

Mustang Resources Limited: Quarterly Activities Report

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Sydney - The December 2016 Quarter has been a pivotal period for Mustang Resources (ASX:MUS) which saw the Company put in place all of the foundations required to unlock the value of its flagship Montepuez Ruby Project in the Cabo Delgado Province of north-eastern Mozambique and become a significant new player in the rapidly growing global coloured gemstone market.

Highlights:

MONTEPUEZ RUBY PROJECT, MOZAMBIQUE

- Bulk Sampling Mining Plant successfully moved to a new location adjacent to the Alpha Deposit and significant underground water resources, with plant commissioning completed early in the New Year.
- Production now ramping up to targeted rate of 525 tonnes per day - three times the rate recorded before the plant relocation; working towards implementation of a second shift in Q1-2017.
- Targeted processing rate forecast to increase monthly ruby production substantially.
- First commercial parcel of rubies and corundum totalling 6,221 carats dispatched to US service providers and customers, aimed at gaining expert opinions on the range in potential ruby values and the best marketing strategies to unlock maximum value.
- First sales revenue expected to be recorded in H1-2017.
- Auger drilling commenced January 2017 to map ruby-bearing ore across the project area and to delineate a JORC Resource.

BALAMA GRAPHITE PROJECT, MOZAMBIQUE

- 596m of diamond drilling completed, focused on Caula Project (6678L; 80% interest) located in a closed anticline hinge.
- Drilling designed to delineate maiden graphite JORC Resource (H2-2017), with graphite mineralisation identified along strike from world-class development projects.
- Metallurgical testing results and process flowsheet expected in Q2-2017.
- Previous drilling intersected high-grade intersections in eight RC holes drilled over extensive SkyTEM anomalies, with intersections of up to 22% TGC.

CORPORATE

- Completed \$2.8M capital raising through a placement of new shares at 2.1c per share.
- Placement, which was led by US institutional investors and strongly supported by Australian sophisticated investors, was undertaken in two tranches, with the second tranche completed on 25 January 2017.
- Funds raised will primarily be used to scale-up the Montepuez Ruby Project's bulk sampling program, with the Company well-funded to ramp up production volumes rapidly and achieve first ruby sales in H1-2017.
- Resignation of non-executive Director, Mr Frank Petruzzelli, from the Board.

The Montepuez field is already firmly established as what is believed to be the single largest current ruby province in the world, having rapidly risen to prominence over the past four years thanks to the success of Mustang's neighbour at Montepuez, the UK-listed Gemfields (AIM:GEM), which has a market capitalisation of around A\$453 million. Since November 2012 Gemfields has sold US\$225 million of rubies recovered during their bulk sampling.

Mustang has built and commissioned a 75tph processing plant at its Montepuez Ruby Project, with a bulk sampling program commencing in early 2017 and now well underway with production ramping up to the targeted rate of 525 tonnes per day.

Mustang's decision during the December Quarter to relocate the bulk sampling plant to a location immediately adjacent to the recently-discovered Alpha Deposit is expected to enhance the operation's production potential significantly, providing a ready supply of water for the processing plant and enabling the Company to implement a second shift in Q1 of 2017.

Subsequent to the end of the Quarter, Mustang sent its first parcel of rubies and corundum, totalling 6,221cts, to the USA 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 determine which marketing channel will be the most effective and profitable.

In parallel with the bulk sampling program at Alpha, the Company has also commenced exploration activities to open up new ore sources on its tenements with auger drilling underway targeting additional ruby-bearing gravel zones.

While Mustang's core focus remains on the ramp-up in commercial production and cash flow from the Montepuez Ruby Project, the Company continued to progress its Balama Graphite Project, located in the same region, during the Quarter.

A diamond drilling program was completed focused on the Caula Project (License 6678L: 80% Interest), which is the most advanced prospect and offers the potential for delineation of a maiden graphite JORC Resource in the first half of 2017. Extensive high-grade graphite mineralisation has already been delineated at Balama, which lies within a world-class graphite province which is dominated by the world-class graphite deposit being developed by Syrah Resources (ASX:SYR).

Mustang considers there is a significant opportunity to crystallise value from the Balama Graphite Project, given the rapid growth being experienced in the graphite market as a result of surging demand from the lithium-ion battery sector globally, and particularly in China. Discussions have commenced with potential strategic partners and will continue during the first half of 2017 as metallurgical testwork and process flowsheet work are progressed.

The Company also made significant progress on the corporate front, completing a highly successful \$2.8 million capital raising which has seen the introduction of several leading US institutional investors and was strongly supported by Australian sophisticated investors.

This recently completed capital raising will ensure that Mustang is well-funded to advance the Montepuez Ruby Project through to commercial production and cash flow, whilst allowing it to increase the value of both its ruby and graphite projects through targeted exploration activities.

To view the report, please visit:
<http://abnnewswire.net/lnk/F9M6I64B>

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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