



17 May 2016

LETTER TO SHAREHOLDERS: MUSTANG DEVELOPMENT STRATEGY & SHARE PURCHASE PLAN

Dear Valued Shareholder,

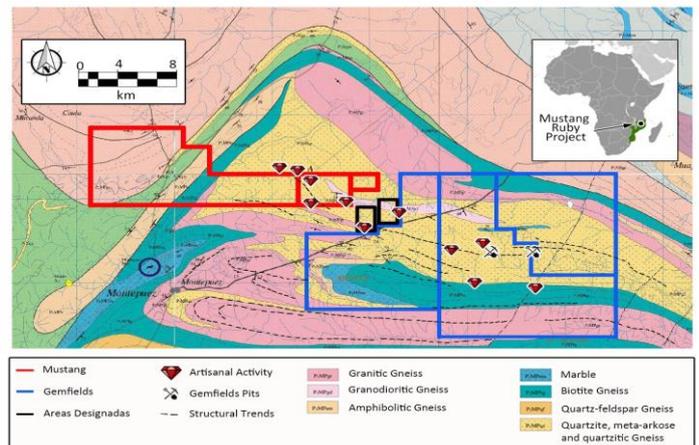
I am writing on behalf of the Board of Directors of your Company to provide you with this update on the Company's near-term development plans for our flagship Montepuez Ruby Project in Mozambique, and also to provide some details on our Share Purchase Plan offer.

First, I would like to thank you all for your continued support during what has been a challenging yet transformative period for your Company. As you will all be aware, Mustang has gone through some significant changes in recent months and we believe we have now established the foundations that will allow us to rapidly accelerate our growth strategy.

Due to our extensive in-country network and operational focus in Mozambique, Mustang was able to acquire rights to earn majority interests in three prospective ruby licences earlier this year. The acquisition was completed on 26 February 2016, following which we have decided to focus the majority of our resources on unlocking value from Montepuez in the near-term.

It is therefore with great pleasure that I provide you with a short overview of the Montepuez Ruby Project and the key reasons why the management and operational teams are so excited about the future of your Company:

- Mustang holds rights to earn majority interests in three prospective ruby licences covering 158 km² in the Montepuez ruby province, Northern Mozambique.
- Importantly, Mustang licences are located adjacent to AIM-listed gemstone producer, Gemfields (GEM:LN), which is valued at circa A\$478million.
- Gemfields realised total of US\$150.8 million in five auctions for 5.98 million carats of the 18.8 million carats mined during its bulk sampling phase.
- Mustang's processing plant and supporting equipment are on site with capacity of 600 to 2,400 tpd. Full trenching and drilling program commencing in May 2016.
- Mustang planning to commence low-Capex bulk sampling in June 2016 which has the potential to generate near-term cash flows.
- Consumer demand has caused prices of rubies to increase 63% over the past eight years.
- Mozambique alluvial rubies selling for up to US\$688 per carat with quality that matches Burmese 'Pigeon-Blood' rubies.



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Geology of Montepuez

The project is located within the Montepuez Complex which is part of the Mozambique Belt a very unique geological occurrence in Northern Mozambique.

Furthermore, the Mustang team has identified high priority targets with geological features similar to the nearby Gemfields' deposit 8km to the South-East. Aeromagnetic data has shown a NW-SE ruby mineralisation trend and structural lineaments linking to Gemfields and known artisanal diggings. Ruby mineralisation in Montepuez Complex is known to occur along structural lineaments and contacts (both primary & secondary deposits). A 5.3km lineament transects Mustang licence 4143L – and is a priority target for trenching and bulk sampling. Initially, Mustang will focus on the alluvial targets as a source of higher quality rubies.

Near-Term Operational Focus

With our focus now firmly on developing the Montepuez Ruby Project, the Company has made the decision to scale back activity at both the Save River Diamond Project ("SRD") and Balama Graphite Project ("Balama") for the immediate future.

Although our team did discover the first gem quality diamonds in Mozambique at the SRD, the project has not proven to be commercially viable to this point, and as such the Board made the strategic decision to preserve funding and re-align its operational focus by placing SRD in care and maintenance until such time as the Company is in a financial position to develop and possibly expand the project.

At Balama, the Company will aim to unlock further value through proving a JORC Compliant Resource at a number of priority areas within the licence portfolio, whilst spending minimal funds to do so. The project to date has also proven to be very technically sound with the presence of shallow and significant interesections of high grade graphite throughout the licence areas

Share Purchase Plan (SPP)

You will find enclosed herewith a copy of the SPP Prospectus dated 17 May 2016 wherein the Company invites Eligible Shareholders to apply for a total of 12,500,000 Shares at an issue price of \$0.04 per Share in order to raise \$500,000 (before costs). You are encouraged by your Directors to subscribe.

The Company may accept oversubscriptions of up to a further \$1,370,567 (before costs) through the issue of up to a further 34,264,179 Shares at an issue price of \$0.04 per Share. Therefore, the maximum amount which may be raised under the SPP Prospectus is \$1,870,567.

Eligible Shareholders are entitled to apply for a maximum of \$15,000 worth of Shares (375,000 Shares).

Please refer to the SPP Prospectus lodged with ASIC and dispatched to shareholders for further important information, including the risks related to such an investment.

Also please visit: www.mustangresources.com.au and refer to our announcements on the ASX platform for details on the Montepuez Ruby Project.

Yours faithfully,



Christiaan Jordaan

Managing Director

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