

## MONTEPUEZ RUBY PROJECT UPDATE

### COMPANY INFORMATION

Mustang Resources Ltd

ABN 34 090 074 785

ASX Code: MUS

Current Shares on Issue:

298,749,913

Market Capitalisation

\$13.74M as at 26 July 2016

### COMPANY DIRECTORS

Ian Daymond  
Chairman

Christiaan Jordaan  
Managing Director

Cobus van Wyk  
Director

Frank Petruzzelli  
Director

27 July 2016

### MUSTANG RECOVERS TEN RUBIES FROM INITIAL EXPLORATION PITS AT MONTEPUEZ

#### Highlights:

- **Total of ten rubies recovered to date from excavation and trenching of alluvial layers at the Montepuez Ruby Project**
- **Trenching program continuing with small-scale processing facility (bushman jig) operating on site**
- **Successful exploration start-up and ruby recoveries highlight the significant underlying potential of Montepuez Ruby Project**
- **Montepuez Ruby Project located adjacent to world's largest ruby deposit discovered by Gemfields PLC (GEM:LN) in 2012**
- **Mustang focused on commencement of bulk sampling in Q3 2016, targeting near-term cash flows from Montepuez Project**

Mustang Resources Ltd (ASX: MUS) ("Mustang" or the "Company") is pleased to announce that ten rubies, totalling 2.61 carats, have been recovered from the initial trenching activities undertaken at the Company's flagship Montepuez Ruby Project in Mozambique. The trenching program was designed to delineate targets for the proposed bulk sampling program and to assist in mapping gravel layers prospective for rubies - recovering rubies during this initial phase is thus a very positive indicator.

To date, the rubies recovered from excavation and trenching of the gravel layers further validate the prospectivity of Mustang's Montepuez Ruby Project. Phase 2 exploration activities are progressing as planned, with pitting, sampling and small scale processing works underway prior to the scheduled start-up of the bulk sampling program in Q3 2016. Geological mapping of the Montepuez Ruby Project area is being simultaneously conducted to increase the Company's understanding of the Montepuez region's geology.

**Mustang’s Managing Director, Christiaan Jordaan, commented:** “The recovery of ten rubies from alluvial sources at the Montepuez Ruby Project, is very encouraging and the team is buoyed by this early stage success. Work is continuing with the trenching and processing of additional pits as we advance towards the commencement of bulk sampling in Q3 2016. We look forward to updating our shareholders on further progress at Montepuez in coming weeks.”

### Montepuez Ruby Project Background

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. The project area lies within the Montepuez Complex, a structurally deformed, complex metamorphic terrane which is known to host two types of ruby mineralisation, namely primary amphibolite mineralisation, and secondary gravel bed mineralisation.

The Company has acquired majority interests in three ruby exploration licenses in Mozambique (4143L, 4258L and 5030L), collectively known as the Montepuez Ruby Project (see Figure 1).

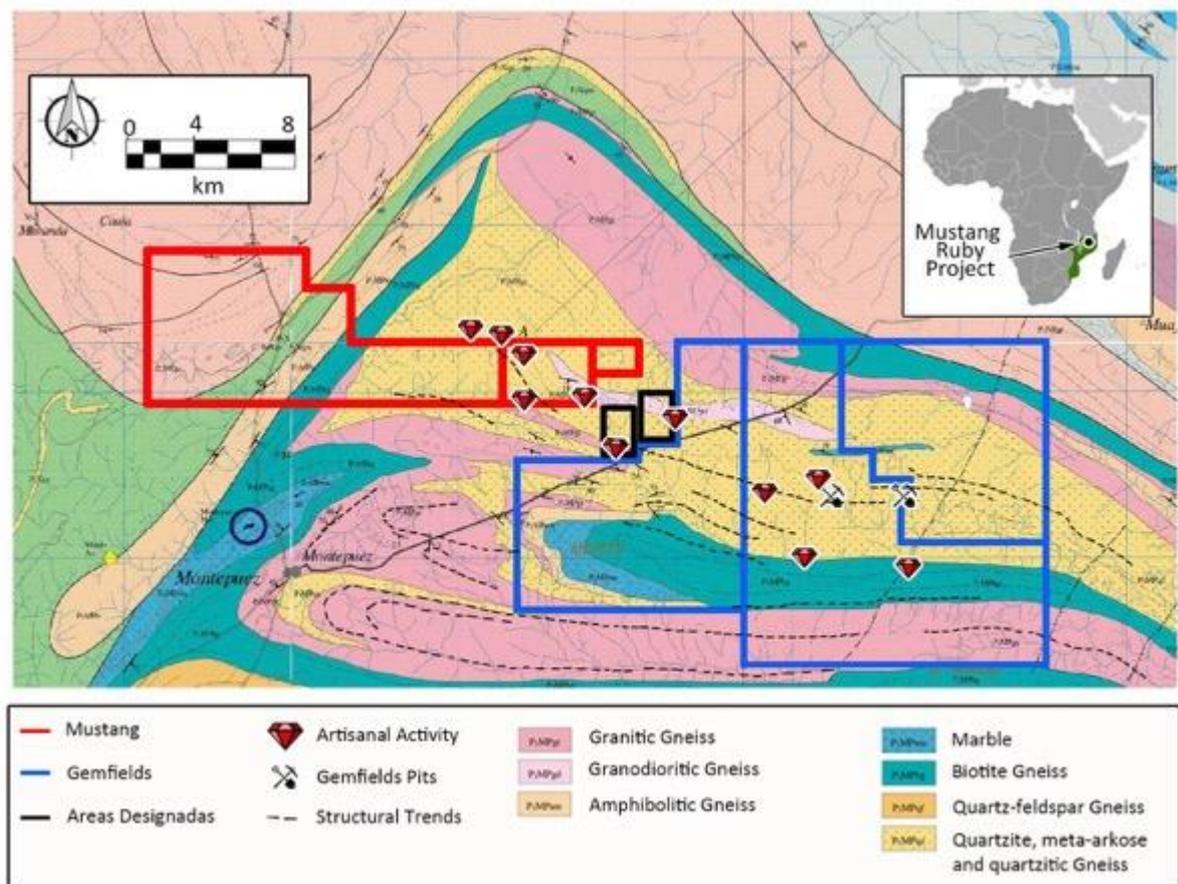


Figure 1. Location Map of the Mustang License Areas

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The current exploration target is both alluvial and eluvial gravels. These are gravels that have been derived by in-situ weathering, weathering plus gravitational movement or accumulation. Further pitting and drilling will need to be conducted to define bedrock. All gravels that have been intersected will be tested to confirm the presence of rubies and any other heavy minerals and associated indicators.

### Phase 2A Initial Exploration Program

Mustang is currently undertaking its Phase 2A exploration program at Montepuez, comprising strategic surface pitting, sampling and processing activities in order to identify ruby-bearing gravels. The excavation of predetermined pits began on 25 June 2016. To date, 25 samples have been processed with their locations illustrated in Figure 2 below. The pitting completed thus far has been based on two grids, as seen below. Each grid produced differing gravels, bedrock and yields.

Two distinct types of gravels have been discovered. The first grid had the majority of the gravels sitting on a biotite gneiss bedrock which has not yielded rubies to date. The second grid hosts a gravel (as seen in Figure 3) which is sitting on a grey clay bedrock and has yielded ten rubies to date.

Mapping and pitting will need to continue in order to determine the lateral extent of the gravels and possible drainage direction of historical landscape cycles. Washing and processing of the small scale samples will continue across the project area to test the potential for ruby-bearing material from all the gravels intercepted.

Once the samples have been processed, the pits/trenches are backfilled with the overburden and the material excavated from each pit that has no significance. Should a site not show potential for an alluvial ruby fraction, the backfilled site will be allowed to be naturally rehabilitated by vegetation.

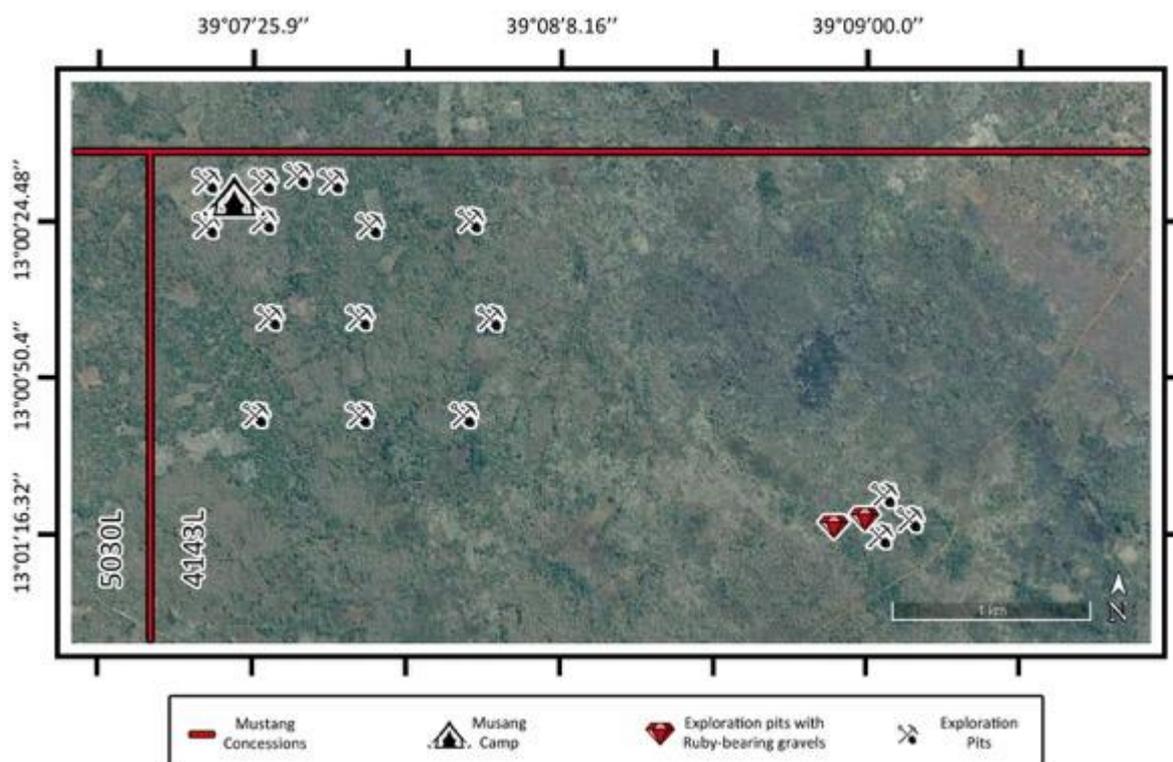


Figure 2. Map indicating location of initial pits

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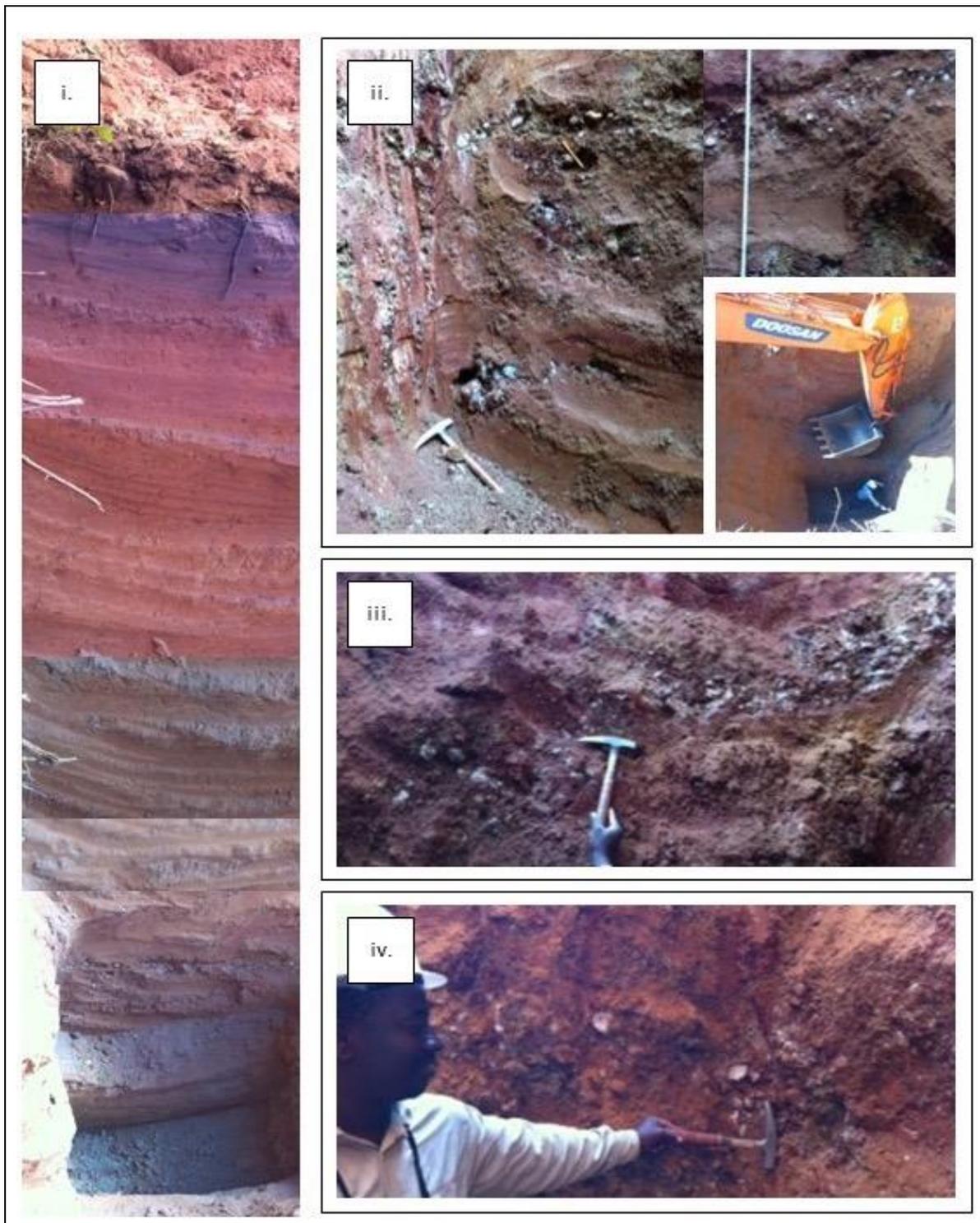


Figure 3. Images of EXPIT 021; (i.) Composite profile showing the change in colouration and material; (ii.) NW Face, showing gravel from 7.3 to 7.7m, with larger clasts; (iii.) SE face showing dip of gravel to north; (iv.) NE face showing approximately 40cm layer of gravel

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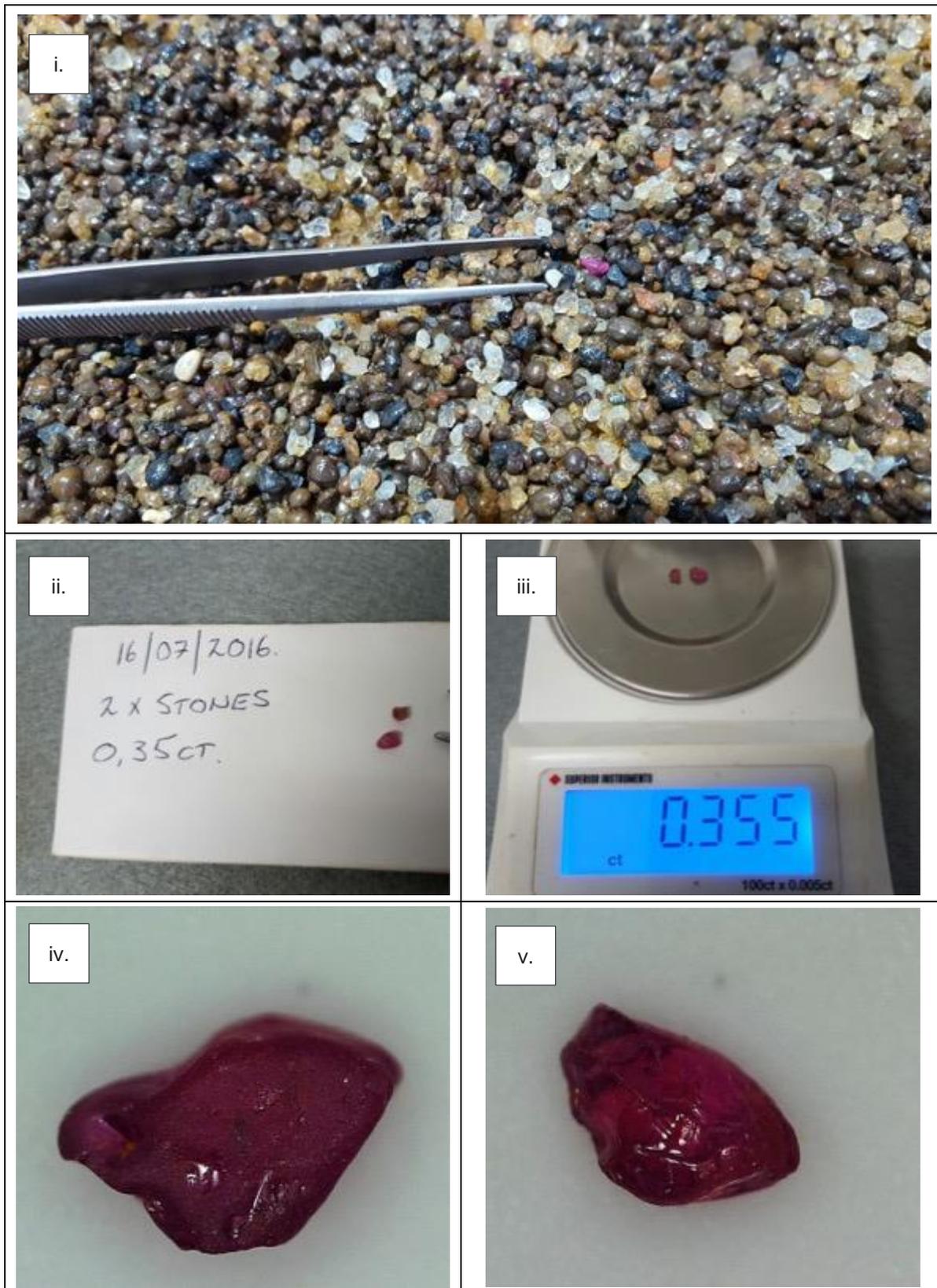


Figure 4. Rubies recovered from EXPIT 022 the Montepuez Ruby Project; (i.) Concentrate directly out of the Bushman Jigg yielding a ruby; (ii. and iii.) Two rubies weighing a total of 0.35 ct; (iv.)&(v) Rubies from EXPIT022

## Safety

Mustang is pleased to report that no accidents have occurred since the start-up of exploration at the Montepuez Project. The Company prioritises the health and safety of its employees and therefore promotes the implementation of the highest safety standards and procedures across its operations. Compliance with the provisions as stipulated by the Mozambican Mining Department is regarded as a top priority on all operations, together with the active involvement of employees.

## Planned Work Program

The current Phase 2A exploration program is intended to gather specific geological data regarding the project area including stratigraphy, and the refining of additional target regions. Importantly, the current program is focused on alluvial material in which the higher quality rubies are thought to be hosted, with Mustang utilising low cost techniques for excavation, screening, processing and recovery, as well as for on-going rehabilitation.

This will be followed by the commencement of a full bulk sampling program with the aim of recovering rubies for sale as soon as marketable parcels are available. Furthermore, the data gathered during this program will be utilised to complete a JORC compliant Resource Statement and feasibility study as the Company advances towards full scale commercial mining.

For and behalf of the Company.

Christiaan Jordaan  
**Managing Director**

## FOR FURTHER INFORMATION, PLEASE CONTACT:

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

Information in this report that relates to the Montepuez Ruby Project's Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Paul Allan, 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 Allan is an independent consultant who was engaged by the company to undertake this work. Mr Allan 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, Mineral Resources and Ore Reserves. Mr. Allan consents to the inclusion of the data 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.

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## JORC CODE, 2012 EDITION – TABLE 1

### Appendix to Ruby Announcement

#### Section 1: Sampling Techniques and Data.

Criteria	JORC Code Explanation	MUS Commentary
<p><i>Sampling techniques</i></p>	<ul style="list-style-type: none"> <li>• <i>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.</i></li> <li>• <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></li> <li>• <i>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.</i></li> </ul>	<p>A number of (industry standard) issues peculiar to alluvial sampling of precious stones have been identified, which impact directly on the number and size of the samples and the complexity of Resource estimations.</p> <p><u>Depositional environments</u> Alluvial streams are highly transient environments. The braided channels are unstable through time and gravel bars are formed and destroyed continuously. Shifting bars and channels cause wide variations in local flow conditions resulting in varied depositional assemblages. Common features in braided stream deposits include irregular bed thicknesses, restricted lateral and vertical variations within the sediments, and abundant evidence of erosion and re-deposition. On a broad scale, most deposits are complex with units of no great lateral extent. Locally, bedrock features play an important role in precious stones concentration of the alluvial deposits, with rubies occurring preferentially in natural traps such as gullies, potholes and gravel bars and, typically, reworked through one or more post-depositional colluvial or eluvial.</p> <p><u>Grade variation</u> In a single gravel unit (even within a few metres), ruby grades may vary from barren to over 22 carats per ton, due to the development of localized trap-sites under favourable bedrock conditions, or hydraulic fractionation within a channel or bar. Consequently, the ruby distribution pattern (grade) of alluvial deposits is such that there is no repeatability of small sample results, even from adjacent samples.</p> <p>In order to account for all of these issues and ensure representivity, alluvial deposits can only be sampled through bulk-samples comprising tens to hundreds of thousands of cubic metres of gravel. Ruby deposits, especially alluvial deposits, cannot be sampled by means of drilling.</p>

Criteria	JORC Code Explanation	MUS Commentary
		<p>Drilling is used for stratigraphic information and to estimate thickness of overburden, gravel and the depth and nature of the bedrock.</p> <p>Bulk-sampling is completed in much the same manner as the production mining would be, except on a smaller scale. With positive results, bulk-sampling naturally progresses to trial-mining (and advanced technical studies), during which all of the modifying parameters are determined to allow a decision of whether to proceed to full production.</p> <p>Ruby recovery is dependent on mechanical recovery through the application of physical properties of both ruby and gravel – density and size variation (to concentrate the heavy mineral portion from the bulk gravel) and other properties of the ruby during final recovery. The processing and recovery plants are affected by various issues such as the nature of the gravels, the amount of plant matter and laterite in the gravels as well as the amount of sand in the matrix.</p> <p>No drilling results are reported in this document.</p> <p>Stratigraphic information has been obtained from limited pitting by hydraulic Daewoo 220 excavator.</p> <p>The pits were excavated from surface down to weathered biotite gneiss (some 5-10m below surface). Pitting deeper with the available equipment was difficult due to the water table being very close to surface. The objective, however, is to pit from surface to bedrock.</p>
<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>Drill recovery data is not applicable at this stage as no drilling for this project has been completed.</p>

Criteria	JORC Code Explanation	MUS Commentary
<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> <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>	Drill recovery data is not applicable at this stage as no drilling for this project has been completed.
<i>Logging</i>	<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>All excavated faces of the pits (stratigraphic pits and sample trenches) are logged and photographed.</p> <p>Logging is semi-quantitative with stratigraphic and lithological units described and thicknesses noted.</p>
<i>Sub-sampling techniques and sample preparation</i>	<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>Due to the early nature of the project, nominal sampling has been completed. The pitting has been completed to provide information regarding the stratigraphy. This information and sampling has been obtained from limited trenches completed by hydraulic Daewoo 220 excavator.</p> <p>These size samples are not considered sufficient to estimate Mineral Resources, but are appropriate as Exploration Results, simply to identify the presence of rubies.</p>

Criteria	JORC Code Explanation	MUS Commentary
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <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>Due to the nature of precious stones in an alluvial deposit, samples are not taken for assay as would be normal for precious or base metal prospects. Consequently, no samples are dispatched to any analytical or testing laboratories. Further, sample splitting and reduction methods were not employed.</p> <p>All of the gravel samples are processed through a Bushman-Jig on site. Since the samples were processed through the Company plant, Mustang personnel (and independent Competent Persons) were involved from the excavation of the gravels through to the final recovery of the rubies.</p>
Verification of sampling and assaying	<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> <li>Discuss any adjustment to assay data.</li> </ul>	<p>The ruby distribution pattern (grade) of alluvial deposits is such that there is limited repeatability of bulk-sample results, even from adjacent samples of tens of thousand cubic metres in size. Consequently “check-samples” such as are standard in the precious and base-metal industries, are not possible.</p> <p>All exploration data is entered into a sampling database which is QA/QC'd by the Project Geologist (the database is currently GIS based). Data is stored both on-site as well as at the Company's office in Pretoria, RSA.</p>
Location of data points	<ul style="list-style-type: none"> <li>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.</li> <li>Specification of the grid system used.</li> <li>Quality and adequacy of topographic control.</li> </ul>	<p>Pitting sites were located using a hand held Garmin GPS (GPSMap64S). These handsets have an inherent accuracy variance of 7m in the X and Y dimension. The vertical/elevation dimension (Z) of handheld instruments is not reliable and is hence not reported.</p> <p>The grid currently in use is the Geographic system (degrees, minutes and seconds). However, the Company is in the process of converting everything to UTM WGS 84 – Zone 37s.</p> <p>Currently, topographic control is based on available 1:250,000 topographic maps. As the programme progresses, elevation data will be provided by professional survey.</p>

Criteria	JORC Code Explanation	MUS Commentary
<i>Data spacing and distribution</i>	<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 degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></li> <li><i>Whether sample compositing has been applied.</i></li> </ul>	<p>Bulk-samples are not taken along a systematic grid, neither are they sited so as to intersect specific areas of high or low grade. The key reasons for this are:</p> <ul style="list-style-type: none"> <li>The large size of the individual samples.</li> <li>The anticipated mining plan for the gravels is based on high volumes and, therefore, the samples have to address average recoveries. Consequently, samples are not sited so as to intersect areas of anticipated higher (or lower) grade.</li> </ul> <p>The sampling to date is not considered representative of the deposit and significantly more (and larger) samples will need to be taken before a Mineral Resource can be estimated.</p> <p>The reconnaissance sample results have not been composited, but are presented on a pit by pit basis.</p>
<i>Orientation of data in relation to geological structure</i>	<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>The stratigraphic pitting (along with future drilling) are considered as reconnaissance exploration data which will assist in determining the extent and orientation of the gravel units.</p> <p>Insufficient data currently exists to determine whether sample bias is present.</p>
<i>Sample security</i>	<ul style="list-style-type: none"> <li><i>The measures taken to ensure sample security.</i></li> </ul>	<p>Since the grades expected on alluvial deposits are so low and the sampling is all mechanised, it is extremely improbable that rubies will be picked up during the excavation process or at the plant stockpile. However, security will be employed at the sample pit to prevent the presence of artisanal miners.</p>

Criteria	JORC Code Explanation	MUS Commentary
		<p>At the plant site, security will be limited to caging around the processing pans; as the operation progresses and volumes are increased, cages will also be installed around conveyor feeder belts.</p> <p>It is only at the final-recovery glove-box house that sample security becomes a significant issue, where operations are monitored by Company security personnel and Closed Circuit Television (“CCTV”) monitors.</p>
Audits or reviews	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	No external audits have been undertaken for this stage of work.

## Section 2. Reporting of Exploration Results

Criteria	Explanation	MUS Commentary
Mineral tenement and land tenure status	<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>Ownership of land and Mineral Rights in Mozambique is vested in the State. Companies may apply for Prospecting and Exploration or Mining Licences from the Minister of Mineral Resources. The issue of any licence is contingent on compliance with environmental regulations and risk management as well as the provision of a socio-economic upliftment programme.</p> <p>Obligations for holders of Prospecting and Exploration Licences include the submission of an annual report, an investment plan, a work plan and a proposed budget.</p> <p>Mustang’s Montepuez Ruby Project comprises three Prospecting and Exploration Licences; LPP 5030L (14,047.4 ha), LPP 4258L (503.08 ha) and LPP 4143L (2,012.27 ha) as measured on the Company’s GIS System.</p> <p>An Exploration Licence allows for the exploration (including bulk-sampling) of mineral resources but not exploitation. Licences are valid for up to five years but can be extended for up to three further years on application to the Minister of Mineral Resources. After eight years (or sooner), the Prospecting and Exploration licence must be converted into a Mining Concession Licence or a new licence must be applied for.</p>

Criteria	Explanation	MUS Commentary
		All the licences within the Montepuez Ruby Project are in their first term and can be renewed for a further 3 years upon expiry of the initial term.
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> <li><i>Acknowledgment and appraisal of exploration by other parties.</i></li> </ul>	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 magnetic and radiometric geophysical surveys flown over the region by the Government of Mozambique.
<i>Geology</i>	<ul style="list-style-type: none"> <li><i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>	<p>The Project Area lies within the structurally deformed and metamorphic terrane known as the Mozambique Belt or East African Orogen (EAO, mountain building event). The EAO represents a belt of sedimentary and volcanic rocks formed around 2.5Ga and younger in age that were deposited in a series of depositional basins and or seas between a sequence of ancient sialic (granitic/Si and Al rich) crustal nuclei of Archean age (around 3.5Ga) old primordial crust.</p> <p>The Montepuez Complex forms a wedge-shaped unit of strongly deformed para- and orthogneisses between Montepuez, Chiúre and Namuno. The Montepuez Complex comprises orthogneisses, ranging from granitic to amphibolitic in composition, and paragneisses, comprising mainly quartzites, meta-arkoses, marbles, quartz-feldspar, gneisses and biotite gneisses.</p>
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <li><i>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:</i> <ul style="list-style-type: none"> <li><i>easting and northing of the drill hole collar</i></li> <li><i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> </ul> </li> </ul>	<p>No drilling is reported in this document. Only stratigraphic information is obtained from prospecting pits.</p> <p>No details are provided for the pits as they have not been used for the purposes of volume estimation. At this stage, the pits have been excavated simply as a means of understanding the local geology.</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>Data aggregation methods are not, typically, applicable to alluvial ruby deposits. All results are shown as obtained.</p> <p>Insufficient data has been obtained to estimate grade and/or ruby value at even a conceptual level.</p>
<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>Pitting results are used, primarily, to define the presence of gravel units and to estimate their thicknesses, which data will, eventually, be used in the estimation of Resource volumes. The pits are all vertical and the gravel deposits are horizontal (it seems they have not been affected by large scale tectono-structural upheavals). Therefore, the gravel thicknesses (as determined from drilling/pitting) are true thicknesses.</p>

Criteria	Explanation	MUS Commentary
Diagrams	<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 scale map and plans with scale and north points are included in the announcement.
Balanced reporting	<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>	All available exploration results have been reported.
Other substantive exploration data	<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>	Regional geological mapping and regional airborne geophysics (magnetics and radiometrics) have been obtained from the Mozambican Government. The geophysics datasets are continually being used to aid in interpretations and plan drill hole program collar locations.
Further work	<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 results to date simply identify the presence of ruby/corundum in the alluvial gravel deposits on licence 5030L &amp; 4143L.</p> <p>A prospecting program is being drawn up, which is planned to culminate in the estimation of Mineral Resources present on the property. The program is planned to include both drilling and representative bulk-sampling.</p> <p><u>Drilling</u> Currently, Phase 2A comprises plans for some 2,400m of auger drilling to identify bedrock variation, gravel distribution and Resource estimation.</p> <p><u>Bulk-sampling</u></p>

Criteria	Explanation	MUS Commentary
		<p>By 26 July 2016, 25 sample pit have been excavated to identify the presence of ruby/corundum. The initial samples have only sampled colluvial and hanging gravels. Once the necessary equipment has arrived on site, additional sampling will be conducted to obtain representative grade and ruby value data. The locations of these bulk-sample areas will be identified from the results of the drilling program.</p> <p>Further, the gravel from the pits will be characterised to determine what additional exploration techniques might be applied.</p> <p>Results will be announced as they become available.</p>

## Section 5: Estimation and Reporting of Diamonds and Other Gemstones.

Criteria	Explanation	MUS Commentary
<i>Indicator minerals</i>	<i>Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.</i>	Indicator minerals have not been sampled for and no reports have been prepared as such minerals are not applicable to alluvial ruby deposits
<i>Source of diamonds</i>	<i>Details of the form, shape, size and colour of the diamonds and the nature of the source of diamonds (primary or secondary) including the rock type and geological environment.</i>	<p>Since only 10 stones (9.68ct) have been recovered to date, no ruby studies have been undertaken.</p> <p>The rubies have been recovered from sheet flow environment. The gravel profile comprises two distinct units – Two distinct types of gravels have been discovered. The first grid had the majority of the gravels sitting on a biotite gneiss bedrock which has not yielded rubies to date. The second grid hosts a gravel (as seen in Figure 3) which is sitting on a grey clay bedrock and has yielded ten rubies to date.</p> <p>The current (conceptual) geological model anticipates that the primary source to the rubies will be amphibolites located in the Montepuez area. The nature and exact location of the primary source(s) of the alluvial rubies is not entirely germane to the project and will not form the focus of current investigations.</p>
<i>Sample collection</i>	<ul style="list-style-type: none"> <li><i>Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (e.g. large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).</i></li> </ul> <p><i>Sample size, distribution and representivity.</i></p>	<p>The reconnaissance samples have been small samples designed simply to establish the presence of rubies in the different gravel units. These will be expanded (in size and number) in order to estimate grade, value and stone size distribution and relevant confidence levels.</p> <p>As of 26 July 2016, 25 pit samples (total of 20,009kg's) have been excavated, washed and sorted, as such, the results are not considered representative, either of the specific gravel, or of the project as a whole.</p>

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<i>Sample treatment</i>	<ul style="list-style-type: none"> <li>• <i>Type of facility, treatment rate, and accreditation.</i></li> <li>• <i>Sample size reduction. Bottom screen size, top screen size and re-crush.</i></li> <li>• <i>Processes (dense media separation, grease, X-ray, hand-sorting, etc.).</i></li> <li>• <i>Process efficiency, tailings auditing and granulometry.</i></li> </ul> <p><i>Laboratory used, type of process for micro diamonds and accreditation.</i></p>	<p>Gravel samples have been recovered from 25 separate pits, namely EXPIT 001 to EXPIT 025. These samples have all been derived from the gravel layers intercepted while pitting.</p> <p>Bulk samples cannot be processed at a laboratory – but are processed on site, through the Mustang plant, by Mustang personnel.</p> <p>The gravel is excavated using a hydraulic excavator (Daewoo 220) and transported to site by a Front End Loader. Sample area visually inspected and all gravels are excavated to bedrock (where the bedrock is friable, the sample includes some 10-15cm of bedrock to ensure collection of gravel and rubies that may have penetrated the bedrock).</p> <p>Sample pits are measured and logged (with measuring tape by the geological staff) to estimate volumes and keep records of the material intercepted.</p> <p>The material is fed into the Bushman Jig's. The action of the Bushman Jig's results in the lighter material being suspended and the denser material settling into the centre of the jig sieves. The sieve fractions are +14mm, -14+10mm, -10+8mm, -8+6mm, -6+4mm, -4+2mm. Each sieve is hand-sorted separately by two sorters in the presence of a security guard.</p> <p>The entire gravel sample (-40+2mm fraction) is processed. Rubies smaller than 2mm have very little commercial potential and their loss is not at issue.</p>
<i>Carat</i>	<i>One fifth (0.2) of a gram (often defined as a metric carat or MC).</i>	Metric carats (“ct”) have been used throughout this document
<i>Sample grade</i>	<ul style="list-style-type: none"> <li>• <i>Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.</i></li> <li>• <i>The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if</i></li> </ul>	Insufficient data has been recovered to estimate sample grades or ruby size frequency distribution, as yet.

Criteria	Explanation	MUS Commentary
	<p><i>accompanied by a volume to weight basis for calculation.</i></p> <p><i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).</i></p>	
<p><i>Reporting of Exploration Results</i></p>	<ul style="list-style-type: none"> <li>• <i>Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.</i></li> <li>• <i>Sample density determination.</i></li> <li>• <i>Per cent concentrate and undersize per sample.</i></li> <li>• <i>Sample grade with change in bottom cut-off screen size.</i></li> <li>• <i>Adjustments made to size distribution for sample plant performance and performance on a commercial scale.</i></li> <li>• <i>If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples.</i></li> </ul> <p><i>The weight of diamonds may only be omitted from the report when the diamonds are considered too small to be of commercial significance. This lower cut-off size should be stated.</i></p>	<p>As of 26 July (Table 1), 10 stones with a total weight of 2.61 ct have been recovered (with a bottom cut-off size of 2mm). All of the rubies have, thus far, been recovered from the colluvial gravel unit.</p> <p>The current sample is considered too small to complete any sort of analysis. This will be reported when an appropriate size ruby sample has been recovered.</p>
<p><i>Grade estimation for reporting Mineral Resources and Ore Reserves</i></p>	<ul style="list-style-type: none"> <li>• <i>Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.</i></li> <li>• <i>The sample crush size and its relationship to that achievable in a commercial treatment plant.</i></li> </ul>	<p>Mineral Resources and/or Ore Reserves have not yet been estimated for this project.</p>

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	<ul style="list-style-type: none"> <li>• <i>Total number of diamonds greater than the specified and reported lower cut-off sieve size.</i></li> <li>• <i>Total weight of diamonds greater than the specified and reported lower cut-off sieve size.</i></li> </ul> <p><i>The sample grade above the specified lower cut-off sieve size.</i></p>	
Value estimation	<ul style="list-style-type: none"> <li>• <i>Valuations should not be reported for samples of diamonds processed using total liberation method, which is commonly used for processing exploration samples.</i></li> <li>• <i>To the extent that such information is not deemed commercially sensitive, Public Reports should include:</i> <ul style="list-style-type: none"> <li>○ <i>diamonds quantities by appropriate screen size per facies or depth.</i></li> <li>○ <i>details of parcel valued.</i></li> <li>○ <i>number of stones, carats, lower size cut-off per facies or depth.</i></li> </ul> </li> <li>• <i>The average \$/carat and \$/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.</i></li> <li>• <i>The basis for the price (e.g. dealer buying price, dealer selling price, etc.).</i></li> </ul> <p><i>An assessment of diamond breakage.</i></p>	The ruby sample recovered to date is considered too small to be representative in terms of value and no such valuations have yet been undertaken.
Security and integrity	<ul style="list-style-type: none"> <li>• <i>Accredited process audit.</i></li> <li>• <i>Whether samples were sealed after excavation.</i></li> <li>• <i>Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.</i></li> <li>• <i>Core samples washed prior to treatment for micro diamonds.</i></li> <li>• <i>Audit samples treated at alternative facility.</i></li> <li>• <i>Results of tailings checks.</i></li> <li>• <i>Recovery of tracer monitors used in sampling</i></li> </ul>	<p>All rubies are weighed, sealed and stored in a Category 4 safe on site. As yet, rubies have not been transferred from site to valuer location.</p> <p>Bulk-samples are not processed at an alternative facility. No audit of tailings has yet taken place – concentrated tailings are returned to the pit for rehabilitation.</p> <p>The Bushman Jig efficiencies are monitored using industry standard tracer tests.</p>

Criteria	Explanation	MUS Commentary
	<p><i>and treatment.</i></p> <ul style="list-style-type: none"> <li>• <i>Geophysical (logged) density and particle density.</i></li> <li>• <i>Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.</i></li> </ul>	
Classification	<ul style="list-style-type: none"> <li>• <i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.</i></li> </ul>	The uncertainty of the project is such that only Exploration Results are presented as conceptual Exploration Targets.