

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")

30 JUNE 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.12.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	587	1,617
1.2 Payments for		
(a) exploration & evaluation	(3,644)	(15,905)
(b) development	-	-
(c) production	-	-
(d) staff costs	(249)	(852)
(e) administration and corporate costs	(775)	(1,901)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	(42)	(42)
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	(4,121)	(17,078)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(327)	(673)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.12.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	(327)	(654)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	500	844
3.2 Proceeds from issue of convertible notes	1,995	12,395
3.3 Proceeds from exercise of share options	-	5,369
3.4 Transaction costs related to issues of shares, convertible notes or options	(36)	(967)
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	2,459	17,641

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,137	399
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(4,121)	(17,078)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(327)	(654)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,459	17,641
4.5 Effect of movement in exchange rates on cash held	685	525
4.6 Cash and cash equivalents at end of period	833	833

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	783	2,087
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)	833	2,137

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
215
-

6.1 Payment of director fees

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

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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)	19,950	3,895
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 (A\$19.95 million funded) unsecured convertible note facility has been secured by the Company from Arena Investors LP which is to be drawn-down in eight 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) in January 2018 with the convertible note issued (together with any shares issuable upon conversion) under the Company's existing placement capacity;
- A\$1.995 million (face value A\$2.1 million), which has been approved by shareholders, and drawn by the Company in June 2018;
- A\$1.805 million (face value A\$1.9 million) (subject to shareholder approval) 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 higher of the lowest 1-day VWAP of the 20 trading days prior to conversion or the floor price. Tranche 1 is subject to a floor price of 1.8 cents per share and Tranche 2A is subject to a floor price of 1.6 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	2,368
9.2 Development	178
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	2,819

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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:



Dr Bernard Olivier
Managing Director

Date: 3 August 2018

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.