



13 December 2017

## Outlook for Caula graphite project continues to grow with increased recoveries of large to super jumbo flake

Latest results further highlight the strengths of Caula, which is one of the world's highest grade graphite deposits with an Inferred Mineral Resource grade of 13% TGC (at 6% cut-off)

### COMPANY INFORMATION

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

Current Shares on Issue:  
767,937,324  
Market Capitalisation:  
\$23.8M as at 11 December  
2017

### COMPANY DIRECTORS

Ian Daymond  
Chairman

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Director

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### Key Points

- Proportion of Large to Super Jumbo flake ( >180 µm or +80 mesh) increased from 38% to 44% on oxide sample
- Potential premium-priced Super Jumbo flake streams quantified on both oxide and fresh samples
- Simplified single stream flowsheet now demonstrated for both oxide and fresh samples
- Fresh sample amorphous (<75 µm) concentrate TGC grade improved from 85% to >96%
- Additional testwork provided extra data required for scoping study
- Tests were conducted using a simple, conventional flowsheet processing samples with ~13% TGC head grade
- Previous diamond drilling at Caula has returned outstanding results with intersection grades of up to 26% Total Graphitic Carbon (TGC)
- Results demonstrate Caula's potential to be a low-cost supplier to the expandable graphite and lithium ion battery industries

Mustang Resources Ltd (**ASX: MUS**) is pleased to announce that further metallurgical testwork on Oxide and Fresh samples taken from its 80% owned Caula Project (Licence 6678L) has provided more firm evidence of the quality of the mineralisation.

The testwork produced an improved flake distribution on the Oxide material, quantified the proportion of high revenue Super Jumbo (>500 µm) flake and improved the amorphous (<75 µm) grade from both Oxide and Fresh samples.

The Caula Project is located along strike from Syrah Resources' (ASX: SYR) world-class Balama graphite project in Mozambique.

These results are based on additional testwork (on both Oxide and Fresh samples) managed by Wave International Pty Ltd (Wave) and Independent Metallurgical Operations Pty Ltd (IMO), and conducted at the Metallurgy Pty Ltd laboratory. The testwork was aimed at providing additional information to enhance the upcoming scoping study. Samples were compiled from quarter diamond drill core samples collected during the recent (2016) resource drilling campaign from Mustang's Caula graphite deposit.

The same, simplified testwork flowsheet has now been utilised on both the Oxide and Fresh samples comprised an initial coarse grind to 0.71mm, deslime stage (by-passed on Fresh), three-stage rougher flotation followed by three intermediate re-grind stages and five cleaner flotation stages.

Whilst optimum recoveries were achieved from the initial testwork (Oxide Sample TGC = 87% and Fresh Sample TGC = 96%), TGC recoveries are expected to improve during future testwork phases through further flowsheet optimisation and recycling of intermediate tailings streams during locked cycle testing. Current testwork was all carried out under open circuit conditions with above recoveries excluding graphite from intermediate tailings streams.

Improvements in both flake distribution and concentrate TGC grades were achieved from the second round of tests on the Oxide ore, with the cumulative proportion of >180 µm or +80 mesh material recovered improving from 38% to 44%.

The proportion of potential high revenue Super Jumbo flakes (>500 µm) was quantified and a premium saleable amorphous product (96%) produced on the Fresh sample. Concentrate grades and size distributions to be utilised in the scoping study are presented in Table 1.

**Table 1: Scoping Study Concentrates from Fresh and Oxide Grade Composites**

Graphite Product	Size Fraction	Fresh Sample		Oxide Sample	
		Mass	TGC	Mass	TGC
	µm	%	%	%	%
Super Jumbo Flake	500	3.6%	97.90	2.3%	96.30
Jumbo Flake	300	20.1%	97.90	14.3%	97.20
Large Flake	180	31.2%	97.26	27.2%	98.20
Medium Flake	150	9.9%	97.30	15.0%	97.90
Fine Flake	75	22.5%	96.07	28.5%	97.54
Amorphous	-75	12.6%	96.26	12.7%	96.30
<b>Combined Con</b>		<b>100.0%</b>	<b>97.02</b>	<b>100.0%</b>	<b>97.51</b>

Mustang Interim Executive Chairman Ian Daymond said the latest results confirmed that Caula was a Tier 1 graphite project.

“These results are outstanding and will help underpin the impending scoping study,” Mr Daymond said.

“This minimal extra testwork conducted improves the Oxide sample flake distribution, confirms the initial data within experimental limitations, provides the additional data on the higher value Super Jumbo Flake (+500 µm) stream and confirms a premium saleable amorphous (-75 µm) product can be produced from both Oxide and Fresh samples.” Mr Daymond said.

“Every round of work at Caula provides more evidence of the project’s potential to become a low-cost graphite supplier to the fast-growing lithium battery and expandable graphite industries.”

The head grades of the composite samples, which are representative of the zones in which they were drilled, are well above the average grades of other premium flake deposits in the East Africa region which puts the Caula Project in a unique position of hosting both high grade, shallow graphite as well as exceptional flake size distribution, recoveries and concentrate grades.

The head grades for the samples are:

- Oxide Sample Head Grade = 12.7% TGC
- Fresh Sample Head Grade = 13.3% TGC

Oxide and Fresh samples were formed from the holes and intervals shown in Table 2.

**Table 2: Testwork Composite Details**

Composite ID	Hole ID	Interval Range (m)	Mass (kg)
Oxide	MODD001	10.0-65.7	177.6
	MODD002	19.0-63.1	
	MODD003	14.9-68.0	
	MODD004	17.0-65.0	
	MODD005	13.4-66.0	
Fresh	MODD003	68.0-158.4	237.2
	MODD004	65.0-97.0	
	MODD005	66.0-100.4	

All TGC concentrate assays quoted were determined using the double LOI method or ELTRA total combustion furnace. All TGC calculated head assays from combined metallurgical test products were within experimental limitations of the assayed head grade.

Mustang greatly welcomes the prospect of developing a low-cost high-grade graphite product. The high head-grade and simplified flowsheet bode well for the upcoming scoping study as this indicates that a smaller process plant (with lower Capex) will be required to generate a similar final product output compared to that generated from other lower grade deposits in the region.

Table 3 below highlights the advantages of the Caula Project against other East African peers. To have the deposit located in the mining friendly country of Mozambique improves the prospect of developing this deposit into a mining operation.

**Table 3: Testwork Composite Details Peer Comparison**

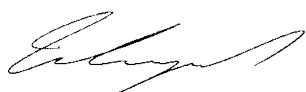
Project	Company	Deposit Location	TGC%	Concentrate Grade (%)	Large + Jumbo(Cum.) Flake
Caula (ASX.MUS)	Mustang Resources	Mozambique	13%	96	49%
Balama (ASX.SYR)	Syrah Resources	Mozambique	16.6%	95	21%
Montepuez (ASX.BAT)	Battery Minerals	Mozambique	8.8%	96	30%
Mahenge (ASX.BKT)	BlackRock Mining	Tanzania	8.7%	98	51%
Nachu (ASX.MNS)	Magnis Resources	Tanzania	5.4%	98	66%
Namangale (ASX.VRC)	Volt Resources	Tanzania	4.9%	95	67%

### JORC Mineral Resource & Scoping Study Update

Mustang has recently completed its maiden JORC Mineral Resource estimate for the Caula Graphite Project, which it released on 6 November 2017 (Maiden Inferred Mineral Resource Estimate Completed For Caula Graphite Project).

An additional drilling program is currently underway with the intention of expanding the quality and quantity of the Mineral Resource inventory before the commencement of a scoping study for the project to be prepared by Wave in collaboration with IMO. Wave is a highly experienced resource development consultant working extensively in the battery storage sector across commodities such as lithium, graphite, cobalt and vanadium, and with specific expertise in the development and delivery of projects throughout Africa. IMO is a specialist metallurgical consultant with significant processing experience and expertise in graphite, having developed graphite flowsheets for numerous other African graphite projects.

For and behalf of the Company.



Ian C Daymond  
Interim Executive Chairman

## **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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## **COMPETENT PERSON'S STATEMENT:**

Information in this report that relates to 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.

The information in this release that relates to metallurgical test work is based on information compiled and/or reviewed by Mr Peter Adamini who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Adamini is a full-time employee of Independent Metallurgical Operations (IMO) consulting to Wave International. Mr Adamini consents to the inclusion in the report of the matters based on his information 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 statements.

## APPENDIX 1 – RC DRILLHOLE SUMMARY TABLE

RC drillhole included in this Mineral Resource estimation. Drillhole coordinates WGS 84 UTM – Zone 37S. All TGC grades reported for the intersections seen below.

Drill Hole	East (m)	North (m)	Dip	Azimuth	EOH Depth (m)	From (m)	To (m)	Interval (m)	%TGC
MORC004	484939	8563344	-77.9	115.5	99	0	17	17	4.48
						22	78	56	12.40
						87	93	6	11.40

## APPENDIX 2 – DD DRILLHOLE SUMMARY TABLE

Note – drill hole coordinates WGS 84 UTM – Zone 37S. Intersections reported above a 1.82% TGC cut-off grade.

Drill Hole	East (m)	North (m)	Dip	Azimuth	EOH Depth (m)	From (m)	To (m)	Interval (m)	%TGC
MODD001	485,040	8,563,594	-55	153	65.68	10	14	4	20.98%
						17.4	20.44	3.04	20.56%
						21.44	24.44	3	21.87%
						26.44	35.44	9	14.03%
						38.44	42.44	4	12.44%
						43.44	53.86	10.42	17.58%
						59.44	65.68	6.24	9.34%
MODD002	485057	8563110	-55	43	63.14	19.04	21	1.96	19.58%
						31.64	33.05	1.41	8.43%
						37	43.06	6.06	13.16%
						44.71	46.76	2.05	8.62%
						56.54	58.13	1.59	14.50%
						62.69	63.14	0.45	8.06%
MODD003	484966	8563488	-55	115	158.42	14.85	21.42	6.57m	15.01%
						26.42	28.42	2m	5.52%
						30.63	31.31	0.68m	15.50%
						50.34	53.59	3.25m	13.60%
						63.11	64.42	1.31m	12.70%
						66	66.78	0.78m	6.98%
						68	75.13	7.13m	21.10%
						80.9	90	9.10m	13.53%
						100	114	14m	13.09%
						116	122	6m	8.83%
						122	129	7m	18.15%
						129	137	8m	19.94%
						137	144	7m	13.76%
						144	146	2m	1.99%
146	158	12.42m	19.53%						
MODD004	484949	8563339	-60	91	97.04	17	20.54	3.54m	8.55%
						21.22	22	0.82m	7.98%
						22.89	24	1.15m	13.60%
						25.32	27	1.22m	10.30%
						27.39	28	0.65m	9.16%
						28.61	30	0.93m	6.89%
						30.05	32.54	2.35m	11.35%
						32.91	37.04	3.93m	17.08%
						37.32	39	1.68m	2.73%
						39	43	4m	12.50%
						43	45	2m	3.30%
						45	49	4m	17.52%
						56.54	59.54	3m	6.26%
						61.57	68.54	6.97m	17.69%
70.42	79	8.58m	18.08%						
79	93.2	14.2m	10.98%						
93.2	97.04	3.84m	1.47%						

Drill Hole	East (m)	North (m)	Dip	Azimuth	EOH Depth (m)	From (m)	To (m)	Interval (m)	%TGC
MODD005	484992	8563210	-57	56	100.44	13.35	20.44	7.09m	18.70%
						24.08	27	2.92m	10.25%
						30.97	33	2.03m	9.82%
						37.46	38.6	1.14m	6.89%
						43.87	49.58	5.71m	7.89%
						50.44	51.66	1.22m	13.40%
						54.3	60	5.7m	5.82%
						60	64	4m	18.85%
						64	69	5m	6.19%
						71	84	13m	9.10%
						84	92	8m	7.46%
						92	100.44	8.44m	16.32%



## **APPENDIX 3 – DD DRILLHOLE SUMMARY LOGS**

Please refer to ASX announcement dated 6 March 2017 for a copy of the diamond drillhole logs.

## JORC CODE, 2012 EDITION – TABLE 1

### Appendix to Graphite Announcement – 13 December 2017

#### Section 1: Sampling techniques and data.

Criteria	JORC Code Explanation	MUS Commentary
Sampling techniques	<ul style="list-style-type: none"> <li>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<p><b>2015 Field Program</b></p> <p>Samples have been taken from a Reverse Circulation (RC) drillhole (MORC004) which was drilled by Mitchell Drilling, an Australian company with a regional presence in Mozambique. Reverse circulation drilling was used to collect 1m samples (roughly 35kg) by an air cyclone which was reduced to a 3kg sample by riffing. The drillhole collar location was generated based on results from a recently flown airborne SkyTEM EM survey (refer to previous MUS ASX announcements).</p> <p>A total of 77 intervals from RC drillhole MORC-004 were selected for sampling. Drillhole intervals were selected for sampling based on geological logging and samples showing no clear evidence of graphite mineralisation have been excluded (except 1m into barren zones) from the analysis completed by SGS Randfontein, an accredited laboratory.</p> <p>The samples were riffle split on a 50:50 basis, with one split pulverised and analysed for Total Graphitic Carbon (TGC), Total Carbon (TC) and Total Sulphur (TS) using a Leco Furnace, and the remaining split held in storage.</p> <p><b>2016 Field Program</b></p> <p>Five cored boreholes were drilled as part of the 2016 field program for the Caula deposit. The diamond drilling (DD) was completed using a Boart Longyear LF 90 drill-rig and the core was recovered with HQ (III) equipment. The contractor used for the 2016 drill program is Major Drilling, a Canadian-based operation with a local presence in Mozambique.</p> <ul style="list-style-type: none"> <li>Drillhole collar locations were generated based on results from a flown airborne SkyTEM EM survey which was completed during 2015 (refer to previous MUS ASX announcements).</li> <li>Sampling is of HQ (III) DD core. A total of 298m of mineralisation were sampled over five DD boreholes. One DD hole (MOD004) have been twinned with an existing RC hole (MORC004) for lithology and grade verification.</li> <li>The core is photographed in sequence as the core is packed into the core trays at the drill site.</li> <li>The recovered DD core is cut lengthwise with a core splitting saw to produce 1m samples. Where lithological boundaries did not fit the 1m geometry or at end of hole sampling, the sample length was to be a minimum of 0.42m or a maximum of 1.68m.</li> </ul>

Criteria	JORC Code Explanation	MUS Commentary
		<ul style="list-style-type: none"> <li>Core is halved for normal analyses. In the case of duplicate analyses (1 in 20), the core is quartered. In total 933kg of sample (Including duplicates) was taken over 296 samples for chemical analyses.</li> <li>The remaining core is halved in the mineralised zones to provide a quartered sample for metallurgical analysis. In total 334kg of sample over 296 samples was taken for metallurgical test-work.</li> <li>The remaining quarters and halves are retained in stratigraphic sequence in the core trays. The remaining core has been photographed, and the trays wrapped in cling-film, before it was put in container storage on site at the Mustang camp outside Montepuez.</li> <li>Samples were submitted for LECO analyses. Mineralised zone core as well as 1m boundaries into non-mineralised zone core were submitted for analysis.</li> <li>Initial metallurgical analysis and flow-sheet testwork was performed on 2 composited samples. The sampling was split between the oxidised and fresh mineralised zones.</li> </ul>
<i>Drilling techniques</i>	<ul style="list-style-type: none"> <li><i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i></li> </ul>	<p><b><u>2015 Field Program</u></b> Reverse circulation drilling was used to drill a 5.5 inch diameter borehole (MORC004). RC drill chips were collected by an air cyclone at 1m intervals for logging and sampling. Approximately 35kg per metre was collected by an air cyclone which was reduced to a 4 kg sample by riffling. Reflex Ezy shot tools were used to take down-hole survey measurements to record drillhole azimuth and dip.</p> <p><b><u>2016 Field Program</u></b></p> <ul style="list-style-type: none"> <li>The core drilling was completed with a Boart Longyear LF-90 drilling rig. The drilling equipment was HQ (III) sized.</li> <li>Drilling was planned to be as close to perpendicular as possible to strike, and as close as possible to true width intersections.</li> <li>The borehole dip and azimuth was surveyed at 3m intervals from the bottom of the borehole with a Reflex EZ-Trac tool. The maximum deviation from the planned azimuth was measured at 6° in MODD003. The maximum deviation from the planned dip was measured at 5° in MODD004.</li> <li>Final borehole collar positions were surveyed with a handheld GPS survey instrument, and the collar elevations were projected from the DEM as generated during the SkyTEM survey in 2015.</li> <li>The core was oriented with a Reflex Tool.</li> </ul>
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> <li><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></li> </ul>	<p><b><u>2015 Field Program</u></b></p>

Criteria	JORC Code Explanation	MUS Commentary
	<ul style="list-style-type: none"> <li>• <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></li> <li>• <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></li> </ul>	<p>The condition and qualitative estimates of RC sample recovery for MORC004 were determined through visual inspection of the 1m sample bags and recorded at the time of sampling. A hard copy and digital copy of the sampling log are maintained for data verification. Recovery has been good with 35kg + being returned per metre drilled. Due to the early stage of exploration work for the Caula project, no relationship between sample recovery and grade is known to exist at this point.</p> <p><b><u>2016 Field Program</u></b></p> <p>The condition and qualitative estimates of DD sample recovery were determined through visual inspection and measurement of the drilling core runs and recorded at the time of recovery at the drill rig. A hard copy and digital copy of the sampling log are maintained for data verification.</p> <ul style="list-style-type: none"> <li>• Core recovery measurements are recorded for every borehole.</li> <li>• Where recoveries were found to be less than 95 %, the drill runs were shortened to 1m, and drilling speed lowered to improve recovery.</li> <li>• In some instances in the oxidised zone (faulting, jointing and severe oxidation), core losses were unavoidable. These losses are recorded, and have been zero rated in terms of grade for the modeling of the Caula graphite resource. The average core recovery for the oxidised zone is 83.1%.</li> <li>• Recoveries in the fresh zone were very good at an average of 98.8%.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>• <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></li> <li>• <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></li> <li>• <i>The total length and percentage of the relevant intersections logged.</i></li> </ul>	<p><b><u>2015 Field Program</u></b></p> <p>RC drill-chip samples were geologically logged by trained geologists. The drillhole (MORC004) is considered by MUS to be part of a maiden drill program aimed at identifying shallow graphite mineralisation. Mustang used the results from this maiden program to prioritise target areas, which then become the focus of the 2016 drillhole definition programs. Whilst the aim of this maiden drill program was not to produce a Mineral Resource estimate MORC004 was used for resource estimation purposes in this resource estimate. Logging of RC drill holes includes recording of lithology, mineralogy, mineralisation, weathering, colour and other features of the samples. RC Chip trays are photographed. Geological descriptions and estimates of visual graphite percentages on preliminary logs are semi-quantitative. All drillholes were logged in full.</p> <p><b><u>2016 Field Program</u></b></p> <ul style="list-style-type: none"> <li>• All holes drilled were logged in full and sampled by the site geologists.</li> <li>• All the logged information which includes depth, lithology, mineral assemblage, structural information, Cg mineralisation (laboratory data), collar survey and logging geologists are recorded in the field logging sheets and in digital format.</li> <li>• The recovered core is recorded in sequence as digital photographs.</li> </ul>

Criteria	JORC Code Explanation	MUS Commentary
		<ul style="list-style-type: none"> <li>The analytical samples were shipped by road to the SGS Randfontein laboratory in South Africa for analysis. The analyses were completed by SGS Randfontein, and have been used to estimate the grade of the Caula deposit in this CPR.</li> <li>Umpire samples have been identified and were dispatched to Bureau Veritas in Centurion. These analyses have been completed and are included in the CPR.</li> <li>The samples for metallurgy test-work were dispatched via South Africa to SGS Malaga in Perth, Australia. The testwork has been completed and these results have been included in this CPR.</li> <li>The remaining core is in storage at the Mustang Exploration Camp near Montepuez in Mozambique. The remaining core is also recorded in sequence in digital photograph format.</li> </ul>
<p><i>Sub-sampling techniques and sample preparation</i></p>	<ul style="list-style-type: none"> <li><i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> <li><i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></li> <li><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li><i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li><i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></li> <li><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	<p><b><u>2015 Field Program</u></b>  RC samples were collected on the rig using riffle splitters to reduce the sample mass from 35kg to 4kg. Sample preparation of the RC chip samples follows industry best practice in sample preparation involving oven drying (105°C), split (300g) and pulverising to a grind size of 85% passing 75 micron. The sample preparation for RC samples follows industry best practice. Field QC procedures were adopted as follows:</p> <ul style="list-style-type: none"> <li>Insertion rate for blanks - 5% (1 in 20)</li> <li>Insertion rate for standards - 5% (1 in 20)</li> <li>Insertion rate for duplicates - 5% (1 in 20)</li> <li>Umpire duplicates - 5% (1 in 20)</li> </ul> <p>Two CRM (GGC004 and GGC009) were obtained from Geostats Pty Ltd to monitor analysis of laboratory for graphitic carbon, carbon and sulphur.  1m RC composite sampling has been undertaken for this phase of the exploration program.</p> <p><b><u>2016 Field Program</u></b>  The majority of samples were moist (from the DD process) at recovery, with ambient temperatures sufficiently high to dry the oxidised core before the commencement of sampling. Field QC procedures were adopted as follows over and above the laboratory internal controls:</p> <ul style="list-style-type: none"> <li>Insertion rate for blanks – at least 5% (1 in 20)</li> <li>Insertion rate for standards – at least 5% (1 in 20)</li> <li>Insertion rate for duplicates – at least 5% (1 in 20)</li> <li>Umpire duplicates – at least 5% (1 in 20)</li> <li>Four Graphite standards (GGC008, GGC005, GGC003 and GGC002) were obtained from Geostats Pty Ltd to monitor analysis by the laboratory for graphitic carbon, carbon and sulphur.</li> </ul>

Criteria	JORC Code Explanation	MUS Commentary
		<p>As far as possible 1m DD composite sampling has been undertaken for this phase of the exploration program.</p> <ul style="list-style-type: none"> <li>• The core is split by saw and half core is submitted for analyses generally as 1m samples. When a duplicate sample is submitted, the core is quartered.</li> <li>• Mineralised samples are submitted for LECO analyses as well as for ICP Multi-element analyses.</li> <li>• Within the total samples dispatched a random sequence of at least 5% each of standards, blanks and duplicates are included.</li> <li>• Sample preparation is done by SGS in Johannesburg, before the prepared samples are analysed for content determination.</li> <li>• Sampling procedure include drying, crushing, splitting and pulverizing ensures that 85% of the sample is 75 micron or less in size. A split of the sample is analysed using a LECO analyser to determine carbon in graphite content.</li> <li>• The sample procedure standards followed are internal to SGS and are listed below:</li> <li>• WGH 79 (Receive Sample Weight), SCR 32 (Sample Screening), CSA01V (Total Carbon by LECO), CSA05V (Graphitic Carbon by LECO), CSA06V (Sulphur by LECO).</li> <li>• QC measures include the submission of duplicate samples (5% of samples), blanks (5% of samples) and standards (5% of samples) over and above the internal controls at SGS.</li> <li>• The smallest core sample dimension after cutting is 29mm. The largest category flake size is &gt; 8 mesh or 2.38mm. The sample size exceeds the target material size comfortably.</li> <li>• The metallurgical samples consist of quartered core, sampled and bagged generally per metre.</li> <li>• Sampling for metallurgical testing is complete, and included; Receipt of graphite samples, Formation of composites, Bond rod mill grindability, Head assay, Particle size distribution (PSD) and fraction assay on head samples, Rougher flotation, Rougher and multiple re-grind and cleaner flotation, Final concentrate PSD and fraction assays.</li> <li>• The metallurgical composites were batched by the laboratory metallurgists once the results from the initial laboratory work at SGS Randfontein had been received.</li> </ul>
<p><i>Quality of assay data and laboratory tests</i></p>	<ul style="list-style-type: none"> <li>• <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> </ul>	<p><b><u>2015 Field Program</u></b>  A total 77 samples were analysed by SGS Laboratories in South Africa for Total Graphitic Carbon (TGC), Total Carbon (TC) and Total Sulphur (TS) using a Leco Furnace. Detection limits for these analyses are considered appropriate for the reported assay grades and adequate for this phase of the exploration program.</p>

Criteria	JORC Code Explanation	MUS Commentary
	<ul style="list-style-type: none"> <li>• For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>• Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</li> </ul>	<p>No geophysical tools were used to determine any element concentrations. The assaying and laboratory procedures used are appropriate for the material tested. SGS carried out sample preparation checks for fineness as part of their internal procedures to ensure the grind size of 85% passing 75 micron was being attained. Laboratory QAQC involves the use of internal lab standards using certified reference material, blanks, and repeats as part of their in-house procedures.</p> <p><b><u>2016 Field Program</u></b></p> <ul style="list-style-type: none"> <li>• All samples are labelled with a unique sequential number with a sample ledger recording all samples.</li> <li>• QA/QC samples are included in a random sequence at a frequency of at least 5% each for standards, blanks and duplicates.</li> <li>• The laboratory uses internal standards in addition to the standards, blanks and duplicates inserted by Mustang.</li> <li>• The standards are supplied by an external and independent third party. Four standards were used for the laboratory test-work; GGC-08 and GGC-05, GGC-03 and GGC-02.</li> <li>• The blanks are made up from non- graphitic rock. The duplicates are a quartered sample of the original halved cores. The umpire samples were selected from the prepared pulps of initial samples.</li> <li>• The detection limits are deemed sufficient for the purpose of the Caula Mineral Resource estimation.</li> <li>• The samples were analysed by SGS, with sample preparation done at the Randfontein laboratory in Johannesburg. Sampling procedures are listed above and includes drying, crushing, splitting and pulverizing such that 85% of the sample is 75 micron or less in size. A split of the sample will be analysed using a LECO analyser to determine carbon in graphite carbon content.</li> <li>• Laboratory testwork was completed during the first quarter of 2017, and the Metallurgy testwork followed on in the second quarter of 2017.</li> </ul>
<p>Verification of sampling and assaying</p>	<ul style="list-style-type: none"> <li>• The verification of significant intersections by either independent or alternative company personnel.</li> <li>• The use of twinned holes.</li> <li>• Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> </ul>	<p><b><u>2015 Field Program</u></b></p> <p>Mr. Johan Erasmus, an independent geologist, visually verified the geological observations reported in the RC drillhole (MORC004). No twin holes have been drilled up to the end of the 2015 program. Sample information is recorded at the time of sampling in electronic and hard copy form. Data is documented by Mr. Johan Erasmus and primary data is kept in a Microsoft Access database. A copy of the data is stored in Mr. Erasmus' office as well as in Mustang's office in Pretoria, RSA.</p>

Criteria	JORC Code Explanation	MUS Commentary
	<ul style="list-style-type: none"> <li>• <i>Discuss any adjustment to assay data.</i></li> </ul>	<p>Verification was based on the use of duplicates, standards and blanks. Assay data was reported as received from the laboratory. No adjustments or calibrations have been made to any assay data. The laboratory data from borehole MORC004 was included in the resource estimation for the Caula graphite project.</p> <p><b><u>2016 Field Program</u></b></p> <ul style="list-style-type: none"> <li>• The Exploration Manager and field geologists are in the employment of Mustang, and external oversight is established with the contracting of Sumsare Consulting, a South-African consulting company. Sumsare is supplying an external Competent Person.</li> <li>• The twinning of RC boreholes was done by DD in 1 instance as a correlation exercise. MODD004 was drilled as a duplicate for MORC004. A comparison of the analytical data obtained from these twinned holes was completed and statistically these samples were found to be sets from the same population (95% confidence).</li> <li>• The primary data is kept in the company office in Pretoria under the custodianship of the Exploration Manager. The CP has a duplicate dataset at his office in South Africa, and the company has a data set in the Australian office.</li> <li>• Assay data is not adjusted, and is released to the market as it is received from the laboratory.</li> </ul>
<p><i>Location of data points</i></p>	<ul style="list-style-type: none"> <li>• <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></li> <li>• <i>Specification of the grid system used.</i></li> <li>• <i>Quality and adequacy of topographic control.</i></li> </ul>	<p><b><u>2015 Field Program</u></b></p> <p>Collar locations were surveyed with a Garmin 62/64s GPS Device. The Garmin devices typically have an error of +/- 7m.</p> <p>All spatial data was collected in WGS 84 and the datum used is UTM Zone 37 South. A DEM surface was produced by SkyTEM as part of the recent (2015) airborne geophysics program completed by Mustang.</p> <p><b><u>2016 Field Program</u></b></p> <p>A hand-held Garmin 62/64s GPS was used to site the drill holes (x, y horizontal error of 7 metres) and reported using WGS 84 grid and UTM datum zone 37 south.</p> <ul style="list-style-type: none"> <li>• Topographic control is good due to the SkyTEM survey that was completed during 2015. A DEM surface was produced by SkyTEM as part of the EM geophysics program.</li> <li>• The borehole dip and azimuth was surveyed at 3 m intervals from the bottom of the borehole with a Reflex EZ-Trac tool.</li> <li>• Final borehole collar positions are to be surveyed with a differential GPS survey instrument, by an independent external surveyor.</li> <li>• The core was oriented with a Reflex Tool.</li> </ul>
<p><i>ata spacing and distribution</i></p>	<ul style="list-style-type: none"> <li>• <i>Data spacing for reporting of Exploration Results.</i></li> <li>• <i>Whether the data spacing and distribution is sufficient to establish the</i></li> </ul>	<p><b><u>2015 Field Program</u></b></p> <p>MORC004 was drilled at an inclination of on average at -77 degrees.</p> <p>Due to the early stage of the exploration program, there is no nominal sample spacing. This borehole has been included in the 2017 resource estimation for the Caula project, since</p>



Criteria	JORC Code Explanation	MUS Commentary
	<p><i>degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <ul style="list-style-type: none"> <li>• <i>Whether sample compositing has been applied.</i></li> </ul>	<p>additional drilling was completed during 2016. Drillhole collars have been planned to test EM anomalies.</p> <p>Samples have been composited to a maximum of one metre for the RC samples.</p> <p><b><u>2016 Field Program</u></b></p> <ul style="list-style-type: none"> <li>• The spacing of the five DD drill-holes was at a grid of approximately 133m.</li> <li>• All five of the DD drillholes were inclined on average at between -55° to 60°. The collar details are tabulated in Appendix 1.</li> <li>• Sample compositing for the DD program has not been applied.</li> </ul>
<p><i>Orientation of data in relation to geological structure</i></p>	<ul style="list-style-type: none"> <li>• <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> <li>• <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></li> </ul>	<p><b><u>2015 Field Program</u></b></p> <p>The orientation of the RC holes were designed based on regional geology interpretations and designed to test the broad stratigraphy. The collar details are tabulated in Appendix 1. No sampling bias is considered to have been introduced at this early stage of the project.</p> <p><b><u>2016 Field Program</u></b></p> <ul style="list-style-type: none"> <li>• The orientation of the DD holes were planned based on the regional geology interpretation and planned to test the broad stratigraphy. The collar details are tabulated in Appendix 1.</li> <li>• No sampling bias is considered to have been introduced at this early stage of the project.</li> <li>• From the previous surface mapping of the area, the regional foliation dips at steep angles of between 50 and 70 degrees to the west.</li> <li>• The drilling was hence planned at an inclined orientation of 55° from the horizontal in an easterly direction across strike. From prior experience, drilling at angles shallower than 55° is usually problematic. The SkyTEM EM data was used to fix a strike direction.</li> <li>• The borehole dip and azimuth was surveyed at 3m intervals from the bottom of the borehole with a Reflex EZ-Trac tool.</li> <li>• Final borehole collar positions are to be surveyed with a differential GPS survey instrument, by an independent external surveyor.</li> <li>• The core was oriented with a Reflex Tool.</li> <li>• The structural analysis shows a regional foliation dip at an average of 59°. So far an association between structure and Cg grade has not been established, but hinge zones are suspected to improve Cg grades, and potentially flake sizes.</li> </ul>
<p><i>Sample security</i></p>	<ul style="list-style-type: none"> <li>• <i>The measures taken to ensure sample security.</i></li> </ul>	<p><b><u>2015 Field Program</u></b></p> <ul style="list-style-type: none"> <li>• Samples were stored at the company's field base in a locked and sealed shipping container until it was dispatched to the laboratory in Johannesburg.</li> </ul>

Criteria	JORC Code Explanation	MUS Commentary
		<ul style="list-style-type: none"> <li>• Samples were transported in sealed containers by road to South Africa for analysis. The sample export procedure as required by the Mozambican government was followed, and the samples were delivered to SGS in Johannesburg for analysis.</li> <li>• No signs of tampering were reported by the laboratory upon sample receipt.</li> </ul> <p><b><u>2016 Field Program</u></b></p> <ul style="list-style-type: none"> <li>• Samples were stored at the company's field base until dispatched to the laboratory. Samples were transported in sealed containers by road, to South Africa for analysis.</li> <li>• The sample export procedure as required by the Mozambican government was followed, and the samples were delivered to SGS in Johannesburg for analysis.</li> <li>• The sample logistics between Mozambique and South Africa are handled in-house by Mustang.</li> <li>• No signs of tampering were reported by the laboratory upon sample receipt.</li> <li>• The samples for metallurgical testwork were shipped via South Africa to SGS Malaga in Perth.</li> <li>• The sample export procedure as required by the Australian government was followed, and the samples were delivered to SGS Malaga in Perth for analysis.</li> <li>• No signs of tampering were reported by the laboratory upon sample receipt.</li> <li>• The remaining core is kept in a safe facility under guard at the site office in Montepuez in Mozambique.</li> </ul>
<i>Audits or reviews</i>	<ul style="list-style-type: none"> <li>• <i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul>	<ul style="list-style-type: none"> <li>• No external audits have been undertaken up to this stage of work.</li> </ul>

## Section 2: Reporting of exploration results

Criteria	Explanation	MUS Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<p>Mustang's Caula Graphite Project area consists of one prospecting &amp; exploration licence 6678L covering a total area of 3 185.76ha. The Licence is held in the name of Tchaumba Minerai S.A. Mustang Resources holds an 80% interest in Tchaumba Minerai S.A. via its wholly owned subsidiaries Balama Resources Pty Ltd (Australia) and Mustang Graphite Lda. The supporting documents are attached in Appendix 6.</p> <p>Refer to ASX announcement dated 20 October 2014 for full details regarding ownership and earn-in rights.</p> <p>All statutory requirements were acquired prior to exploration work. All licences have been awarded and issued</p> <p>The Company is not aware of any impediments relating to the licence or the area.</p>
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<p>No prior exploration work done by other parties on the licence areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country wide airborne magnetics and radiometric geophysical surveys flown over the region by the Government of Mozambique.</p>
<i>Geology</i>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<p>The area is predominantly underlain by Proterozoic rocks that form a number of gneiss complexes that range from Palaeo to Neoproterozoic in age (Boyd et al., 20 10). The Mustang project area is underlain by metamorphic rocks of the Neoproterozoic Lurio Group within the Xixano Complex (Brice, 2012) in north-eastern Mozambique. The Xixano complex is composed dominantly of mafic to intermediate orthogneiss with intercalations of paragneiss, meta-arkose, quartzite, tremolite-rich marble and graphitic schist. Graphite rich units are comprised of sequences of metamorphosed carbonaceous pelitic and psammitic (sandstone) sediments within the Proterozoic Mozambique Belt (Brice, 2012). The metamorphic grade is typically of amphibolite facies.</p>
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>eastings and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> </ul> </li> </ul>	<p>Ten RC holes were drilled in late 2015 as part of an EM survey verification drilling program. Refer to ASX announcement dated 10 June 2015 for further information and results. Only one of these holes (MORC004) is used in this estimate. All the other holes were drilled on adjacent areas.</p> <p>Seven DD boreholes were drilled between October and November of 2016. These holes were drilled to draw a comparison with some of the RC holes drilled during 2015, and to collect data for an initial JORC (2012) compliant resource statement. Five of these boreholes were used in this resource estimate. The remaining two DD boreholes were drilled on adjacent areas.</p> <p>Information pertaining to drilling completed and used in this CPR is provided in Appendix 1 and Appendix 2.</p>

Criteria	Explanation	MUS Commentary
	<ul style="list-style-type: none"> <li>• <i>dip and azimuth of the hole</i></li> <li>• <i>down hole length and interception depth</i></li> <li>• <i>hole length.</i></li> <li>• <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></li> </ul>	
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> <li>• <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></li> <li>• <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></li> <li>• <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul>	<p>Weighted average was applied for sample length. No grade truncations were applied. Grade-tonnage curves were produced and could be used to determine the effect of cut-off grades on remaining mineralised tonnages. The calculated grade is weighted for representative mass, as calculated in Voxler.</p>

Criteria	Explanation	MUS Commentary
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <li>• <i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li>• <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li>• <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i></li> </ul>	<p>No relationship between mineralisation widths and intercept lengths is known at this stage. Assay grades have been reported and tabulated by sample interval for the 2014 drill program and are reported in ASX announcement dated 10 June 2015. These results are not used in this estimate.</p> <p>Assay grades have been reported and tabulated by sample interval for the 2015 drill program and are reported in ASX announcement dated 10 June 2015. Only the results from Borehole MORC004 are used in this estimate.</p> <p>The cored DD program for 2016 has been completed with structural data collected from orientated core intersections. The structural analysis shows foliation that follows the regional orientation of the mineralised zones. The mineralised zone dips at an average of 59° to the west. Analytical results have been received from both the laboratory and metallurgical test-work. The laboratory and metallurgy work was completed during the first 3 quarters of 2017.</p>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>• <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	Appropriate sections plans and diagrams are included in the body of the CPR.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>• <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></li> </ul>	<p>The report is considered to be balanced.</p> <p>The 2015 drilling and sampling results have been reported in the ASX announcement dated 10 June 2015. Borehole MORC004 was used in this CPR, since it occurs within the Caula project area.</p> <p>The 2016 drilling and sampling results for five boreholes were used in this CPR. These five boreholes occur within the Caula project area. Core from these five boreholes were used to determine Total Graphitic Carbon content.</p>
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li>• <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>	<p>Regional geological mapping and regional airborne geophysics (magnetics and radiometrics) have been obtained from the Mozambican Government.</p> <p>In addition, Mustang commissioned an airborne EM geophysics survey (SkyTEM) across 6678L and the adjacent tenements. The geophysics datasets were used to aid in interpretations and plan the 2015 and 2016 drill-hole programs' collar locations.</p> <p>Laboratory analyses were performed by SGS Randfontein in Johannesburg, and % Total Graphitic Carbon, % Total Carbon and % Total Sulphur was analysed for.</p> <p>No bulk samples have been taken.</p> <p>Metallurgical testwork was completed on composite samples made up from quartered core samples of the five cored boreholes. Clays in the oxidised zone (that increase settling times) have been observed as potential deleterious materials as part of this test-work.</p> <p>Groundwater work and Geotechnical work have not yet been undertaken.</p>

Criteria	Explanation	MUS Commentary
<i>Further work</i>	<ul style="list-style-type: none"> <li>• <i>The nature and scale of planned further work (e.g tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li>• <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<p>The drilling of priority targets identified from the SkyTEM survey is ongoing. Additional areas on Prospecting Licences 5873L and 6678L have been identified for future drilling. Potential extensions with are discussed in the Interpretation and Conclusions in the CPR.</p>

### Section 3: Estimation and reporting of mineral resources

Criteria	Explanation	MUS Commentary
<i>Database integrity</i>	<ul style="list-style-type: none"> <li>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</li> <li>Data validation procedures used.</li> </ul>	<p>The project data is kept in set directories and before any results are released to the market, the CP and the Mustang Exploration Manager would check the calculations independently. Total Graphitic Carbon Content is always less than Total Carbon Content. This is verified by a quick check in the database.</p> <p>Manual checks between datasets as received from the laboratory and compared with the database.</p>
<i>Site visits</i>	<ul style="list-style-type: none"> <li>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>	<p>The CP visited the site for extended periods during the phases of exploration. The date and duration of each visit is listed below;</p> <ul style="list-style-type: none"> <li>19 Sept 2014 to 06 Oct 2014, 18 Days, site visit, EM Line preparation, drilling verification,</li> <li>27 Oct 2015 to 26 Nov 2015, 31 Days, site visit, RC drilling verification, sampling verification.</li> <li>06 Oct 2016 to 09 Dec 2016, 53 Days, site visit, DD drilling verification, logging and sampling checks and verification.</li> </ul>
<i>Geological interpretation</i>	<ul style="list-style-type: none"> <li>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</li> <li>Nature of the data used and of any assumptions made.</li> <li>The effect, if any, of alternative interpretations on Mineral Resource estimation.</li> <li>The use of geology in guiding and controlling Mineral Resource estimation.</li> <li>The factors affecting continuity both of grade and geology.</li> </ul>	<p>The geological mapping of this area is complicated by the relatively deep soil profile and the lack of outcrop. The single biggest element of confidence is provided by the extremely strong EM signature of the graphite mineralisation. The relationship between the EM data and the confirmed mineralisation by drilling is significant. The absence of EM response to non-mineralisation in the adjacent quartzitic schist is sufficient to accurately place exploration targets.</p> <p>The graphite mineralisation is easy to distinguish and hence easy to delimit. Attaching boundaries to mineralised areas is not subject to complicated interpretation, since the resource boundaries are clear. The amphibolite to granulite facies of metamorphism has displayed a concentration of the graphitic mineralisation in the amphibolitic portion of the host rock. The granulitic proportion is the lesser lithology in terms of volume. Continuity along strike appears to be consistent within the similar EM signature. Continuity in the Z-direction is truncated by granulitic facies at infrequent intervals.</p>

Criteria	Explanation	MUS Commentary
<p><i>Dimensions</i></p>	<ul style="list-style-type: none"> <li>• <i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i></li> </ul>	<p>This graphite deposit is divided into an upper Oxidised Zone and a lower Fresh Zone. The plan footprint covers an area of 6ha, and the plan width at this stage is 131m. The top of the Oxidised Zone is between 13 and 19 metres below surface across the various boreholes. This elevation in the model is at an average of 515m above mean sea level (mamsl). This horizon was modelled as the top of the oxidised zone of mineralisation, with the base of this horizon determined by the lower-most of the oxidised logged samples. The average elevation for the base of the oxidised zone comes in at 476 mamsl. The depth of oxidation along trajectory varies between 63 and 66m for the cored boreholes, while the lowest depth of oxidation for the reverse circulation borehole is 59m (drilled at a steeper angle). In terms of depth this surface is a flat plane which is an average of 53m below surface (vertical). On average the Oxidised zone is then 39m thick.</p> <p>The base of the Fresh zone is delineated by the extent of drilling, and is truncated by drilling depth. The deeper fresh mineralised zone is open at depth, and hence the fresh model will significantly expand with future drilling. At the moment this zone is modelled to a vertical depth of 130 m in MODD003. This translates to a vertical thickness of at least 77m for the fresh zone.</p>
<p><i>Estimation and modelling Techniques</i></p>	<p><i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i></p> <ul style="list-style-type: none"> <li>• <i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i></li> <li>• <i>The assumptions made regarding recovery of by-products.</i></li> <li>• <i>Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</i></li> <li>• <i>In the case of block model interpolation, the block size in relation to</i></li> </ul>	<p>The geological models used for the resource estimation was created in Voxler (Version 4.2.584), a modelling package developed and distributed by Golden Software in Colorado.</p> <p>The dataset was populated with the lithological, sample interval and quality data and then interrogated by the software for the required outcomes. Parameters controlling the modelling operation (such as interpolator selection and conformable relationships) are defined and maintained in the model framework.</p> <p>The Gridder module interpolates scattered point data onto a uniform lattice. This type of lattice is used to create several types of output graphics, including Isosurfaces. A uniform lattice is a one-, two-, or three-dimensional orthogonal array of data points arranged in the XYZ directions with points equally spaced in each direction. The distance between data points in the X, Y, and Z directions is the same throughout the lattice, but the X separation distance is not necessarily the same as the Y or Z separation distances. The range and resolution of the output lattice may be specified along with the interpolation method and associated parameters. Point data is the input type for the Gridder module. The Gridder module creates a uniform lattice as an output. This lattice spacing is set to 25 x 25 x 25m<sup>3</sup> for this project.</p> <p>The gridding method used is the inverse of distance squared. For this horizontal sample spacing Kriging is not appropriate.</p> <p>The remaining model geometry is defined by the settings of the anisotropy tool as defined for the X, Y and Z directions during gridding. The maximum search radius in the Y-direction (N-S orientation) was set at 100 m. The maximum search radius in the X-direction (E-W orientation) was set at 50 m. The search radius for the vertical component (Z- dimension) is set at 1 m to coincide with the average sampling width of 1 m along the drillhole trajectory. Structural boundaries are not applied at this stage, since the drilled boreholes were all terminated within the graphitic mineralised zone. The models are thus defined and delimited within an open mineralised zone.</p>



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	<p><i>the average sample spacing and the search employed.</i></p> <ul style="list-style-type: none"> <li>• <i>Any assumptions behind modelling of selective mining units.</i></li> </ul> <p><i>Any assumptions about correlation between variables.</i></p> <ul style="list-style-type: none"> <li>• <i>Description of how the geological interpretation was used to control the resource estimates.</i></li> <li>• <i>Discussion of basis for using or not using grade cutting or capping.</i></li> <li>• <i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i></li> </ul>	<p>The Isosurface module creates an isosurface through an input lattice. An isosurface is a surface of constant value in a three-dimensional volume. In this instance the isosurfaces are various grades of Total Graphitic Carbon. The isosurface separates regions of less than the selected isovalue from regions with values greater than the selected isovalue. All points on the isosurface have the same value i.e. 10% TGC. This module provides a very quick method for constructing polygonal surface models from a lattice. The algorithm computes lattice cell interactions and combines them into triangle meshes for rendering. An Isosurface module can be exported to different file types, including IV, 3D DXF, and XYZC data files in the following data file formats: CSV, DAT, SLK, TXT, XLS, and XLSX. The component value is the same for every point in the isosurface.</p> <p>A uniform grid with nodes is generated for each volume. Given the drilling spacing, the grid cell size is set at 25 x 25 x 25 m<sup>3</sup>. It is pointless to grid to a smaller size given that the average borehole spacing across the whole area came to an average of 133m in a roughly straight line. Volumes were calculated for various grades across the sample result range.</p> <p>The deposit was divided into an upper oxidised zone and a lower fresh zone. Once a specific grade volume has been calculated a weighted average density is applied to the volume and a tonnage is determined.</p> <p>Weighted averaging for sample length was applied. No grade truncations were applied. A cut-off grade of 6% has been applied. Grade-tonnage curves were produced and could be used to determine the effect of cut-off grades on remaining mineralised tonnages, but the drilled resource is calculated as intersected in-situ. The calculated grade is weighted for representative mass, as calculated in Voxler.</p> <p>A manual check estimate was completed and the tonnages and the grades compared very closely. No previous estimates have been reported for this project, and hence no reconciliation could be done.</p> <p>Provision or assumptions for the recovery of by-products have not been made. The only deleterious element that has been detected so far is the presence of clays in the oxidised zone. This is to be expected, and the influence on metallurgy would be to extend settling time in the process of separation.</p>
Moisture	<ul style="list-style-type: none"> <li>• <i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i></li> </ul>	<p>The tonnages are estimated on a dry basis. The influence of moisture on the estimation of the Fresh Zone is considered to be negligible. The porosity of the host rock is very low. The Oxidised Zone may be influenced by moisture content in the shallower parts.</p>
Cut-off parameters	<ul style="list-style-type: none"> <li>• <i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i></li> </ul>	<p>A 6% grade cut-off was applied. The modelling is limited by drilling extent. The drilling have not intersected and hence delineated the outer edge of barren host rock. The physical limits of the mineralisation will be established with additional drilling programs. Grade-tonnage curves were produced and the influence of various cut-off grades can be investigated. The physical deposit boundaries have not been intersected in the drilling work and hence the model is suspended</p>

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		within graphite mineralised rock. The western and northern deposit boundary (at shallow depth), is expected to be fixed with the next phase of drilling. The eastern and southern boundaries are open to at least 400m and several kilometres respectively.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	The report is considered to be balanced. Based on the observed lithology and the influence of oxidation, the deposit is divided into an upper Oxidised Zone and a lower Fresh Zone. Grade differences between the two zones are observed, with the fresh zone showing an elevated grade.
<i>Mining factors or assumptions</i>	<ul style="list-style-type: none"> <li>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</li> </ul>	No assumptions have been made with respect to mining this deposit. This is a greenfields project and the specialist studies will be following in the various scoping and feasibility phases.
<i>Metallurgical factors or assumptions</i>	<ul style="list-style-type: none"> <li>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an</li> </ul>	<p>The metallurgy testwork was completed by SGS Malaga in Perth. This was standard testwork requested to establish the metallurgical properties of this deposit before advanced flow-sheet development can be undertaken.</p> <p>The composited samples were tested for grindability and the Bond rod mill index suggests that the Caula host rock is softer than comparable graphite deposits.</p> <p>The settling time for the oxidised composite sample was noted to be longer due to the presence of clays in this zone.</p> <p>“Testwork on Met Sample 2 indicates that the sample is very amenable to beneficiation by froth flotation realising a final concentrate stream grading 95.4% TGC at 89.9% recovery. After screening of the concentrate, &gt;50% of the concentrate falls in the large and extra-large flake classes and was upgraded to &gt;97% TGC.</p>

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	<p><i>explanation of the basis of the metallurgical assumptions made.</i></p>	<p>Testwork on Met Sample 1 indicates that the sample is amenable to beneficiation by froth flotation using a “split” flotation scheme, realising a final concentrate stream grading 94.9% TGC at 96.3% recovery. After screening of the coarse (+0.150 mm) concentrate, &gt;43% of the final concentrate falls in the large and extra-large flake classes and was upgraded to &gt;96% TGC.</p> <p>Subsequent to the completion of the initial metallurgical testwork, an optimisation programme was completed by Wave International and IMO which indicates that the + 180 micron flake from the oxide material can be upgraded to 98 % TGC.</p>
<p><i>Environmental factors or assumptions</i></p>	<p><i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a green-fields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i></p>	<p>No environmental assumptions have been made. This is a greenfields project and the specialist studies will be following in the various scoping and feasibility phases.</p>
<p><i>Bulk density</i></p>	<p><i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i></p> <ul style="list-style-type: none"> <li>• <i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and</i></li> </ul>	<p>Density data was taken from the recovered core and determined on site during the field sampling process. The selected air dry core sample was measured in length and diameter from which a volume is calculated. The same piece of core is then measured for mass and an air dry density is determined. A total of 44 density measurements were taken for the 488m of core drilling. Core density determinations were completed for both the oxidised and fresh zones. The weighted air dry density for the oxidised zone is calculated to be 2.410 tonne/ m<sup>3</sup>. The weighted air dry density for the fresh zone is calculated to be 2.582 tonne/ m<sup>3</sup>. These densities are conservative when compared to similar geological settings, and will hence result in conservative resource tonnage estimates.</p>

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	<p><i>differences between rock and alteration zones within the deposit.</i></p> <ul style="list-style-type: none"> <li><i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i></li> </ul>	
<i>Classification</i>	<p><i>The basis for the classification of the Mineral Resources into varying confidence categories.</i></p> <ul style="list-style-type: none"> <li><i>Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i></li> <li><i>Whether the result appropriately reflects the Competent Person's view of the deposit</i></li> </ul>	<p>The resource is classified as Inferred. The classification may be considered conservative, but given the limited number of boreholes, a conservative view is preferred.</p> <p>The core losses in the DD boreholes were assigned 0% TGC values as a conservative measure. With additional drilling in the future, the confidence in the estimate may very well improve dramatically. The CP has no reason to doubt the input data from the core logging to the laboratory results.</p> <p>The estimate is conservative and probably understated in both tonnage and grade.</p>
<i>Audits or reviews.</i>	<p><i>The results of any audits or reviews of Mineral Resource estimates.</i></p>	<p>No reviews or audits have been completed for this deposit.</p>

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<p><i>Discussion of relative accuracy/confidence</i></p>	<p><i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i></p> <ul style="list-style-type: none"> <li><i>• The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i></li> <li><i>• These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i></li> </ul>	<p>The geovariance for the Caula deposit is calculated over 3 ranges with 11 data-pairs. The range is estimated to be 100m and the sill grade is 11% TGC. The nugget value is 3.5% TGC, and the variance is 7.5%. This calculation is based on information from 6 boreholes, and may well change as it gets updated with new drilling information. Based on this geovariance, the drill spacing at an average of 133m is considered to be sufficient to determine an inferred resource.</p> <p>There is no current operation in place and hence no site-specific production data for comparisons to be made.</p>