



COMPANY INFORMATION

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

Current Shares on Issue:
 372,309,913
 Market Capitalisation:
 [\$9.6M as at 19 January 2017]

COMPANY DIRECTORS

Ian Daymond
 Chairman

Christiaan Jordaan
 Managing Director

Cobus van Wyk
 Director

Twitter: @Mustang_Res
 mustangresources.com.au

30 April 2017

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 MARCH 2017

Successful commissioning and plant ramp-up at Montepuez Ruby Project; Ruby inventory grows to ~73,500cts; Spectacular high-grade graphite discovery at Balama project; \$3.1 million cash on hand (no debt)

Highlights

MONTEPUEZ RUBY PROJECT, MOZAMBIQUE

- Plant commissioning completed and post quarter upgrades taking capacity to 1,500tpd, a more than 300% increase from start of the quarter
- Mustang acquired highly prospective ruby licence located between Montepuez and Gemfields' major ruby project (subject to shareholder approval)
- Ruby inventory increased to ~73,500cts (at 28 April 2017)
- Subsequent to end of quarter:
 - Plant throughput rate being increased further to 1,500tpd (~380,000tpa)
 - Revised sales strategy to focus solely on selling rough stones as the most sustainable over the medium to long term
 - First auction of ~200,000cts set for October 2017
 - Developing rough grading system to be implemented prior to auction

BALAMA GRAPHITE PROJECT, MOZAMBIQUE

- Spectacular high-grade graphite discovery resource at Caula deposit within the Balama Project in Mozambique
- Significant graphitic mineralised zones encountered with assays awaited
- Balama well-placed to participate in the rapidly growing graphite market, which is benefiting from the soaring demand growth in the lithium battery market

CORPORATE

- **\$3.1 million cash on hand at 31 March 2017; this is after funding latest plant upgrades**
- **Mustang listed on the Frankfurt Stock Exchange**
- **Listing was in response to rapidly growing interest in the Company's ruby and graphite projects from European investors**
- **Raised \$5.88 million in a share placement early March 2017 (before costs and \$5.2 million settled in March 2017, balance to settle in second tranche)**

Mustang Resources Ltd (ASX: MUS) is pleased to provide the following report on its activities during the March quarter 2017.

MONTEPUEZ RUBY PROJECT, MOZAMBIQUE

Mustang continued to execute its strategy to ramp-up production at its Montepuez Ruby Project in Mozambique, completing the commissioning of the relocated processing plant and continuing to focus its prospecting efforts on secondary deposits the source of the vast majority of gem quality rubies from Mozambique.

Production ramped-up to the targeted rate of 525tpd (~11,025 tons per month, assuming 21 operational days per month running one shift) and hit as much as 1000tpd, a move which is forecast to result in a substantial increase in the Company's ruby production.

Subsequent to the end of the quarter, production has risen to 1,500tpd as key plant upgrades were installed.

Mustang finished the quarter with a total ruby inventory of 69,989cts. Since the end of the quarter, this has grown to ~73,500 carats. The Company aims to increase this to 200,000cts by October, at which time it intends to sell the entire inventory at an auction.

This represents a shift in its formative strategy, which involved the sale of cut and polished rubies as well as rough stones. However, after the end of the quarter, Mustang adopted a revised strategy under which it will sell all its rubies as rough stones.

This new strategy has two key objectives. First, it will ensure Mustang does not compete with its rough stone customers for sales of cut and polished stones and second, it will generate more cashflow in the medium term due to faster payment terms for rough stones and a much simpler sales process.

The revised strategy follows extensive consultation with prospective customers and a market study undertaken during Q1. The strategy is the same as that used by leading ruby miner Gemfields, which generated US\$225 million in seven auctions totalling 8.6Mcts (commercial and gem quality rubies from primary and secondary deposits) over 3.5 years.

The five 'special' stones sent to the US for cutting and polishing by Meg Berry will be sent to Thailand for inclusion in the overall inventory.

These five stones (77cts) were never intended to generate material cashflow and only represent 0.1% of current gem ruby inventory; they were to provide an insight into the value of Mustang's cut and polished stones for testing and marketing purposes only and to assist in defining the best sales strategy over the medium to long term.

The remaining parcel of rubies sent to the US (~6,148cts) will be sold as part of the auction in October 2017.

During the quarter, Mustang's team attended the AGTA GemFair in Tucson, Arizona from 31 January to 4 February 2017. The AGTA GemFair is the largest coloured gemstone trade show in the world and provided a perfect opportunity to engage with potential customers from around the globe.

During the quarter, Mustang also announced that it had agreed to acquire a 65 per cent interest in a new highly strategic ruby licence (Licence 8245L) which borders its existing Montepuez Ruby Project in

Mozambique. A site visit undertaken by Mustang consultant, Mr Paul Allan, confirmed that artisanal miners are recovering large, high-quality rubies from this licence area, which also borders one of the key ruby deposits being mined by London-listed Gemfields.

Importantly, Mustang's new licence is only 3km directly south-east of the Company's plant site and Alpha ruby deposit and lies along the south-east, north-west ruby mineralisation trend, which also transects the adjacent Gemfields licences.

Following completion of environmental permitting, Mustang will immediately commence a prospecting program, including mapping, auger drilling and trenching to determine a preferred location to open a bulk sampling pit. Mustang will then commence processing gravels from the priority areas identified, further enhancing the current bulk sampling program and ruby sales planned for 2017.

BALAMA GRAPHITE PROJECT, MOZAMBIQUE

Mustang Resources made a spectacular high-grade graphite discovery during the quarter at its 80 per cent-owned Caula Project (Licence 6678L) along geological strike of Syrah Resources' (ASX:SYR) world-class Balama graphite project in Mozambique.

Each of the first five diamond drill holes at Caula returned exceptionally high grades of up to 26 per cent Total Graphitic Carbon in multiple 1m samples/intersections.

Graphite was also intersected over extensive widths of 14m to 87m (downhole based on an incline of between 55° and 60°), providing strong evidence that Caula is both a large and extremely high-grade deposit with graphite mineralisation starting at shallow depth in the oxidised zone near surface.

The Caula Project sits within Mustang's Balama Project licence areas. Due to the highly successful results at Caula, Mustang has decided to name this project in its own right. The licence areas which do not form part of Caula will continue to be referred to as the Balama Project.

The Caula core is being assayed at SGS, a leading Perth laboratory, which will assess its metallurgical characteristics. These results, combined with the assays from the holes referred to above, will be used to calculate a maiden JORC Resource estimate. Mustang expects to publish this estimate in the June quarter, followed by an initial Scoping Study.

Mustang also intends to undertake a comprehensive analysis of flake size distribution and preliminary flowsheets for high-quality graphite concentrate products. This is aimed at confirming field observations which suggest the Caula graphite deposit contains large flake-sizes.

CORPORATE

During the quarter, Mustang's fully paid ordinary shares listed on the Frankfurt Stock Exchange, trading under the symbol **GGY**. The Company retains its primary listing on the Australian Securities Exchange.

The listing in Frankfurt is a result of the growing interest in the Company's Montepuez Ruby Project and in the Caula Graphite Project from European investors. Both projects are located in northern Mozambique.

To support a further increase in the drilling and bulk sampling campaign and to accelerate its development plans with the expanded project area, Mustang raised \$5.88 million from existing and new institutional and sophisticated investors from which \$5.2 million has been settled with the balance scheduled for settlement immediately following the EGM on 22 May 2017.

Mustang finished the quarter with cash on hand of \$3.1 million. This was after funding the latest upgrade plant upgrade at Montepuez and an extensive drilling program. However, the broader JORC Resource drilling program is now largely complete and therefore drilling costs are expected to be significantly lower this following quarter as activities are focused on processing highly prospective ruby-bearing gravels from newly discovered deposits.

For and on behalf of the Company.
Christiaan Jordaan
Managing Director

FOR FURTHER INFORMATION, PLEASE CONTACT:

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COMPETENT PERSON'S STATEMENT:

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 Paul Allan, 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 Allan is an independent consultant who was engaged by the company to undertake this work. Mr Allan 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. Mr. Allan consents to the inclusion of the data in the form and context in which it appears.

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 statement

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 2017

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	-	-
1.2 Payments for		
(a) exploration & evaluation	(2,951)	(5,661)
(b) development	-	-
(c) production	-	-
(d) staff costs	(107)	(364)
(e) administration and corporate costs	(1,136)	(2,098)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	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	(4,194)	(8,120)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(62)	(183)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

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	26	176
	(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	(36)	(7)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	7,169	9,557
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(491)	(723)
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	6,678	8,834
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	698	2,521
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,194)	(8,120)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(36)	(7)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,678	8,834
4.5	Effect of movement in exchange rates on cash held	(3)	(85)
4.6	Cash and cash equivalents at end of period	3,143	3,143

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	3,093	698
5.2 Call deposits	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)	3,143	698

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	91
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)	-	-
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.		

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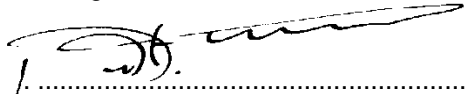
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	1,334
9.2 Development	-
9.3 Production	-
9.4 Staff costs	140
9.5 Administration and corporate costs	273
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,747

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:


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(Company secretary)

Date: .28 April 2017

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.