

Mustang Resources Ltd.: Plant Commissioned and Rubies Delivered to USA

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Sydney - Mustang Resources (ASX:MUS) ("Mustang") is pleased to advise that its strategy to ramp up production and generate the first sales revenue at its Montepuez Ruby Project in Mozambique is firmly on track, with commissioning of the relocated processing plant now completed.

Highlights:

- Mustang has completed the plant commissioning process at Montepuez following relocation of the plant late last year
- Relocation placed the plant closer to the key Alpha ruby deposit and important water sources
- Production now ramping up to targeted rate of 525tpd a day, three times the rates recorded before the relocation
- Targeted processing rate forecast to increase monthly production substantially
- First commercial parcel of rubies & corundum totalling 6,221 carats dispatched to US service providers and customers
- Parcel includes 5 special stones (75cts total weight), including two rare 24-carat rubies, none of which require treatment
- Five special stones will be cut by internationally-renowned gemstone cutter and polisher Meg Berry
- First sales revenue expected to be recorded in H1-2017
- Auger drilling underway to map ruby-bearing ore across the project area and to delineate a JORC Resource

Production is currently ramping up to the targeted rate of 525tpd (~11,025 tons per month, assuming 21 operational days per month running one shift) which is forecast to result in a substantial increase in the Company's monthly ruby production.

Mustang also advises that it has sent its first commercial batch of rubies to US service providers and customers. These include the highly regarded gemstone cutter Meg Berry and leading jewellers in California. This shipment is aimed at enabling Mustang to obtain further opinions from experts about the range in potential ruby values and the best marketing strategies to unlock their maximum value. To assist in this process Mustang contracted the services of an American gemmologist and his team to do a full market study to enable the Board to decide if Mustang will only market its rubies in the rough on auctions, or whether to cut and polish a portion of its stones and supply the wholesalers & manufacturers directly.

To capitalise on the marketing opportunity stemming from this shipment to the US, Mustang's team will attend the AGTA GemFair in Tucson, Arizona from 31 January to 4 February 2017. The AGTA GemFair is the largest coloured gemstone trade show in the world and provides the perfect opportunity to engage with potential customers from around the globe.

Mustang is encouraged by the fast growth of the gemstone market, which according to Gemfields' reports has expanded by an estimated 213% since 2009 to a total (global import) value of US\$5.9 billion per annum (A\$7.6 billion).

The Montepuez ruby field is also gaining worldwide acclaim for its quality and ability to produce unheated gem/facet quality rubies, with leading gemstone experts citing it as the single largest supplier. The field is expected to growing further in global significance over coming years as Mustang's neighbour, [Gemfields Plc](#), ramps up its mining activities.

Mustang Managing Director Christiaan Jordaan said the Company's strategy to grow production and revenue

was well on track.

"The initial results following the plant relocation suggest we can triple throughput rates," Mr Jordaan said.

"At the same time, we have achieved a key milestone for Mustang with the first commercial shipment of rubies recovered through bulk sampling as well as our highly successful prospecting teams that form part of our local community engagement & employment program".

"This shipment will play a vital role in helping us to place market values on our rubies as well as growing awareness and understanding of our world-class stones amongst customers.

"As a result, we will be better placed to estimate the revenue we can generate from our rapidly growing production profile."

Production to Date & Exploration Done by Mustang's Prospecting Teams

Since the inception of the bulk sampling program to date 15,585 m3 of ruby-bearing gravel (including the immediate material above and below the gravel contacts) has been mined from the Alpha deposit and stockpiled of which 7,290.50 m3 (approximately 11,300.28 tonnes) has been processed through the plant resulting in the recovery of 1,638.76 cts of high quality ruby.

In addition to these recoveries, Mustang has used prospecting teams to assist in its exploration program and to accelerate the discovery and testing of new areas which can then be followed up with bulk sampling & auger drilling. This strategy has already proven itself to be highly successful in covering a lot of ground & rapidly testing new areas.

To date Mustang's prospecting teams work has resulted in the recovery of 13,314.76 cts of ruby & corundum of which 5,406cts was included in the 6,221cts parcel dispatched to the US. Due to the inability to determine accurate sample details, the rubies recovered by the Company's prospecting teams will naturally be excluded from any JORC Resource calculations.

Mustang considers that an inclusive relationship with local workers is the most sustainable way to engage with the local communities in its areas of operations and the Company will be continuing to develop and invest actively in this program to provide skill formation (mining, health & safety) as well as training. The Company has committed to pay its workers fair salaries. This local community engagement & employment program is controlled and managed by Mustang's management team at site.

Mustang Ruby Parcel

A parcel of rubies & corundum totalling 6,221ct (which includes rubies mined by Mustang and those recovered by its prospecting teams) have been sent to the US to be further assessed and processed prior to being sold to customers. This parcel will assist the market research team to evaluate the Company's rubies and to determine which marketing channel will be the most effective and profitable for Mustang.

Mustang Special Stones

A parcel of five special stones (see Figure 2 in the link below) weighing a total of 76.65cts, including two rare 24ct high quality rubies, will be cut by specialist gemstone cutter Meg Berry. Ms Berry has more than 38 years' experience in the cutting of fine gemstones and is widely acclaimed for her expertise in cutting ruby and other coloured gemstones.

All five stones have been confirmed as suitable for cutting without heat treatment. Typical cutting yields for gem/facet quality ruby from Mozambique can range from 30% to 60% depending on several factors such as the number of inclusions in the stone & the colour saturation. However, one of the most important factors for achieving a high-yield, high-quality final product is the skill of the cutter which can materially influence the value of these high-end stones.

Current asking prices in the US for unenhanced (untreated) Mozambique rubies between 4.00 and 4.99cts is US\$18,425/ct (Lower Fine) to US\$42,000 (Upper Extra Fine). Due to their rarity, wholesale reference prices for unenhanced (cut) Mozambican rubies larger than 5ct are not yet available and are typically negotiated between buyer and seller and prices can increase exponentially as the rubies get larger.

Significant recent ruby sales:

- 10.05ct Ratnaraj Ruby sold for US\$10,000,000 in November 2016 in Hong Kong. Third highest price per carat for a ruby of US\$1,017,557.

- 15.99ct Jubilee Ruby sold for US\$14,165,000 in April 2016. Most expensive coloured gemstone sold in the USA in history.
- 15.04ct Crimson Flame Ruby sold for US\$18,382,385 in December 2015 by Christies in Hong Kong
- 25.59ct Sunrise Ruby sold for US\$30,335,698 in May 2015 setting the current world record for ruby. Most expensive Cartier jewel ever auctioned.
- 8.62ct Graff Ruby sold for US\$8,372,094 in Nov 2014 at the Sotheby's Geneva auction. Held the record for the highest US\$ per ct value for a brief period up to May 2015
- 32.08ct Hope Ruby sold for US\$6,736,750 in May 2012
- Van Cleef & Arpel's 8.24ct Ruby and Diamond Ring sold for US\$4,226,500 in in December 2011 setting a then record. The ring was as a gift by Richard Burton to Elizabeth Taylor and was auctioned as part of her jewellery collection.

China, India and the USA remain the most significant emerald, ruby and sapphire consumer markets with their imports standing at around US\$1.2 billion per country per annum (wholesale/cut stones). This is an increase of ~280% since 2005.

According to the Global Mining Observer, the US coloured gemstone market has grown from the equivalent of 2.6% of the diamond market in 2005 to 4.5% in 2014 with substantial opportunity for further rapid increases (see Figure 4 in the link below). This growth is expected to be boosted by the activities of AIM-listed [Gemfields Plc](#) (ruby & emerald) with the market to be further supported by Mustang (ruby) from 2017 onwards.

According to the most recent Gemfields Annual Report, during 2015 global imports of emerald, ruby & sapphire gemstones reached US\$5.9 billion, representing an increase of 13% compared to the previous year. In the corresponding period, global imports of diamonds decreased by 17% in the same period, from US\$84 billion in 2014 to US\$70 billion.

The US is a major target market for Mustang as it alone imports US\$1.2 billion a year of (cut/processed) ruby, emerald and sapphire (2015). Assuming equal market share with emerald and sapphire, ruby would account for ~US\$400 million of annual imports into the US and equal value in India and China. Initial market engagement by Mustang with US retailers and wholesalers has indicated a substantial unmet demand for ethically-mined, mine to market rubies, further supporting Mustang's immediate focus on the US market.

Mustang considers that further demand growth in all key markets will be greatly assisted by formalisation of the coloured gemstone sector. This involves consistent supply from Mozambique as the largest supply region over the next decades together with an emphasis on ethical mining and supply chains.

To view tables and figures, please visit:
<http://abnnewswire.net/lnk/429UM7G5>

About Mustang Resources Ltd:

Listed on the Australian Securities Exchange, [Mustang Resources Ltd.](#) (ASX:MUS) is an emerging gemstone developer and producer focused on the near-term development of the highly prospective Montepuez Ruby Project in northern Mozambique. The Montepuez Ruby Project consists of three licenses covering 15,800 hectares directly adjacent to the world's largest ruby deposit discovered by [Gemfields Plc](#) (GEM:LN) in 2012. Since supply of rubies from sources outside Mozambique has become fractured and unreliable, Mustang stands to capitalise on the current demand around the world for ethically produced rubies by becoming a reliable, consistent supplier of high-quality rubies. The Company is currently fast-tracking its work program on the Montepuez Ruby Project with high priority targets being identified and low-cost bulk sampling having commenced.

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