



MUSTANG
— RESOURCES LTD —

17 July 2018

COMPANY INFORMATION

Mustang Resources Ltd
ABN 34 090 074 785
ASX Code: MUS

Current Shares on Issue:
958,830,739

Market Capitalisation:
\$16.3M as at 16 July 2018

COMPANY DIRECTORS

Ian Daymond
Chairman

Bernard Olivier
Managing Director

Cobus van Wyk
Chief Operating Officer

Christiaan Jordaan
Director

Evan Kirby
Director

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Mustang agrees ruby asset merger with Fura Gems Inc.

Key Points

- **Mustang agrees to merge all its ruby interests with Fura Gems Inc. (TSXV.FURA) (“Fura”) for \$10 million in Fura shares**
- **Fura is listed on TSXV and led by former Gemfields COO Dev Shetty with interests in the Montepuez gem-field and the legendary Conscuez emerald mine in Colombia**
- **The A\$10 million in Fura shares to be paid to Mustang in three tranches over 20 months**
- **Fura shares intended for distribution to Mustang shareholders via an in-specie distribution following escrow period**
- **Fura committed to invest A\$25 million in further exploration and resource definition, subject to exploration success, of its expanded Montepuez Project over 3 years**
- **Fura investigating its dual listing in London with significant existing shareholder and new institutional investor interest expected**
- **The transaction will deliver Mustang shareholders exposure to a leading gemstone specialist with significant experience and critical mass**
- **Closing of transaction is subject to satisfaction of customary conditions precedent on or before 30 November 2018, including Mozambican Government approval**
- **Mustang will be able to focus solely on its world-class Caula Graphite-Vanadium project where Phase 1 production is targeted for H1-2019**

Mustang Resources Ltd (**ASX: MUS**) is pleased to announce that it has entered into a merger agreement for its Montepuez ruby assets with TSXV-listed Fura Gems Inc. (TSXV.FURA) for A\$10 million in shares.

Under the agreement, the shares will be issued to Mustang in three tranches over 20 months to give Mustang around an 8% stake in Fura, excluding percentage equity dilution from capital raised from today.

Mustang intends to conduct an in-specie distribution of the Fura shares to Mustang shareholders when they emerge from escrow.

Fura will give Mustang shareholders a significant exposure to the rapidly growing ruby market via a specialist gem company with extensive experience and a diversified asset base in the coloured gemstone industry.

The merger will also enable Mustang to focus solely on its Caula Graphite-Vanadium Project, where it has recently generated a host of high-grade drilling results and exceptional graphite metallurgical results. The transaction does not trigger any Board or senior management changes.

Mustang continues to aim to start production from its pilot plant at Caula in the June quarter of 2019. Mustang will continue to ensure that it has the skills, abilities and knowledge required to progress the highly prospective Caula Graphite-Vanadium project.

Mustang Managing Director Dr. Bernard Olivier, said the transaction was aimed at unlocking the value of the Company's ruby assets while enabling the development of the graphite-vanadium project.

"Both Montepuez and Caula are outstanding assets in their own rights with substantial growth prospects," Dr Olivier said. "But the reality is that they don't sit together comfortably in a publicly-listed company, where investors tend to have an interest in one or the other of these very different businesses.

"In simple terms, this merger will benefit Mustang shareholders by giving them ongoing exposure to the ruby assets and Fura's other ruby and gemstone assets via the shares in Fura.

"At the same time, the ruby assets will be managed by some of the world's leading gem mining and marketing specialists, whose company has committed to spending A\$25 million on their exploration and resource definition workprogramme.

"Fura will also bring the critical mass required to compete with established players in the ruby market. All up, this will maximise the potential to create value for Mustang shareholders.

"The transaction will allow Mustang to focus solely on exploring and developing its Caula graphite-vanadium project, which continues to go from strength to strength on the back of strong drilling and metallurgical results. We are anticipating being able to announce our maiden Vanadium JORC Resource and significantly improved Grapite JORC Resource within the coming days."

Background on Fura Gems Inc.

Fura Gems Inc. is a gemstone mining and marketing company which is engaged in the mining, exploration and acquisition of gemstone licences. Fura's headquarters are located in Toronto, Canada and its administrative headquarters are located in the Almas Tower, Dubai. Fura is listed on the TSXV under the ticker symbol "FURA.V". Fura is engaged in the exploration of resource properties in Colombia and owns a 76% interest the Coscuez emerald mine in Boyacá, Colombia. Fura is involved in the exploration and mining of rubies in Mozambique through its 80% effective interest in four ruby licences (4392L, 3868L, 3869L and 6811L).

The Coscuez Emerald Mine, Colombia

Colombia is the source of the world's finest emeralds and accounts for 50% of the value supplied in the market. The Colombian emerald deposits are located in Boyacá Department and are found in the Eastern Ranges of the Colombian Andes within two narrow bands on the west side (western zone: Muzo, Cunas, and Coscuez deposits) and on the east side (eastern zone: Chivor and Gachalá deposits).

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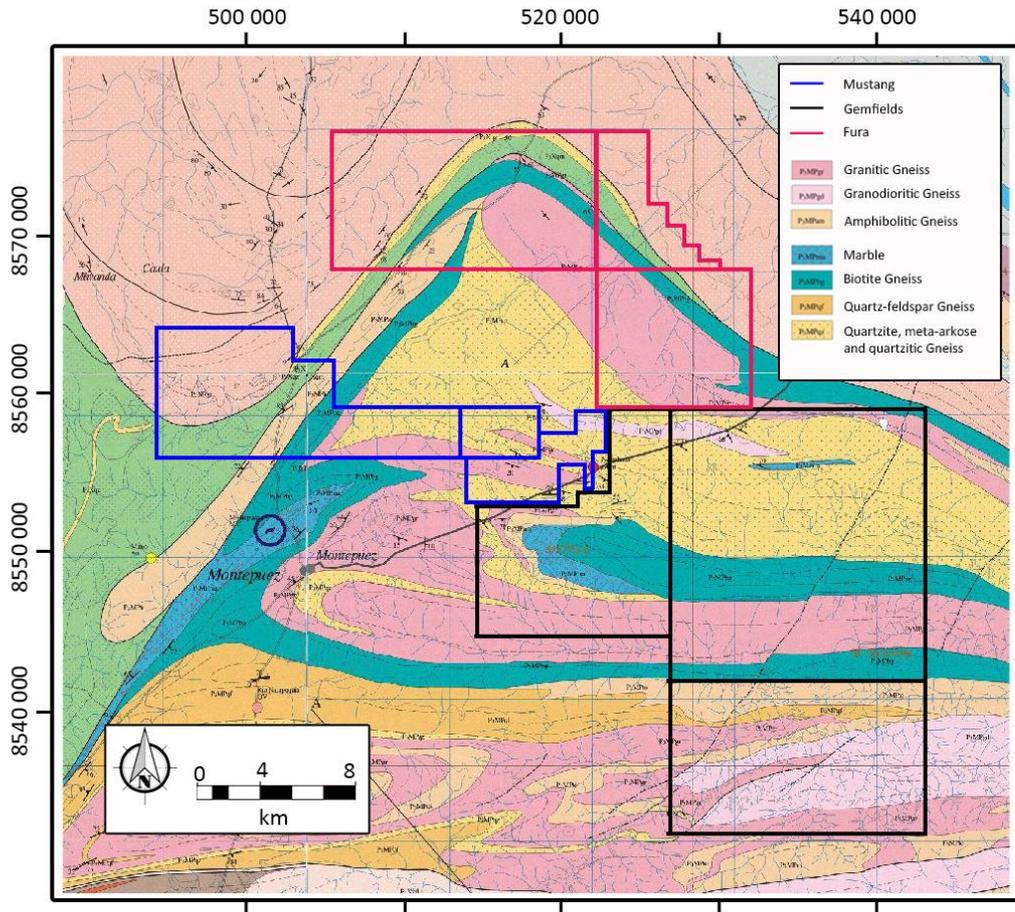


Figure 1: Mustang's Montepuez ruby project in relation to Fura's existing ruby assets



Figure 2. The Coscuez Emerald Mine

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Figure 2a the 25.97carat ARE Emerald

The Coscuez Mine is historically one of the world's most significant emerald mines, having been in operation for over 400 years, and has produced some of Colombia's finest emeralds. Its world-wide recognition stems from the production of renowned pieces like 1,759 carats Guinness Emeralds, believed the one of the largest gem-quality crystal or the pieces found in the Spanish crown, as well as collections from India and the Ottoman Empire, and which continue to be discovered in diverse archaeological findings such as the San Jose galleon.

In Colombia, most of the emeralds mined come from the Muzo formation and the Coscuez Mine in the San Pablo de Borbur Municipality, is sitting right over Muzo formation and has grown to become one of the top three producers of emeralds in Colombia.

On 30 October 2017, Fura agreed to purchase 76% of the issued and outstanding shares of Esmeracol S.A. which owns 100% interest in the 122-95M (The Coscuez Emerald Mine). The 122-95M covers an area of 46 hectares and includes exclusive rights for the exploration, construction and mining of emerald deposits granted by the Government of the Republic of Colombia.

The current operation at 122-95M, has reached the orebody through a significant number of horizontal accesses of different dimensions, which total more than 40km of measured tunnels. Within the orebody, vertical shafts have been developed to delineate the extraction blocks for the operation, complemented by established and controlled watering and ventilation system.

Fura, as a short-term plan, will immediately focus on improving the mine's infrastructure, developing safe and effective operations, including the construction of a 1/7 gradient, positive and negative ramp system, complemented by horizontal tunnel construction to optimise access to the orebody, which will allow modernising the extractive process and converting the mine into a safer operation. This ramp will optimize the transport of product through LHD trucks, as well as the flow of clean air for ventilation. Fura will set-up a communication platform to engage directly with the local community.

Contemporaneously with the short-term plan, Fura will also work with the respective government authorities for the necessary approvals for the technical plans such as design of the new decline, entrance of the tunnel, washing plant, waste dump design and other necessary areas.

Fura Senior Management

Dev Shetty, President and CEO

Mr. Shetty joined Fura in January 2017 as President and Chief Executive Officer. Prior to joining Fura, Mr. Shetty was the group chief operating officer and board member of Gemfields Plc. He was instrumental in leading Gemfields to become the world's largest colour gemstone company from 2009 to 2016. Mr Shetty played a vital role in developing the world's largest producing emerald mine in Zambia and the greenfield ruby project in Mozambique, which is believed to be the largest ruby deposit in the world. Previously, Mr. Shetty gained valuable experience in the fields of start-ups, mergers and acquisitions, business turnaround, project management, strategy and finance during his tenure with a private equity firm and a manufacturing company. Mr. Shetty graduated from Mumbai University and is a qualified chartered accountant.

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Ashim Roy, Vice-President Operations

Mr. Roy joined Fura in November 2017 as vice president of operations and will be responsible for the company's global mining and exploration operations. Prior to joining Fura, Mr. Roy served as general manager for Gemfields Plc, overseeing the Montepuez ruby mine (Mozambique), and as head of geology and exploration at the Kagem emerald mine (Zambia). He also developed Gemfields' greenfield ruby project in Mozambique, which is believed to be one of the world's largest ruby deposits. Over the last two decades, Mr. Roy has worked as a senior scientist in the Department of Atomic Energy for the Government of India where he specialised in atomic minerals and rare earth-related minerals. Mr. Roy is a professional geoscientist and holds a Master's in Applied Geology and Master's in Business Administration from India.

Rupak Sen, Vice-President Marketing and Sales

Mr. Sen joined Fura in November 2017 as Vice President – Marketing and Sales. Mr. Sen's responsibilities include global marketing, communications and sales of rough gemstones. Prior to joining Fura, Mr. Sen was acting global Director of marketing and polished sales and marketing and sales director for Asia for Gemfields plc. During his 9-years with Gemfields, Mr. Sen was instrumental in implementing the 'mines and market' strategy in Asia. Mr. Sen was responsible for overall advertising, public relations, sponsorships, research, co-branding, comarketing, education and training in his territory. Prior to working with Gemfields, Mr Sen has worked for companies such as De Beers (Diamond Promotion Service) and Swatch Group. Mr. Sen has a Bachelor's in Business Administration and Economics from India.

For more information on Fura and the transaction please visit www.furagems.com

Details of the Transaction

Fura and its wholly owned subsidiary entered into a merger of ruby assets agreement (the "**Agreement**") dated 14 July 2018 with Mustang Resources Ltd. ("**Mustang**"). Pursuant to the Agreement, Fura will acquire controlling ownership in various entities owned by Mustang that hold rights to earn majority interests in 3 mineral concessions (being exploration licence 5030L and mining concessions 8955C and 8921C) in Mozambique as well as ownership of all existing site and ruby processing plant infrastructure (the "**Assets**").

The consideration payable to Mustang pursuant to the Agreement is A\$10,000,000 and shall be payable as outlined below:

- Common shares in the capital of Fura (the "**Consideration Shares**") with a value equal to A\$3,333,333 with such Consideration Shares to be issued at CAD\$0.50, to be issued on or before 30 November 2018.
- Consideration Shares with a value equal to A\$3,333,333 with such Fura Shares to be issued at CAD\$1.40 to be issued on or before 30 November 2019.
- Consideration Shares with a value equal to A\$3,333,333, with such Fura Shares to be issued at CAD\$1.80 to be issued on or before 30 July 2020.

All of the Consideration Shares issued pursuant to the Agreement will be subject to lock-up agreements pursuant to which Mustang shall be restricted from selling or transferring such securities during the twelve months following the issuing of each tranche and a further 12 month period wherein the securities have to be provided to Fura preferentially for orderly placement.

Please see Table 1 below for a summary of the transaction timeline.

Under the terms of the Agreement Fura has committed to investing \$25,000,000 over the next 36 months in its Montepuez ruby licences' further development, subject to continued exploration success.

Upon closing of the transaction, Fura will acquire Mustang's ruby assets, including its rights to earn interests between 52.5% and 65% in its 3 concessions (2 mining concessions and 1 exploration licence) covering approximately 192 km² (19,223 ha). Fura has also entered into a concurrent transaction with

Regius Resources Group Ltd (“Regius”) regarding an asset merger for all its ruby interests and associated

assets. Regius holds rights to earn interests between 70% and 80% in 6 licences in the Montepuez region covering a total area of 518km² (51,800ha). Fura is also acquiring Regius’s 20% share in

Montepuez Minerals Pty Ltd which holds rights to earn majority interests in 2 of the 3 Mustang ruby concessions (5030L and 8921C). On closing Fura will hold rights over a total area of 1,111km².

The transaction will be completed once the customary conditions precedent have been satisfied, The conditions precedent include the provision of legal opinions concerning the title to the assets being in good standing, as well as approvals from the ASX, Mustang shareholders (if required) and the Mozambican Minister of Mineral Resources and Energy. There are no technical due diligence conditions imposed by Fura.

Table 1. Summary of the timeline for the transaction. These dates are indicative only and are subject to change.

Event	Date
ASX Announcement of Asset Merger	17 July 2018
Satisfaction of Conditions Precedent and Closing	On or before 30 November 2018
Issue of Tranche 1 Consideration Shares	On or before 30 November 2018
Issue of Tranche 2 Consideration Shares	On or before 30 November 2019
Issue of Tranche 3 Consideration Shares	On or before 30 July 2020
Merger completed	On or before 30 July 2020

Fura will have access on signing the agreement to the Mustang licence areas to conduct exploration, including exploration drilling, with the view to the commencement of bulk sampling before the end of calendar year 2018. In return, Fura will be entitled to all rubies extracted and ruby sales from signing until closing. Mustang will be responsible only for bare care and maintenance costs until closing but Fura will be liable for security costs.

Rationale for the Transaction & Mustang Future Strategy

The Mustang Board of Directors considers that the transaction with Fura has the potential to provide substantial value to Mustang shareholders over the coming years as Fura invests substantial additional capital as well as brings its team’s expertise to bear on these and on its other licences considered by Fura to be highly prospective. It is anticipated that significant further investment will be required to progress the project from exploration into full scale production. The ~\$25million investment is a key value-add to Mustang and its shareholders as it reduces the strain on its own resources and allows management to focus capital and development efforts on the Caula Graphite-Vanadium project located adjacent to the Montepuez Ruby Project.

The transaction will also see Mustang’s shareholders gain exposure to a world-class emerald producing mine in Colombia which is already delivering high quality emeralds and has a resource definition work program underway.

Fura is investigating a dual listing in London. Mustang shareholders have the opportunity to benefit from exposure to a company that could eventually rival Gemfields as one of the largest integrated coloured gemstone mining and marketing companies in the world.

Following the conclusion of the Fura transaction Mustang will be focusing all its efforts in extracting maximum value for shareholders from the Company’s exciting Caula Graphite and Vanadium Project.

Recent results at Caula ¹ have confirmed that the project has the potential to supply two fast-growing industrial mineral sectors in flake-graphite and vanadium.

- Diamond drilling assays include intersections of up to 1.9% vanadium (V₂O₅) and 28.9% Total Graphitic Carbon (TGC)
- Multiple high-grade intersections over extensive widths, including 215m at 14.72% TGC average and 0.51% V₂O₅ average (MODD018)
- Cumulative proportion of large to super jumbo flakes (>180µm) increased from 44% to 60% for the combined Oxide zone while the Fresh zone increased from 55% to 68%
- High concentrate grades of more than 97% Total Graphitic Carbon have been maintained in a modified flowsheet with further optimisation work to still be done

Graphite Product	Size Fraction (µm)	Fresh Sample		Transitional Sample		Oxide Sample	
		Mass (%)	TGC (%)	Mass (%)	TGC (%)	Mass (%)	TGC (%)
Super Jumbo	>500	5.4	97.58	6.5	98.11	0.9	96.81
Jumbo	300 to 500	26.1	97.82	25.0	98.66	10.6	97.64
Large	180 to 300	36.4	97.43	36.6	98.64	34.7	97.70
Medium	150 to 180	9.5	96.96	10.3	98.46	14.8	97.76
Small	75 to 150	21.6	96.85	23.2	98.42	36.8	97.78
Fines	<75	6.0	88.6	1.1	97.71	4.2	96.12
Combined Concentrate		100	96.99	100	98.52	100	97.67

For and on behalf of the Company.



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¹ Refer to ASX Announcements dated 27 June 2018 and 25 June 2018 respectively.

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.

COMPETENT PERSON'S STATEMENT:

Information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Johan Erasmus, 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 Erasmus is a consultant to Sumsare Consulting, Witbank, South Africa which was engaged to undertake this work. Mr Erasmus 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. Mr Erasmus consents to the inclusion of the data in the form and context in which it appears. Mr Erasmus confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of +mineral resources or +ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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