

MUSTANG RESOURCES LIMITED
ACN 090 074 785

OFFER DOCUMENT

NON-RENOUNCEABLE RIGHTS ISSUE

For a non-renounceable pro rata entitlement issue to Shareholders of one (1) Share for every four (4) Shares held by Eligible Shareholders registered at the Record Date at an issue price of \$0.023 per Share to raise up to approximately \$4,435,742 before costs and based on the number of Shares on issue at the date of this Offer Document (**Offer**).

This Offer closes at 5:00pm (WST) on 21 March 2018 (unless extended). Valid acceptances must be received before that time.

This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the Shares offered by this document.

This document and the accompanying Entitlement and Acceptance Form are important and require your immediate attention. They should be read in their entirety. If you do not understand their content or are in doubt as to the course you should follow or have any questions about the Shares being offered by this document, you should consult your stockbroker or other professional adviser.

The Shares offered by this Offer Document should be considered as speculative.

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1. IMPORTANT INFORMATION

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

1.1 This document is not a prospectus

This Offer Document is dated 22 February 2018, has been prepared by the Company and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. In particular, Shareholders should refer to the risk factors set out in Section 5. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

1.2 Section 708AA of the Corporations Act

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84. In general terms, section 708AA of the Corporations Act permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

1.3 Eligibility

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

1.4 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

It is not practicable for the Company to comply with the securities laws of all overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand or the United Kingdom.

New Zealand

The Offer is not being made to the public in New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the Offer is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

1.5 Notice to nominees and custodians

Shareholders resident in Australia or New Zealand or the United Kingdom holding Shares on behalf of persons who are resident in other jurisdictions are responsible for ensuring that applying for Shares under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.6 Privacy Act

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

2. CORPORATE DIRECTORY

Directors

Mr Ian Daymond
Non-Executive Chairman

Dr Bernard Olivier
Managing Director

Mr Cobus van Wyk
*Chief Operating Officer and
Executive Director*

Mr Christiaan Jordaan
Non-Executive Director

Company Secretary

Mr Robert Marusco

Registered Office

Level 1
9 Bowman Street
SOUTH PERTH WA 6151

Share Registry*

Computershare Investor Services
Level 11, 172 St Georges Terrace
Perth WA 6000

Telephone:
1300 850 505 (within Australia)
+ 61 3 9415 4000 (outside Australia)

ASX Code

MUS

Legal Advisers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth, WA 6000

Auditor*

PricewaterhouseCoopers
Brookfield Place
125 St Georges Terrace
Perth WA 6000

*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.

3. DETAILS OF THE OFFER

3.1 The Offer

The Company is making a non-renounceable pro rata entitlement offer to Shareholders of Shares at an issue price of \$0.023 each on the basis of one (1) Share for every four (4) Shares held by Eligible Shareholders on the Record Date to raise up to \$4,435,742 before costs and based on the number of Shares on issue at the date of this Offer Document (the **Offer**).

Fractional Entitlements will be rounded up to the nearest whole Share.

As at the date of this Offer Document, the Company has on issue 771,433,387 Shares. On this basis, the Company expects that up to approximately 192,858,347 Shares will be issued under the Offer.

As at the date of this Offer Document the Company has 143,264,745 Options on issue. Of these Options, 7,500,000 remain subject to a vesting condition and are not able to be exercised. The remaining 135,764,745 Options may be exercised prior to the Record Date in order to participate in the Offer. Section 3.6 sets out details of the exercise price, expiry date and vesting condition (if applicable) of the Options on issue.

As at the date of this Offer Document the Company has 14,000,000 Performance Rights on issue which vest into Shares on a 1:1 basis subject to satisfaction of a performance milestone. The performance milestone would need to be satisfied and the resulting Shares issued prior to the Record Date in order to participate in the Offer. Section 3.6 sets out details of the performance milestone and expiry date of the Performance Rights on issue.

As at the date of this Offer Document the Company has 2,000,000 Convertible Notes on issue which may be converted into Shares (subject to applicable conversion restrictions) prior to the Record Date in order to participate in the Offer. Section 3.6 sets out details of the conversion price, maturity date and conversion restrictions of the Convertible Notes on issue.

The Shares offered under this Offer Document will rank equally in respect of dividends and have the same rights in all other respects (e.g. voting, bonus issues) as existing Shares.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

3.2 Use of funds

In the event all Shares under the Offer are issued the Company will raise approximately \$4,435,742 (based on the number of Shares on issue at the date of this Offer Document and ignoring the effect of rounding of fractional Entitlements).

The Company intends to apply the funds raised from the Offer towards:

Items of Expenditure	Amount (\$)	Percentage (%)
Bulk sampling and exploration activities on the Montepuez Ruby Project ¹	\$1,800,000	40.58%
Exploration activities on the Caula Graphite Project ²	\$1,800,000	40.58%
Working capital ³	\$772,742	17.42%
Expenses of the Offer	\$63,000	1.42%
TOTAL	\$4,435,742	100%

Note:

1. Bulk sample mining and processing using the Company's processing plant. Pitting and sampling by the geological team to identify ruby mineralisation. Test sales and market development of current and future rubies available for sale through the Company's offices in Thailand or other sales channels.
2. Diamond drilling and sampling on licence 6678L and 5873L. Chemical and metallurgical testing and assaying by laboratories in South Africa and Australia. Feasibility studies including concept and definitive feasibility studies inclusive of plant and process flow designs, capital and operating cost estimates and financial modelling.
3. Funds allocated to working capital will be used for administration expenses of the Company over the short term, including Director's remuneration, office and administration costs and general corporate overheads.

In the event the Company raises less than the full subscription, funds allocated after expenses of the Offer will be reduced from working capital first and then from expenditure on the Montepuez Ruby Project and Caula Graphite Project on a pro rata basis.

The above table is a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

3.3 Timetable

Lodgement of Offer Document, Appendix 3B and s708AA Cleansing Notice with ASX	Prior to the commencement of trading on 22 February 2018
Notice sent to Option holders	22 February 2018
Notice sent to Shareholders	23 February 2018
Ex-date	26 February 2018
Record Date for determining Entitlements	7.00pm (Sydney time) on 27 February 2018
Offer Document and personalised Entitlement and Acceptance Forms sent out to Eligible Shareholders & Company announces this has been completed	2 March 2018

Last day to notify ASX of an extension to the Closing Date*	16 March 2018
Closing Date	5.00pm (Perth time) on 21 March 2018
Shares quoted on a deferred settlement basis	22 March 2018
ASX notified of under subscriptions	26 March 2018
Issue date/Shares entered into Shareholders' security holdings	28 March 2018
Quotation of Shares issued under the Offer	29 March 2018

**The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are anticipated to be issued and expected to commence trading on ASX may vary.*

3.4 Entitlements and acceptance

Details of how to apply under the Offer are set out in Section 4.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document. You may accept for a lesser number of Shares should you wish to take up only part of your Entitlement.

You can also apply for additional Shortfall Shares under the Offer in addition to your Entitlement by completing the relevant part of your Entitlement and Acceptance Form. The Directors reserve the right to issue Shortfall Shares at their absolute discretion. If you are issued a lesser number of Shortfall Shares than you apply for any surplus Application monies will be returned to you.

3.5 No rights trading

The rights to Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for Shares under the Offer to any other party. If you do not take up your Entitlement to Shares under the Offer by the Closing Date, the Offer to you will lapse.

3.6 Capital Structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below (based on the number of Shares on issue at the date of this Offer Document and ignoring the effect of rounding of fractional Entitlements).

Shares	Number
Shares on issue at the date of this Offer Document ¹	771,433,387
Shares offered pursuant to the Offer	192,858,347
Total Shares on issue after completion of the Offer	964,291,734

Notes:

- 30,000,000 Shares are subject to ASX imposed escrow until 6 June 2018 and a further 2,500,000 Shares are subject to disposal restrictions under the terms of the Plan requiring the holder to complete 12 months continuous service with the Company after the date of the annual general meeting (i.e. until 24 November 2018).

Options	Number
Quoted Options on issue at the date of this Offer Document	
<ul style="list-style-type: none"> exercisable at \$0.035 on or before 25 January 2020 	61,938,095
Unquoted Options on issue at the date of this Offer Document	
<ul style="list-style-type: none"> exercisable at \$0.15 on or before 14 June 2019 	8,000,000
<ul style="list-style-type: none"> exercisable at \$0.075 on or before 21 June 2019 	14,000,000
<ul style="list-style-type: none"> exercisable at \$0.06 on or before 4 August 2019 	7,500,000
<ul style="list-style-type: none"> exercisable at \$0.0273 on or before 23 January 2020 	2,831,509
<ul style="list-style-type: none"> exercisable at \$0.0273 on or before 25 January 2020 	561,141
<ul style="list-style-type: none"> exercisable at \$0.10 on or before 9 March 2020 	1,519,559
<ul style="list-style-type: none"> exercisable at \$0.15 on or before 31 March 2020 	3,000,000
<ul style="list-style-type: none"> exercisable at \$0.20 on or before 31 March 2020 	3,000,000
<ul style="list-style-type: none"> exercisable at \$0.0715 on or before 20 July 2020 	2,181,818
<ul style="list-style-type: none"> exercisable at \$0.117 on or before 20 July 2020 	13,333,333
<ul style="list-style-type: none"> exercisable at \$0.1222 on or before 20 July 2020 	12,765,957
<ul style="list-style-type: none"> exercisable at \$0.117 on or before 15 September 2020 	3,333,333
<ul style="list-style-type: none"> exercisable at \$0.13 on or before 16 October 2020 	1,800,000
<ul style="list-style-type: none"> exercisable at \$0.0307 on or before 15 January 2021¹ 	7,500,000
Options offered pursuant to the Offer	NIL
Total Options on issue after completion of the Offer^{2,3}	143,264,745

Notes:

- These Options vest subject to the Company's market capitalisation being not less than \$100,000,000 over a period of 20 consecutive trading days within 18 months after the date of issue of the Options (i.e. on or before 15 July 2019).
- The Company has agreed, subject to Shareholder approval at a meeting scheduled for 2 March 2018, to issue:
 - 5,000,000 Options to Dr Bernard Olivier under the Plan subject to the following vesting conditions:
 - 2,500,000 Options vest after 12 months continuous service to the Company; and
 - 2,500,000 Options vest subject to the Company's market capitalisation being not less than \$100,000,000 over a period of 20 consecutive trading days within 18 months from his date of appointment as Managing Director of the Company (i.e. on or before 15 July 2019),

with all these Options exercisable at a 25% premium to the 30-day volume weighted average price on the date of issue and expiring on that date which is 3 years after the date of issue;

- (b) 25,723,472 Options pursuant to the Convertible Note Facility in consideration for receipt of the first tranche of funds received (\$1,900,000) for which 2,000,000 Convertible Notes were also issued on 15 January 2018 with all these Options exercisable at 130% of the average volume weighted average price of Shares for the 5 consecutive trading days prior to the issue of the Options and expiring on that date which is 3 years after the date of issue; and
 - (c) further Options pursuant to the Convertible Note Facility in consideration for receipt of the second tranche of funds (\$3,800,000) equal to the principal amount drawn down (a maximum of \$4,000,000) multiplied by 40% (i.e. \$1,600,000) and then divided by the 5 trading day volume weighted average price of Shares as traded on ASX and published by Bloomberg ending on the last trading day before the date of issue of the Convertible Notes issued in relation to the second tranche under the Convertible Note Facility (**5 Trading Day VWAP**) (e.g. based a 5 Trading Day VWAP of \$0.031 and assuming the second tranche was fully drawn down, 51,612,904 Options would be issued) with a fraction rounded up to the nearest whole number. All these Options exercisable at 130% of the average volume weighted average price of Shares for the 5 consecutive trading days prior to the issue of the Options and expiring on that date which is 3 years after the date of issue. It is noted this issue cannot occur prior to 20 May 2018.
3. The Company has also agreed, subject to Shareholder approval at meetings to be scheduled at the relevant time, to issue further Options in accordance with the terms of the Convertible Note Deed upon draw down of each further tranche under the Convertible Note Facility.

Performance Rights	Number
Performance Rights on issue at the date of this Offer Document ¹	14,000,000
Performance Rights offered pursuant to the Offer	Nil
Total Performance Rights on issue after completion of the Offer	14,000,000

Notes:

- 1. These Performance Rights vest into Shares on a 1:1 basis subject to proving a JORC compliant inferred graphite resource of a minimum of 50 million tonnes at >5% total graphite content on any of the licences comprising the Balama Project at the date of issue of the Performance Rights (5873L, 6527L, 6678L) on or before 31 December 2019.

Convertible Notes	Number
Convertible Notes on issue as at the date of this Offer Document ¹	2,000,000
Convertible Notes offered pursuant to the Offer	Nil
Total Convertible Notes on issue after completion of the Offer^{2,3}	2,000,000

Notes:

- 1. These Convertible Notes each have a face value of \$1.00, a conversion price equal to the higher of (i) the lowest 1-day volume weighted average price as published by Bloomberg selected by the noteholder over the 20 trading days prior to the conversion of the Convertible Notes and (ii) \$0.018 and a maturity date of 10 July 2019.
- 2. The Company has agreed, subject to Shareholder approval at a meeting scheduled for 2 March 2018 and providing notice to the noteholder of intention to drawn down the second tranche under the Convertible Note Facility, to issue up to a further 4,000,000 Convertible Notes each with a face value of \$1.00, a conversion price equal to the lowest 1-day volume weighted average price as published by Bloomberg selected by the noteholder over the 20 trading days prior to the conversion of the Convertible Notes and a maturity date of 18 months from the date of issue. It is noted this issue cannot occur prior to 20 May 2018.

- The Company has also agreed, subject to Shareholder approval at meetings to be scheduled at the relevant time, to issue further Convertible Notes in accordance with the terms of the Convertible Note Deed upon draw down of each further tranche under the Convertible Note Facility.

The capital structure on a fully diluted basis as at the date of this Offer Document is 1,078,380,914 Shares (assuming the Convertible Notes are converted at the lowest conversion price of \$0.018) and on completion of the Offer (assuming all Entitlements are accepted and based on the number of Shares on issue at the date of this Offer Document and ignoring the effect of rounding of fractional Entitlements and assuming the Convertible Notes are converted at the lowest conversion price of \$0.018) would be 1,232,667,591 Shares on a fully diluted basis.

3.7 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 20% in relation to the Offer (as compared to their holdings and number of Shares on issue as at the date of this Offer Document).

3.8 Directors Interests and Participation

Each Director's relevant interest in the securities of the Company at the date of this Offer Document and their Entitlement is set out in the table below.

Director	Shares	Voting Power (%)	Entitlement (Shares)	Entitlement (\$)
Mr Ian Daymond ¹	2,000,000	0.26%	500,000	\$11,500
Dr Bernard Olivier ²	Nil	Nil%	Nil	\$Nil
Mr Christiaan Jordaan ³	59,725,308	7.74%	14,931,327	\$343,420.52
Mr Cobus van Wyk ⁴	59,725,308	7.74%	14,931,327	\$343,420.52

Notes:

- Mr Ian Daymond also has an interest in 4,500,000 Options exercisable at \$0.0307 on or before 15 January 2021 vesting subject to the Company's market capitalisation being not less than \$100,000,000 over a period of 20 consecutive trading days within 18 months after the date of issue of the Options (i.e. on or before 15 July 2019) and otherwise pursuant to the rules of the Plan.
- Dr Bernard Oliver will, subject to Shareholder approval at a meeting scheduled to be held on 2 March 2018, be issued 5,000,000 Options under the Plan subject to the following vesting conditions:
 - 2,500,000 Options vest after 12 months continuous service to the Company; and
 - 2,500,000 Options vest subject to the Company's market capitalisation being not less than \$100,000,000 over a period of 20 consecutive trading days within 18 months from his date of appointment as Managing Director of the Company (i.e. on or before 15 July 2019),

with all these Options exercisable at a 25% premium to the 30-day volume weighted average price on the date of issue and expiring on that date which is 3 years after the date of issue.

- The registered holder of these Shares is Regius Resources Group Ltd. This holding is reported as a relevant interest for both Mr Christiaan Jordaan and Mr Cobus van Wyk. Regius Resources Group Ltd is also the holder of 6,860,000 Performance Rights. This holding is also reported as a relevant interest for both Mr Christiaan Jordaan and Mr Cobus van Wyk.

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4. The registered holder of these Shares is Regius Resources Group Ltd. This holding is reported as a relevant interest for both Mr Christiaan Jordaan and Mr Cobus van Wyk. Regius Resources Group Ltd is also the holder of 6,860,000 Performance Rights. This holding is also reported as a relevant interest for both Mr Christiaan Jordaan and Mr Cobus van Wyk.

Ian Daymond intends to take up his Entitlement in full. Regius Resources Group Ltd, the registered holder of the Shares in which both Cobus van Wyk and Christiaan Jordaan have a relevant interest, intends to take up part of its Entitlement to an amount of \$200,000. Directors are not entitled to subscribe for additional Shares under the Shortfall Offer.

3.9 Substantial Holders

Based on publicly available information as at the date of this Offer Document, the registered holders of Shares with a substantial holding of 5% or more in the Company and the Entitlement for those Shares are set out in the table below.

Substantial Holder	Shares	Voting Power (%)	Entitlement (Shares)	Entitlement (\$)
Regius Resources Group Ltd ¹	59,725,308	7.74%	14,931,327	\$343,420.52

Notes:

1. Both Mr Christiaan Jordaan and Mr Cobus van Wyk have a relevant interest in these Shares.

3.10 Control Implications

The potential effect that the issue of Shares under the Offer will have on the control of the Company is as follows:

- (a) if all Eligible Shareholders take up their Entitlements for Shares, the issue of Shares under the Offer will have no effect on the control of the Company and all Shareholders will hold the same percentage interest in the Company, subject only to changes resulting from Ineligible Shareholders being unable to participate in the Offer;
- (b) in the event that there is a Shortfall, Eligible Shareholders who do not subscribe for their full Entitlement of Shares under the Offer will be diluted relative to those Eligible Shareholders who subscribe for some or all of their Entitlement of Shares.

Based on the information in Section 3.9, no person would increase their voting power above 20% as a result of acceptance of an Entitlement and in respect of any Shortfall, the Company will only issue Shares to an applicant where the Directors are satisfied, in their sole discretion, that the issue of the Shares will not result in a person's voting power increasing above 20%.

3.11 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the most recent dates of those sales were:

	Price	Date
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Highest	3.7 cents	23 November 2017
Lowest	2.3 cents	5, 7, 8, 11 and 12 February 2018
Last	2.6 cents	21 February 2018

3.12 Underwriting

The Offer is not underwritten.

3.13 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall.

The Shortfall Offer is a separate offer made pursuant to this Offer Document and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.023 being the price at which Shares have been offered under the Offer.

Eligible Shareholders can apply for Shortfall Shares by following the instructions set out in the Entitlement and Acceptance Form and in Section 4.1 and investors who are not Shareholders but are exempt from the disclosure requirements of Chapter 6D of the Act can apply for Shortfall Shares by completing a Shortfall Offer Application Form and provide the Company with payment for those Shortfall Shares in accordance with the instructions on the Shortfall Offer Application Form. The Directors reserve the right to issue Shortfall Shares at their absolute discretion. Any application monies received for more than your final allocation of Shortfall Shares will be refunded. No interest will be paid on any application monies received or refunded.

3.14 Issue

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the timetable set out in this Offer Document.

Shares issued pursuant to the Shortfall Offer are intended to be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Offer Document, all Application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under this Offer Document will be mailed in accordance with the ASX Listing Rules and the timetable set out in this Offer Document.

3.15 ASX listing

Application for official quotation by ASX of the Shares offered pursuant to the Offer will be made as set out in the timetable in Section 3.3 (being within 7 days after the date of this Offer Document). If approval is not obtained from ASX before

the expiration of 3 months after the date of this Offer Document (or such period as varied by the ASIC) the Company will not issue any Shares under the Offer and will repay all Application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.16 CHESS

The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.17 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

It is not practicable for the Company to comply with the securities laws of all overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand or the United Kingdom.

New Zealand

The Offer is not being made to the public in New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the Offer is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the

United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

3.18 Nominees and custodians

Shareholders resident in Australia or New Zealand or the United Kingdom holding Shares on behalf of persons who are resident in other jurisdictions are responsible for ensuring that applying for Shares under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

3.19 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Offer Document.

3.20 Risk factors

An investment in Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 5.

3.21 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.mustangresources.com.au or the ASX www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

3.22 Governing Law

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

3.23 Rights Issue Notice

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company. This notice may be reviewed on the websites of the Company and ASX.

3.24 Enquiries concerning Offer Document

Enquiries concerning the Entitlement and Acceptance Form or this Offer Document should be directed to the Company Secretary, Mr Robert Marusco by telephone on + 61 8 9217 2400.

4. ACTION REQUIRED BY SHAREHOLDERS

4.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) make payment by BPAY® in accordance with Section 4.4 and the instructions on the Entitlement and Acceptance Form for the amount indicated on your Entitlement and Acceptance Form; or
 - (ii) complete the accompanying Entitlement and Acceptance Form, filling in the details in the spaces provided and in accordance with Section 4.3 attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the appropriate Application monies (at \$0.023 per Share); or
- (b) if you only wish to accept part of your Entitlement:
 - (i) make payment by BPAY® in accordance with Section 4.4 and the instructions on the Entitlement and Acceptance Form for the amount of your Entitlement being accepted. You will be deemed to have taken up that part of your Entitlement (rounded down to the nearest whole Share) which is covered in full by your application monies; or
 - (ii) complete the accompanying Entitlement and Acceptance Form, filling in the details in the spaces provided for the amount of your Entitlement being accepted and in accordance with Section 4.3 attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the appropriate Application monies (at \$0.023 per Share). You will be deemed to have taken up that part of your Entitlement (rounded down to the nearest whole Share) which is covered in full by your application monies; or
- (c) if you wish to accept your full Entitlement **and** apply for additional Shortfall Shares:
 - (i) make payment by BPAY® in accordance with Section 4.4 and the instructions on the Entitlement and Acceptance Form for the amount indicated on your Entitlement and Acceptance Form plus any additional Shortfall Shares you wish to apply for. You will be deemed to have applied for that number of Shortfall Shares (rounded down to the nearest whole Share) which in aggregate with your Entitlement is covered in full by your application monies; or
 - (ii) complete the Entitlement and Acceptance Form including filling in the number of Shortfall Shares you wish to apply for in the shortfall section on the Entitlement and Acceptance Form and in

accordance with Section 4.3 attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the appropriate Application monies (at \$0.023 per Share); or

- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

Please read the instructions on the Entitlement and Acceptance Form carefully.

4.2 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form with the applicable application monies will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned with the applicable application monies the Application may not be varied or withdrawn except as required by law.

4.3 Payment by cheque/bank draft/money order

For payment by cheque, bank draft or money order please follow the instructions on your Entitlement and Acceptance Form. The Company shall not be responsible for any delivery delays in the receipt of your cheque and completed Entitlement and Acceptance Form.

4.4 Payment by BPAY®

For payment by BPAY®, please follow the instructions on your Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit your Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

If you have more than one shareholding of Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those Shareholdings only use the unique customer reference number (**CRN**) specific to that Shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same CRN for more than one of your Shareholdings. This can result in your application monies being applied to your Entitlement in respect of only one of your Shareholdings (with the result that any application in respect of your remaining Shareholdings will not be valid).

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. The Company shall not be responsible for any delays in the receipt of the BPAY® payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

5. RISK FACTORS

5.1 Introduction

An investment in the Company is not risk free and prospective investors should consider the risk factors described below, together with information contained elsewhere in this Offer Document, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

5.2 Key investment risks

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. Prospective investors should read this Offer Document in its entirety before deciding whether to apply for Shares under this Offer Document.

These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

(a) Termination of convertible note facility

As announced on 8 January 2018, the Company has entered into a deed in relation to a convertible note facility with Arena Structured Private Investments (Cayman) LLC with a face value of \$21,000,000 (**Facility**).

Should the Company fail to draw any portion or all of the follow on tranches under the Facility prior to the 2 year anniversary of the issue date of the First Tranche (i.e. prior to 10 January 2020), or to obtain any required Shareholder approvals for the transaction or an event of default occurs and continues unremedied for a period of 5 business days and the noteholder declares at any time by notice to the Company that an event of default has occurred, the Company must pay the noteholder a termination payment, in addition to any other obligation of the Company under the Facility (e.g. the repayment on demand of outstanding principal together with accrued interest), and the noteholder's obligation to subscribe for further convertible notes under the Facility lapses. Events of default include change of control of the Company, material adverse change to the Company, Shares are suspended from trading on ASX for more than 5 trading days, an insolvency event occurs in respect of the Company, the closing price per Share on the ASX on any trading day is less than \$0.01, the market capitalisation of the Company falls below \$12,300,000, the average daily trading value of Shares on the ASX over any 15 consecutive trading days is less than \$50,000.

The termination payment means an amount equal to 15% of the principal amount of all convertible notes which have not been issued under any tranche. As at the date of this Offer Document the principal amount of all convertible notes which have not been issued under any tranche is \$19,000,000 and the termination payment, if it became payable, is equal to \$2,850,000. As at the date of this Offer Document the principal outstanding is \$2,000,000 with interest accruing at 11% per annum from 10 January 2018.

If the Company is required to make any or all of these payments it will need to raise further funds. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(b) **Contractual risk**

The Company does not hold a direct interest in the licences in which it has an interest nor does it wholly own all the entities within the Company group that hold those interests.

Some licences are the subject of a joint venture. In order for the Company to be able to achieve its objectives the Company is reliant on the holder of the remaining interest in those licences to comply with its contractual obligations under the joint venture agreement.

Where the other joint venture party fails to comply with its obligations there is a possibility, depending on the nature of the breach, that title to the licence could be forfeited or fines or other sanctions imposed. It may then be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms. The Company has no current reason to believe that the joint venture parties it is in contracts with will not continue to meet and satisfy their obligations under those joint venture agreements.

In addition, contractual terms exist in relation to the initial exploration activities proposed by the Company but subsequent to the sole funding periods there are no formal terms governing the joint venture relationship of the various parties. The Company intends to negotiate formal agreements with the various parties during the sole funding period, however, where a formal agreement is not entered the ability of the Company to proceed with further activities on the licences may be impaired.

(c) **Dilution**

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 20% (as compared to their holdings and number of Shares on issue as at the date of this Prospectus) if all Shares are issued.

(d) **Risks associated with operating in Mozambique**

The ruby and graphite projects in which the Company has an interest are located in Mozambique, which is considered to be a developing country and as such subject to emerging legal and political systems compared with the system in place in Australia. Investing and operating in foreign jurisdictions carries political, economic and other uncertainties, including, but not limited to, changes in mining and exploration policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual risk, foreign exchange restrictions, currency exchange rate fluctuation, royalty and tax increase and other risks arising out of foreign government sovereignty over the areas in which the Company's operations will be conducted. Any of these factors could result in conditions that delay or in fact prevent the Company from exploring or ultimately developing any of these projects.

The Company is exposed to the risks of operating in such a jurisdiction, including, without limitation:

- (i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation or in an ownership dispute;
- (ii) a higher degree of discretion held by various government officials or agencies;
- (iii) the lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- (v) relative inexperience of the judiciary and court in matters affecting the Company;

The commitment to local business people, government officials and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

No assurance can be given regarding future stability in these or any other country in which the Company may have an interest.

(e) **Tenure and access for tenements in Mozambique**

Mining and exploration tenements in Mozambique are subject to periodic renewal. Where a licensee has met the terms of the grant, renewal will not be denied. However, if development conditions are not met there is no guarantee that current or future tenements or future applications for production tenements will be approved.

(f) **Environmental and other regulatory risks**

Environmental legislation is evolving in a manner which will likely require stricter standard and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulations in Mozambique, if any, will not materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Various governmental approvals and permits will also be required in connection with various aspects of the Company's operations from time to time. To the extent such approvals or permits are required and not obtained, the Company may be delayed or prevented from proceeding with planned exploration or development.

(g) **Activity of garimpeiros on tenements**

Some artisanal and unlicensed ruby mining activities by illegal artisanal miners (**garimpeiros**) with hazardous and risky excavation practices occur on limited areas within the Company's licence areas. Access by the Company to some parts of the licence areas may be impeded from time to time unless the Company successfully engages with those garimpeiros, with the assistance of local authorities and the Government. Based upon the recent experience of Gemfields Plc with garimpeiros on its ground nearby, the Company considers that it will be possible to reach a mutually beneficial accommodation with the garimpeiros, thereby removing any significant issue with access to tenure and security of its operations.

(h) **Additional requirements for capital risk**

The Company will require further financing in addition to amounts recently raised. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations and scale back its mining and exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(i) **Volatility of prices, product demand and exchange rates**

The price of rubies has historically been subject to fluctuation and the Company believes factors such as jewellery demand, inflation and expectations in respect to the rate of inflation, the strength of the US\$ and other currencies, interest rates, global and regional political events and production and cost levels can all affect ruby prices and demand. Consequently, as a result of the above factors, ruby price and sales forecasting is difficult. Any future income of the Company group from its product sales will be subject to exchange rate fluctuations and could become subject to exchange controls or similar restrictions. Currency conversion may have an adverse impact on income or asset values.

(j) **Exploration and development risks**

The business of ruby and graphite exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining consents and approvals necessary for the conduct of exploration, development and production; and
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability

of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from the existing projects or any new assets acquired by the Company, undergoing an exploration and development program depends on successful exploration and establishment of production facilities. Factors including costs and reliability and commodity prices affect successful project development and operations.

Mining activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of equipment.

Industry operating risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown and environmental hazards such as accidental spills or leakages, or geological uncertainty. The operations of the Company may be disrupted by a variety of risks including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and other acts of God.

The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposits. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(k) **Competition risk**

The Company will be participating in a highly competitive market, however there are few, if any, specific competitors who have a dominant market share and dictate the structure or practices in the market.

The fact that there are no dominant competitors makes market entry and penetration easier but not without the need to ensure that the Company can position and differentiate itself to gain market share. There is no certainty that the Company will be successful in this market.

Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(l) **Reliance on key personnel and the need to attract qualified staff**

The Company's success depends on the core competencies of its Directors and management team to operate in the resource and mining industry. The loss of one or more of these persons could adversely affect the growth prospects, operating results and financial performance of the Company. There can be no assurance that the Company will be able to attract or retain sufficiently qualified personnel on a timely basis or retain its key management personnel.

Further, in order to undertake the Company's planned development activities, it may require additional financial, administrative, permitting and operational personnel. While the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

(m) **Early stage developing business**

There are many risks associated with an early stage developing business including, but not limited to, unforeseen difficulties, delays or expenses. There can be no assurance that:

- (i) the Company's current ruby products will be successful in the market or that the Company will continue to receive revenues from the sale of its ruby products; or
- (ii) any of the Company's future ruby products will be successful or that the Company will receive significant revenue from the sale of these ruby products.

Unexpected expenses or downward pressure on the prices the Company receives could result in the production of the Company's ruby products not being economic.

(n) **Failure to increase transaction volumes, customers or establish its brand**

The Company is currently still in the early stages of establishing its presence in the International ruby market and its ability to profitably scale its business is heavily reliant on the size and quality of rubies being produced if and when exploration translates to commercial mining operations. Furthermore, if and when the Company moves out of exploration and into commercial mining operations it will need to, over time, increase production volumes and its ruby customer base to increase revenue and profits.

If the Company fails to retain its existing ruby customers and add new ruby customers, the Company's revenue, financial results and business may be significantly harmed. The size of the Company's ruby customer base is critical to its success and its financial performance will continue to be significantly determined by its success in adding, retaining and engaging existing customers. If customers or potential customers do not perceive the Company's ruby products to be of the size and quality they require the Company may not be able to attract or retain customers.

The Company intends to continue with the market testing sales of its ruby products by focusing on brand development, sales and marketing. By its nature, there is no guarantee that the Company's brand development, test sales and marketing campaign will be successful. In the event that they are not, this may materially and adversely impact the Company's ability to achieve economies of scale and therefore adversely impact the

Company's ability to develop and improve its future profitability in relation to the ruby market.

5.3 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Commodity Price Risk**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for coloured gemstones, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the corporate overhead expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(c) **Government policy changes**

Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations, and exploration, development and mining activities of the Company. It is possible that the current systems of exploration, development and mine permitting in Mozambique may change, resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation.

(d) **Risk of international operations generally**

International sales and operations are subject to a number of risks, including:

- (i) potential difficulties in enforcing agreements (including joint venture agreements) and collecting receivables through foreign local systems;
- (ii) potential difficulties in protecting intellectual property;
- (iii) increases in costs for transportation and shipping; and
- (iv) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

(e) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(f) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(g) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

5.4 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

For personal use only

6. DEFINED TERMS

Applicant refers to a person who submits an Entitlement and Acceptance Form.

Application refers to the submission of an Entitlement and Acceptance Form.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Closing Date means as set out in Section 3.3.

Company means Mustang Resources Limited (ACN 090 074 785).

Convertible Notes or **Notes** means the convertible notes issued by the Company which are convertible into Shares on the terms and conditions of the Convertible Note Deed which are summarised in the cleansing notice announced by the Company to ASX on 15 January 2018.

Convertible Note Deed means the convertible note deed entered into between the Company and the Noteholder and announced to ASX on 8 January 2018, which outlines the terms of the Convertible Note Facility.

Convertible Note Facility or **Facility** means the facility with a face value of \$21,000,000 on the terms as set out under the Convertible Note Deed.

Directors means the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date and have a registered address in Australia, New Zealand or the United Kingdom.

Entitlement means the entitlement to subscribe for one (1) Share for every four (4) Shares held by an Eligible Shareholder on the Record Date and **Entitlements** has a corresponding meaning.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Ineligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date and have a registered address in a jurisdiction other than Australia, New Zealand or the United Kingdom.

Listing Rules means the Listing Rules of the ASX.

Offer means the non-renounceable pro rata offer of Shares at an issue price of \$0.023 each on the basis of one (1) Share for every four (4) Shares held on the Record Date pursuant to this Offer Document.

Offer Document means this Offer Document dated 22 February 2018.

Option means an option to acquire a Share.

Performance Right means a right to acquire a Share on the terms set out in the Plan for a specified performance period and subject to satisfaction of a specified performance hurdle.

Plan means the Mustang Long Term Incentive Plan as approved by Shareholders at the Company's annual general meeting held on 24 November 2017.

Record Date means as set out in Section 3.3.

Section means a section of this Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 3.13.

Shortfall Offer Application Form means the application form in relation to the Shortfall Offer.

WST means Western Standard Time as observed in Perth, Western Australia.