

# Mustang Resources Ltd: Quarterly Report & Appendix 5B

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Sydney - [Mustang Resources Ltd.](#) (ASX:MUS) (OTCMKTS:GGPLF) is pleased to provide the following report on its activities during the March quarter 2017.

## Highlights

### MONTEPUEZ RUBY PROJECT, MOZAMBIQUE

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

### BALAMA GRAPHITE PROJECT, MOZAMBIQUE

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

## CORPORATE

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

### MONTEPUEZ RUBY PROJECT, MOZAMBIQUE

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

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

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

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

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

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

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

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

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

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

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

During the quarter, Mustang also announced that it had agreed to acquire a 65 per cent interest in a new highly strategic ruby licence (Licence 8245L) which borders its existing Montepuez Ruby Project in Mozambique. A site visit undertaken by Mustang consultant, Mr Paul Allan, confirmed that artisanal miners are recovering large, high-quality rubies from this licence area, which also borders one of the key ruby deposits being mined by London-listed Gemfields.

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

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

#### BALAMA GRAPHITE PROJECT, MOZAMBIQUE

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

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

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

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

The Caula core is being assayed at SGS, a leading Perth laboratory, which will assess its metallurgical characteristics. These results, combined with the assays from the holes referred to above, will be used to

calculate a maiden JORC Resource estimate. Mustang expects to publish this estimate in the June quarter, followed by an initial Scoping Study.

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

## CORPORATE

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

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

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

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

To view tables and figures, please visit:  
<http://abnnewswire.net/lnk/0V554745>

## About Mustang Resources Ltd:

Listed on the Australian Securities Exchange, [Mustang Resources Ltd.](#) (ASX:MUS) (FRA:GGY) 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 four licences covering 19,500 hectares adjacent to the world's largest ruby deposit discovered by [Gemfields Plc](#) (LON:GEM) 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 fast-tracking its work program on the Montepuez Ruby Project with high priority targets being identified and low-cost bulk sampling well underway. Mustang also holds interests in seven graphite licences in the Balama area of Mozambique, where it has discovered a Tier-1 high-grade flake graphite deposit at its Caula Project.

Visit the Mustang website at <http://www.mustangresources.com.au> for more information.

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