



31 July 2018

Quarterly Activities Report for the Period Ending 30 June 2018

HIGHLIGHTS

Caula Vanadium-Graphite Project, Mozambique

- **Assay results return grades of up to 1.9% vanadium and 28.9% Total Graphitic Carbon (TGC)**
- **Vanadium assay results returned during the Quarter include:**
 - 32m @ 0.82% V_2O_5 including 14m @ 1.29% V_2O_5 (MODD018)
 - 46m @ 0.39% V_2O_5 including 3m @ 0.67% V_2O_5 (MODD019)
- **Graphite assay results returned during the Quarter include:**
 - 48m @ 17.68% TGC including 13m @ 21.5% TGC (MODD018)
 - 45m @ 13.91% TGC including 7m @ 19.17% TGC (MODD019)
- **Metallurgical testwork confirms exceptional quality graphite with a cumulative proportion of large to super jumbo flakes (>180 μ m), which increased from 44% to 60% for the combined Oxide zone, while the Fresh zone increased from 55% to 68%**
- **The development of a modified and improved flowsheet design, which allows for integrated vanadium and graphite extraction, producing high concentrate grades of more than 97% TGC**
- **Ore sorting tests conducted at TOMRA demonstrate the potential to increase production rates without increasing plant size**
- **Work conducted during the Quarter further demonstrate Caula's potential to become a low-cost supplier of both vanadium and graphite**

COMPANY INFORMATION

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

Current Shares on Issue:
997,692,269
Market Capitalisation:
\$17.25M as at 30 July 2018
@\$0.018 per share

COMPANY DIRECTORS

Ian Daymond
Chairman

Bernard Olivier
Managing Director

Christiaan Jordaan
Director

Cobus van Wyk
Director

Evan Kirby
Director

Twitter: @Mustang_Res

Montepuez Ruby Project, Mozambique

- A total of AU\$722,313 in revenue was achieved during the Quarter from sales conducted at the Chanthaburi office, Thailand, which equates to 132,194 carats of rubies at an average price of A\$5.46 per carat
- Pitting and exploration activities increased to define further extensions of secondary ruby deposits, as part of exploration work associated with its planned maiden JORC resource work programme
- A total of 17,774 carats were recovered from the processing of 41,213m³ (~63,880 tonnes) of material with:
 - An average grade of 0.28 carats/tonne achieved for the Quarter (33% lower than Q1 2018); and
 - A total of 229,442 carats of rubies in the Company's available-for-sale inventory as at 30 June 2018
- Plant upgrades commenced in June 2018 which will increase processing capacity by 100% through the installation of an additional rotary pan, resulting in reduced processing costs and the total cost per carat

Corporate

- The Company placed 21.74 million fully paid ordinary shares at \$0.023 per share to raise a total of AU\$500,000 before costs from the shortfall under the Entitlement Offer
- Amended terms agreed with Arena Investors, reducing Tranche 2 face value from \$4 million to \$2.1 million
- As at June 30th 2018, Mustang had \$833,000 cash on hand.

Subsequent to Quarter End

- Mustang entered into an Agreement to merge its ruby interests with Fura Gems Inc. (TSXV:FURA) ("Fura") for the consideration amount of AU\$10 million in Fura shares
- Under the Agreement, Fura committed to invest AU\$25 million in further exploration and resource definition, subject to exploration success, on its expanded Montepuez Project over 3 years
- Caula Inferred Graphite Resource upgraded to Measured Mineral Resource of 21.9 Mt at 13.4% TGC (8% cut-off) for a total of 2,933,100 tonnes of contained Graphite
- Maiden Vanadium Mineral Resource of 22 Mt at 0.37% V₂O₅ for a total contained V₂O₅ of 81,600 tonnes in Measured category

Mustang Resources Limited (**Mustang**, the **Company**) (ASX:MUS) is pleased to provide an update on its activities for the Quarter ending June 30th, 2018 (the "Quarter", the "Period").

Mustang Resources Managing Director Bernard Olivier commented "The June Quarter marks a number of significant milestones for Mustang Resources as a Company. The merger of the Company's Ruby assets with Fura gems, will expose Mustang shareholders to a world class gem specialist with significant experience, whilst allowing the Company to focus on its Caula Vanadium-Graphite project. With assay results returning grades of up to 1.9% vanadium and 28.9% Total

Graphitic Carbon (TGC), and metallurgical testwork confirming increases from 44% to 60% for the combined Oxidised zone and from 55% to 68% for the Fresh zone, this is an exciting time for Mustang investors and shareholders alike”.

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. During the June 2018 quarter, several developments were achieved with the project.

Drilling Results

During the June Quarter, Mustang received the assay results from the final seven holes drilled as part of the Caula Scoping Study which is scheduled for completion in Q3 of 2018. The December 2017 diamond drilling campaign was designed as a resource infill and extension drilling as part of the Scoping Study for Caula. A total of 11 holes were completed for 1,421.5m with detailed logging undertaken.

The assays include intersections of up to 1.9% vanadium (V_2O_5) and 28.9% Total Graphitic Carbon (TGC). The results contain multiple high-grade intersections over extensive widths, including 215m at 14.72% TGC average and 0.51% V_2O_5 average (MODD018).

The Vanadium results include:

- 32m @ 0.82% V_2O_5 including 14m @ 1.29% V_2O_5 (MODD018)
- 46m @ 0.39% V_2O_5 including 3m @ 0.67% V_2O_5 (MODD019)
- 79m @ 0.39% V_2O_5 including 6m @ 0.55% V_2O_5 (MODD022)

The Graphite results include:

- 48m @ 17.68% TGC including 13m @ 21.5% TGC (MODD018)
- 45m @ 13.91% TGC including 7m @ 19.17% TGC (MODD019)
- 66m @ 15.41% TGC including 13m @ 17.79% TGC (MODD022)

Metallurgical Testwork Confirms Exceptional Quality Graphite

On 25 June 2018, the Company announced outstanding metallurgical testwork results, which confirms exceptional quality graphite with a cumulative proportion of large to super jumbo flakes (>180 μ m), which increased from 44% to 60% for the combined Oxidised zone, whilst the Fresh zone increased from 55% to 68%.

A simplified comparison with the results announced on 17 December 2017 is shown table below, from which the following can be noted:

1. The proportion of concentrate with flake-size greater than 180 μ m has substantially increased in the most recent work, whilst the high concentrate grades have been maintained. For direct comparison with the earlier results, a weighted average of the oxide and transitional results from the current work has been calculated and is shown as “Oxidised” in the tables below.

2. The weighting is based on the composite weights shown in Table 2. A blend of Oxide and Transitional material is located on top of the Fresh zone and will therefore be extracted and processed as a priority. This dramatic improvement in performance of combined Oxide and Transition material is of great significance for the project. Oxide, Transitional and Fresh samples were formed from the intervals shown in Table 2.

Table 1
Simplified Comparison with December 2017

Results	Sample	Size Greater than 180 μm		Size Smaller than 180 μm	
		% > 180	% TGC	% < 180	% TGC
Current	Fresh	68%	97.59	32%	95.72
	Oxidised	60%	98.23	40%	98.09
Dec-17	Fresh	55%	97.71	45%	97.27
	Oxide	44%	97.87	56%	97.62

Table 2
Details of the Composites Tested

Composite	Hole ID	Interval Range	Weight (kg)	TGC (%)	V ₂ O ₅ (%)	S (%)	Na ₂ O (%)
Oxide	MODD015	17 to 30 metres	31	17.6	0.38	0.12	0.28
Transitional	MODD015	37 to 57 metres	57	9.6	0.24	0.31	0.73
Fresh	MODD015	58 to 88 metres	70	8.8	0.25	1.24	0.80

Modified and Improved Flowsheet Design

During the June Quarter, a modified and improved flowsheet design was developed, which allows for integrated vanadium and graphite extraction, with high concentrate grades of more than 97% Total Graphitic Carbon to be maintained in the modified flowsheet.

Ore Sorting Tests at TOMRA Sorting Facility

Preliminary ore sorting testwork conducted during the quarter at TOMRA Sorting Facility in NSW Australia, demonstrated that the Caula ore is highly amenable to sensor-based ore sorting. Results showed that an ore sample with no visible waste could be split into high-grade and low-grade streams.

Scoping Study – Bara International

During the Quarter, highly regarded specialists Bara International were appointed to undertake the Caula Vanadium-Graphite Scoping Study. Due to unexpected delays in receiving the final vanadium and graphite assay results from the independent laboratory, the completion of the maiden vanadium resource estimate and graphite resource update was delayed with the estimated completion of the Scoping Study now updated to Q3 2018.

Upgraded Mineral Resource

Subsequent to quarter end, Mustang announced its maiden Vanadium Mineral Resource and upgraded Graphite Mineral Resource. The maiden Vanadium Resource, all in the Measured Category, is 22Mt at 0.37% vanadium pentoxide (V₂O₅) (0.2% cut-off) for a total of 81,600 tonnes of contained vanadium pentoxide. The upgraded Graphite Resource, all in the Measured Category is 21.9Mt at 13.4% TGC (8% cut-off) for a total of 2,933,100 tonnes of contained Graphite.

Montepuez Ruby Project, Mozambique

Mustang Resources' Montepuez Ruby Project in Northern Mozambique is located in the heart of the globally significant Montepuez gem-field.

Ruby Sales & Exports

During the June quarter, Mustang achieved ruby sales totalling AU\$722,313 from its marketing and sales office in Chanthaburi, Thailand, with a total of 132,194 carats of rubies and corundum sold for an average of AU\$5.46 per carat. Throughout the reporting period, a total of 34,400 carats of rubies were exported to Thailand and as at 30 June 2018, the Company had a total ruby inventory of 229,442 carats available for sale.

Ruby Recovery Activities

During the Period, a total of 17,774 carats were recovered from the processing of 41,213m³ (~63,880 tonnes) of material at Montepuez, resulting in an average grade for the quarter of 0.28 carats/tonne. Grades were approximately 33% lower than Q1 2018, whilst tonnes processed were approximately 6% lower. Q1 of 2018 resulted in approximately 68,107 tonnes processed, with 29,069 carats recovered at an average grade of 0.42 carats/tonne.

Pitting and exploration activities increased to define further extensions of secondary ruby deposits as part of exploration work associated with its planned maiden JORC resource work programme. Plant upgrades were commenced during the quarter to double processing capacity through the installation of an additional rotary pan, which is expected to reduce processing costs and total cost per carat.

Fura Gems Merger

Subsequent to Quarter end, Mustang announced that it had entered into a merger agreement (the "Agreement") for its Montepuez ruby assets with TSXV-listed Fura Gems Inc. (TSXV.FURA) for the consideration amount of AU\$10 million in Fura shares. Pursuant to the Agreement, Fura will acquire controlling ownership in various entities owned by Mustang that hold rights to earn majority interests in three mineral concessions (exploration license 5030L, mining concessions 8955C & 8921C) in Mozambique as well as ownership of all existing site and ruby processing plant infrastructure.

The consideration payable to Mustang pursuant to the Agreement is AU\$10,000,000 and shall be payable as outlined below:

- Common shares in the capital of Fura (the "**Consideration Shares**") with a value equal to A\$3,333,333 with such Consideration Shares to be issued at CAD\$0.50 at Closing.
- Consideration Shares with a value equal to A\$3,333,333 with such Fura Shares to be issued at CAD\$1.40, on or before the 30th of November 2019.
- Consideration Shares with a value equal to A\$3,333,333, with such Fura Shares to be issued at CAD\$1.80, on or before 30th of July, 2020.

All of the Consideration Shares issued pursuant to the Agreement, will be subject to escrow agreements to which Mustang shall be restricted from selling or transferring such securities during the twelve month period following the issue of each tranche and a further 12 month period wherein the securities have to be provided to Fura preferentially for orderly placement.

Under the terms of the Agreement, Fura has committed to investing AU\$25,000,000 over the next 36 months on exploration and development of its expanded portfolio of Montepuez ruby licences, subject to continued exploration success.

Corporate

Placement of Shares

On 14 May 2018 the Company announced that it has placed 21.74 million fully paid ordinary shares at 2.3 cents to raise \$500,000 before costs from the shortfall under the Entitlement Offer.

Amended terms with Arena Investors

On 22 May 2018 Mustang announced that it has agreed to amended terms with Arena Investors, reducing Tranche 2 face value from \$4 million to \$2.1 million.

Cash on Hand

Mustang had A\$833,000 cash on hand as at 30 June 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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CONFIRMATION:

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.

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.

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: TENEMENT OVERVIEW 30 JUNE 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")

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
-
-

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.		

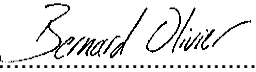
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,368
9.2 Development	178
9.3 Production	-
9.4 Staff costs	62
9.5 Administration and corporate costs	211
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	2,819

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:  Date: .31 July 2018
Dr Bernard Olivier
Managing Director

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.