(c) **Dividend rights**

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

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

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

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

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

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

(d) **Winding-up**

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

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

A division under paragraph 6(d)(i) may be otherwise than in accordance with the legal rights of the members and, in particular, any class may be given preferential or special rights or may be excluded altogether or in part.

If any of the property to be divided under paragraph 6(d)(i) includes securities with a liability to calls, a person entitled under the division to any of the securities may within 10 days after the passing of the special resolution referred to in that rule, by notice in writing direct the liquidator to sell the person's proportion of the securities and to account for the net proceeds and the liquidator must, if practicable, act accordingly.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, ASX Settlement Operating Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions they think fit.

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

(h) **Variation of rights**

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

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

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. COMPLIANCE WITH DISCLOSURE OBLIGATIONS

The Company is a “**disclosing entity**” under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2017;
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure documents given by the Company to ASX after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX is set out below in the table.

Date	Announcement
29/09/2017	Appendix 4G - Corporate Governance Statement
04/10/2017	Appendix 3B
06/10/2017	North American Investor Presentation - October 2017 Amended
06/10/2017	North American Investor Presentation - October 2017
10/10/2017	Inventory Exceeds 350,000 Carats, Mining Concession Granted
11/10/2017	Change in substantial holding
13/10/2017	Appendix 3B
16/10/2017	Appendix 3B
16/10/2017	Australian Microcap Investment Conference Presentation
18/10/2017	Notice of Annual General Meeting
19/10/2017	Appendix 3B
24/10/2017	Change in substantial holding
24/10/2017	Mustang to take 405,000 carats to its Maiden Tender
27/10/2017	Quarterly Activities Report
27/10/2017	Quarterly Cashflow Report
27/10/2017	Appendix 3B
30/10/2017	Suspension from Official Quotation
01/11/2017	Reinstatement to Official Quotation
01/11/2017	Response to ASX Price and Volume Query
01/11/2017	Inaugural Rough Ruby Tender Results
06/11/2017	Maiden Inferred Mineral Resource Estimate Caula Graphite
07/11/2017	Montepuez Ruby Project - Update
13/11/2017	Managing Director Resigns
16/11/2017	Ruby Operations & Strategy Update
24/11/2017	Results of Meeting
24/11/2017	2017 AGM Presentation
24/11/2017	Chairmans Address 2017 AGM
01/12/2017	Amendment - Caula Graphite Project ASX release of 6 Nov 2017
13/12/2017	Caula Graphite Project Metallurgical Results Improved
19/12/2017	Ceasing to be a substantial holder
05/01/2018	Director Resignation & Final Directors Interest Notice
08/01/2018	Mustang Secures \$19.95m Funding From Institutional Investor
12/01/2018	Insurance Claim Settled

15/01/2018	Appointment of Managing Director and Chief Operating Officer
15/01/2018	Initial Director's Interest Notice – B Oliver
15/01/2018	Appendix 3B
15/01/2018	Cleansing Notice – Convertible Notes
15/01/2018	Change of Director's Interest Notice - I Daymond
15/01/2018	Cleansing Notice
29/01/2018	Notice of General Meeting/Proxy Form
30/01/2018	Quarterly Cashflow Report
30/01/2018	Quarterly Activities Report
05/02/2018	Caula Graphite Project Concept Study Drilling Complete
06/02/2018	121 Investor Presentation - February 2018
13/02/2018	Ruby Project Operations Update
21/02/2018	Change in substantial holding - Regius
22/02/2018	Non-Renounceable Issue
22/02/2018	Non-Renounceable Issue - Offer Document
22/02/2018	Cleansing Notice - Non Renounceable Offer
22/02/2018	Appendix 3B - Non Renounceable Entitlement Issue
22/02/2018	Non-Renounceable Issue - Offer Document - Timetable Update
22/02/2018	Cleansing Notice - Non Renounceable Offer - Update
23/02/2018	Non Renounceable Entitlement Issue - Optionholder Letter
26/02/2018	Letter to Ineligible Shareholders
26/02/2018	Letter to Eligible Shareholders
28/02/2018	Corporate Presentation March 2018
01/03/2018	Ruby Mining Concession Issued
02/03/2018	Results of Meeting
05/03/2018	Non-Renounceable Issue - Dispatch of Offer Document
06/03/2018	Implementation of New Ruby Sales & Marketing Strategy
07/03/2018	Appointment of Director & Appendix 3X
15/03/2018	Graphite Vanadium Project on track first production mid 2019
15/03/2018	Appendix 3B
15/03/2018	Change of Director's Interest Notice B Olivier
15/03/2018	Retraction of Announcement
16/03/2018	High Grade Drilling Intersects at Caula Project
16/03/2018	Half Yearly Report and Accounts
21/03/2018	Graphite Vanadium Project on track first production mid 2019

22/03/2018	High Grade Graphite & Vanadium Intersected
27/03/2018	Close of Entitlement Offer & Shortfall Notification
29/03/2018	Appendix 3B
29/03/2018	Change of Director's Interest Notice
03/04/2018	Change in substantial holding - Regius
04/04/2018	Corporate Presentation
11/04/2018	Maiden Ruby Sales from Thailand Office
13/04/2018	Maiden Ruby Sales from Thailand Office - Correction
17/04/2018	Discovery of Significant New Ruby Deposit at Montepuez
18/04/2018	Mustang Presentation Update April 2018
26/04/2018	Quarterly Activities & Cashflow Report
01/05/2018	More Wide High Grade Vanadium at Caula
11/05/2018	Corporate Governance Statement
14/05/2018	Placement of Shortfall Securities
17/05/2018	Appendix 3B
17/05/2018	Cleansing Notice
22/05/2018	Mustang Agrees Amended Terms with Arena Investors
24/05/2018	Montepuez Ruby Project Operational Update
25/05/2018	Appendix 3B
25/05/2018	Cleansing Notice

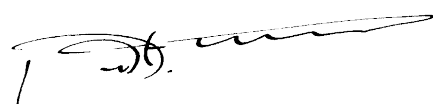
8. INFORMATION EXCLUDED FROM CONTINUOUS DISCLOSURE NOTICES

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Convertible Notes under the Facility and the Shares.

For more information please contact the undersigned on +61 8 9217 2400.

Yours sincerely



ROBERT MARUSCO
COMPANY SECRETARY
MUSTANG RESOURCES LIMITED

ANNEXURE A – PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE COMPANY AS AT 30 APRIL 2018
**MUSTANG RESOURCES LIMITED
ACN 090 074 785**
**STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2018**

	Note	Management Accounts 30 Apr 2018 \$	Unaudited Pro forma adjustments \$	Unaudited Pro forma 30 Apr 2018 \$
ASSETS				
Current assets				
Cash and cash equivalents	1	959,147	18,050,000	19,009,147
Trade and other receivables		1,803,010	-	1,803,010
Financial assets held at fair value		-	-	-
Prepayments		137,571	-	137,571
Total current assets		2,899,728	18,050,000	20,949,728
Non-current assets				
Plant and equipment		1,467,353	-	1,467,353
Trade & other receivables		30,552	-	30,552
Intercompany loans		65,601	-	65,601
Exploration & evaluation assets		31,030,790	-	31,030,790
Total non-current assets		32,594,296	-	32,594,296
TOTAL ASSETS		35,494,024	18,050,000	53,544,024
LIABILITIES				
Current liabilities				
Trade and other payables		1,171,011	-	1,171,011
Interest bearing loans & borrowings		-	-	-
Provisions		107,024	-	107,024
Total current liabilities		3,278,035	-	3,278,035
Non-current liabilities				
Interest bearing loans & borrowings	2	2,000,000	19,000,000	21,000,000
Total non-current liabilities		2,000,000	19,000,000	21,000,000
TOTAL LIABILITIES		3,278,035	19,000,000	22,278,035
NET ASSETS		32,215,988	(950,000)	31,265,988
EQUITY				
Contributed Equity		170,664,260	-	170,664,260
Reserves		17,425,321	-	17,425,321
Current Year PAT		(17,366,622)	-	(17,366,622)
Accumulated losses		(141,199,178)	(950,000)	(142,149,178)
Parent Interests		29,523,781		28,573,781
Fx on conversion of foreign entities		(239,448)		(239,448)

Non-controlling interests	2,931,655		2,931,655
TOTAL EQUITY	32,215,988	(950,000)	31,265,988
Non-controlling interests			
Contributed Equity	1,833,333	-	1,833,333
Current Year PAT	(611,139)	-	(611,139)
Retained Profits	1,709,462	-	1,709,462
	2,931,655	-	2,931,655

Unaudited Pro forma
30 Apr 2018
\$

NOTE 1: CASH AND CASH EQUIVALENTS

Management balance 30 Apr 2018	959,147
Funds received from Convertible Note Facility	18,050,000
Unaudited Proforma 30 Apr 2018	<u>19,009,147</u>

NOTE 2: INTEREST BEARING LOANS AND BORROWINGS

Management balance 30 Apr 2018	2,000,000
Remainder of Convertible Note Facility with Arena Structured Private Investments (Cayman) LLC with a face value of \$21 million with a 5% discount on issue to be drawn down.	19,000,000
Unaudited Proforma 30 Apr 2018	<u>21,000,000</u>

ANNEXURE B – EVENTS OF DEFAULT

Defined terms in this annexure 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;
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- (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;
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- (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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