MUSTANG
RESOURCES LTD

Formerly OGI Group Ltd
ABN 34 090 074 785

Interim Financial Report for the Half-Year Ended 31 December 2014

MUSTANG RESOURCES LIMITED

Formerly OGI Group Ltd

Half-year financial report for the six months ended 31 December 2014

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CORPORATE DIRECTORY

This half-year report covers the consolidated entity consisting of Mustang Resources Limited ("the Company" or "Mustang") and the entities it controlled during the half-year ended 31 December 2014 ("Consolidated Entity" or "Group"). The Group's presentation currency is Australian Dollars.

OFFICERS	Ian Daymond (Non-executive Director, Chairman) Mark Freeman (Non-executive Director) Chris Ritchie (Executive Director / Company Secretary)
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AUSTRALIAN SECURITIES EXCHANGE CODES	**MUS** (Ordinary Shares)

Directors' report

Your Directors submit this report for the half year ended 31 December 2014.

Directors

The names of the Directors of Mustang Resources Limited in office at any time during the half-year and until the date of this report are:

Ian Daymond – Non-executive Director, Chairman, appointed 30 July 2014
Mark Freeman – Non-executive Director, appointed 30 July 2014
Chris Ritchie – Executive Director

Chris Porter – Non-executive Director, resigned 30 July 2014
Rob Oliver – Non-executive Director, resigned 30 July 2014

All Directors were in office from the beginning of the half-year until the date of this report except as stated above.

Review and results of operations

Operating results

The Company recorded a net after tax loss of $1,464,633 (2013: net loss of $22,440,033) for the half-year ended 31 December 2014, primarily due to the impairment of the Bowtie West project, the settlement cost involved in terminating a funding agreement and additional legal and corporate advisory costs involved in progressing the acquisitions in Mozambique.

The Company recorded a net loss from continuing activities of $31,391 (2013: a net loss of $16,158). The net loss reflected the net loss from the Bowtie West project plus the clean-up costs associated with the Padre Island project, less a restoration provision related to this project that was no longer required.

The Company also recorded a net profit from discontinued operations of $83,475 (2013: loss of $20,281,873). The positive result reflects the profit from the Dugas & Leblanc #3 well and the Hensarling #1 well during the 4 months to 31 October 2014. The effective date of sale of these assets is 31 October 2014.

Oil prices decreased during the period from July to October 2014 with the Company earning approximately $104 per bbl for July production and $86 per bbl for October production, a 17% decrease.

Current assets increased by $4,156,269 (154%) over the six month period due to the cash raised from the convertible loans and the oil and gas assets of Birdwood Louisiana, LLC recorded as current assets, assets held for sale, having previously been reflected as non-current assets at 30 June 2014.

Current Liabilities increased by $3,800,938 (95%) over the six month period due to the raising of the additional convertible loans of $5,774,001 less the conversion of convertible notes of $825,000 and the conversion and redemption of the convertible security of $550,000 and the reduction in payables of $390,084.

Net assets decreased by $279,675 (68%) from negative $413,304 at 30 June 2014 to negative $692,979 at 31 December 2014.

Directors' report

Corporate Restructure

The Company after the completion of the sale of its primary asset, the Permian leases in Texas, in June 2014, identified what it considers to be substantial Diamond and Graphite Mining opportunities in Mozambique and has focused its activities on divesting Oil and Gas projects in the Gulf States of the United States of America.

On 30 July 2014 Mr. Chris Porter and Mr. Rob Oliver resigned as directors and Mr. Ian Daymond and Mr. Mark Freeman were appointed to the Board.

On 4 August 2014 the Company announced that it was acquiring an effective 50.7% interest in a highly prospective diamond licence (L4969) and a first right of refusal to acquire an effective 51.15% of an adjacent licence (L4525) downstream from the world-class Murowa and Marange diamond fields in Zimbabwe.

On 8 September 2014 the Company announced that it had secured the acquisition of a 51.8% of L4525 which sits adjacent to the L4969 and that the bulk sampling program was to be expanded to include the L4525 tenement.

On 20 October 2014 the Company announced its agreement to acquire interests in 6 tenements in the highly sought after Mozambique graphite province of Balama.

Initial exploration work to de-risk the assets and prove up the graphite mineralisation have been completed and samples had been submitted to SGS Laboratories for analysis with the preliminary results expected within a month.

Balama has been confirmed as a world-class graphite province with the largest high grade graphite resources in the world proximate to the Mustang tenements. The Syrah Resources (ASX: SYR) 1.2 billion ton graphite and vanadium deposit and the Mustang tenements are also adjacent to the Triton Nicanda Hills graphite deposit which has been hailed as one of the largest high grade graphite deposits (103MT inferred) with e >500Mt exploration target.

Shareholder approval for the Company to enter these agreements was granted at an Extraordinary General Meeting of the Company on 23 January 2015. Shareholders also approved the reduction of the Company's share capital on a 1 new share for every 67 existing shares and approved the change of name of the Company to Mustang Resources Limited to reflect the change of focus of the Company's activities.

To fund these new projects the Company raised $5,774,001 in unsecured convertible loans which converted into fully paid ordinary shares in February 2015. The Company also announced that it was going to raise up to an additional $3,500,000 under a prospectus as part of the re-quotation process. This proposed capital raising is part underwritten to the value of $1,050,000.

On 11 November 2014, the Company announced that it had reached agreement with the Lind Partners, LLC, manager of the Australian Special Opportunities Fund, LP (together "Lind") to mutually terminate a Funding Agreement signed in March 2013.

Directors' report

Corporate Restructure (Continued)

In exchange for forgoing certain rights in the Funding Agreement, the Company issued Lind with 83,333,333 fully paid ordinary shares and granted 10,000,000 options with an exercise price of $0.0036 and an expiry date of 10 November 2017, as part of a previously issued conversion notice.

In addition, the Company paid Lind an amount of $250,000 to redeem the remaining value of the Convertible Security (in addition to the amount of $200,000 previously repaid) plus $189,450, which represented interest and settlement expenses.

The issue of the shares, options and the payment of the cash amounts represented the full and final settlement of all amounts owing to Lind. Lind has also agreed to forgo all interest in the options previously issued to it under the Funding Agreement.

On 28 November 2014 the Company held its Annual General Meeting and shareholders approved the adoption of the Remuneration Report, the election of Mr. Daymond, Mr. Freeman and Mr. Ritchie as directors (all previously having been appointed to the Board, rather than elected by shareholders), and an additional 10% placement capacity for directors.

On 2 December 2014 the Company announced that it had reached agreement with Grand Gulf Energy Ltd (ASX: GGE) for the sale of Birdwood Louisiana, LLC a 100% owned subsidiary of the Company for a total consideration of US$575,000. The sale includes the Company's 3.99% working interest in the Hensarling #1 well, the 15.3% working interest in the Dugas & Leblanc wells, the leases and facilities associated with those wells at the Napoleonville project. In addition, the Company will be relieved of its liability to plug and abandon the Fausse Point project and a US$100,000 farm-in exposure.

The Company is currently completing a Re-quotation Prospectus that in addition to raising up to a further $3,500,000 (before costs) will also enable the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and return to quotation on the ASX, subject to the Company also complying with any additional conditions precedent imposed by the ASX.

Summary review of operations

Save River Diamonds Project

Further to the proposed Save River Diamonds acquisition referred to above, the Company announced on 7 January 2015 that the key trial mining equipment had arrived on site in Mozambique. All equipment has now been setup on site and commissioned and commencement of trial mining is ready pending receipt of final government approvals.

As part of and until the completion of the trial mining program the Company has advanced the project US$1.7 million, secured against all of the proceeds of sale of diamonds from the trial mining program in priority to any distribution to shareholders. The loan will also accrue interest to the Company at the rate of USD LIBOR + 2.5%.

As of 16 March 2015 total draw downs on the loan were US$2.115 million and the Company has increased the facility by US$1 million to ensure the trial mining project can continue.

Directors' report (continued)

Summary review of operations (continued)

Balama Graphite Project

Further to the proposed Balama acquisition referred to above, the Company expects to be able to release the preliminary results of the graphite mineralisation tests in March 2015.

Permian Project

On October 15, 2014 the Company received US$638,431 from Laredo Petroleum Inc, which included an amount of US$492,000 previously withheld pending the release of a lien and US$146,431 in regard to the net operations of the wells between the economic date of the transaction and the closing of the transaction.

A further US$500,000 remains in escrow pending the Company's ability to resolve a legal dispute over the Permian leases by the middle of March 2015. The Company made further representations to the other party to the litigation during the six month period but has not been successful as of the date of this report. The Company provided for the non-receipt of these funds in its 30 June 2014 accounts.

Napoleonville Project

Dugas & Leblanc #3 well, Assumption Parish, Louisiana, Non-Operator, 15.3% WI
Hensarling #1 well, Assumption Parish, Louisiana, Non-Operator 3.99% WI

The Company has agreed to sell these two projects as part of the sale of Birdwood Louisiana, LLC with the economic effect as of 31 October 2014.

Production for the four months period (to 31 October 2014) for the Napoleonville wells was:

Well	Oil BBL	Gas MCF
Dugas & Leblanc #3	1,740	667
Hensarling #1	2,004	-
Total	3,744	667

These figures represent the Company's share of production.

Dugas & Leblanc #1 well

On 24 July 2013, the Company announced that a commercial settlement had been reached between the landowners affected by the Dugas & Leblanc #1 well blowout and the JV partners. In addition, a commercial settlement between the JV partners and the work-over operator had been reached. These settlements were achieved without any additional cash outlay by the Company. The Company continues to have exposure to personal injuries cases that are pending.

Under the settlement with the landowners, the JV partners remain obligated to complete the remaining remediation of the land affected by the blowout. The Company considers that its insurance will more than cover any expected liability from either legal claims or remediation.

Directors' report (continued)

Summary review of operations (continued)

Templet #1 well

The Templet# 1 well in which the Company had a free carry to casing point 3.28% working interest commenced drilling in August 2014 but was determined to be dry and may be used for a salt water disposal well for the Hensarling #1 well.

Bowtie West Project
Sugar Valley #1 well, Matagorda County, Texas, Non-Operator, 12% WI

Production for the six months period for the Bowtie West well was:

Well	Oil BBL	Gas MCF
Sugar Valley #1	32	1,406

These figures represent the Company's share of production.

Padre Island Project

The Company completed some further minor remedial works on the regeneration of the grasses surrounding the previous well pad in the National Park, and expects to receive all the bonds back within eighteen months.

Subsequent events

On 23 January 2015 shareholders approved twelve resolutions supporting the change of direction of the Company and the acquisition of the Mozambique projects.

The Resolutions approved were:

1. Change to the nature and scale of the activities of the Company.
2. Consolidation of the share capital of the Company.
3. Issue of securities to the vendors of the Mozambican projects.
4. Raising by the Company of up to an additional $3.5 million.
5. Participation of directors in the proposed capital raising.
6. Change of name of the Company to Mustang Resources Limited.
7. Issue of shares on conversion of the convertible loans.
8. Issue of shares on the conversion of convertible notes.
9. Issue of shares & share options to Novus Capital Ltd.
10. Issue of share options to Boomerang Capital Pty Limited.
11. The issue of share options to CPS Securities Pty Limited.
12. Election of Mr Cobus van Wyk as a director of the Company upon the completion of the acquisition of the Mozambican projects and satisfaction of all conditions for re-quotation.

On 23 January 2015 the Company's securities were placed in suspension at the Company's request and will remain in suspension until the Company has completed the acquisitions and re-complied with the Chapters 1 & 2 of the ASX Listing Rules, including satisfying any conditions precedent to reinstatement imposed by the ASX.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under S307C and the Corporations Act 2001 is set out on page 21.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Chris Ritchie
Executive Director

17 March 2015
Melbourne, Australia

Forward-looking statements

This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement approvals and cost estimates. Any reference to dollars, cents or $ in this report are to Australian dollar currency, unless otherwise stated.

Directors' declaration

In accordance with a resolution of the directors of Mustang Resources Limited, I state that:

In the opinion of the directors:

(a) the financial statements, and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable after taking into account matters raised in Note 1.

On behalf of the Board

Chris Ritchie
Executive Director

17 March 2015
Melbourne, Australia

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2014

	Note	Consolidated 31 Dec 2014 $	Consolidated 31 Dec 2013 $
Continuing Operations			
Revenue from oil and gas sales		21,404	324,770
Costs of sales		(52,795)	(340,928)
Gross Profit/(Loss)		**(31,391)**	**(16,158)**
Interest revenue		7,207	454
Gain / (loss) on sale of assets		3,926	-
Impairment of oil and gas properties		(260,633)	(155,035)
Impairment of exploration assets		-	(155,035)
Impairment of receivables		-	(250,000)
Administration costs		(717,383)	(960,308)
Legal settlement & legal costs associated with settlement		(311,548)	-
Legal & corporate advisory fees – Mozambican projects		(110,158)	-
Loss on derivatives		-	(20,312)
Interest expense		(127,479)	(79,217)
Finance costs		-	(522,549)
Realised FX loss		(649)	-
Loss from continuing operations before income tax expense	3	**(1,548,108)**	**(2,158,160)**
Income tax expense		-	-
Loss from continuing operations		**(1,548,108)**	**(2,158,160)**
Profit / (loss) from discontinued operations		**83,475**	**(20,281,873)**
Net loss for the period		**(1,464,633)**	**(22,440,033)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		227,212	251,167
Total comprehensive loss for the period		**(1,237,421)**	**(22,188,866)**
Basic and Diluted Earnings per share attributable to the ordinary equity holders of the Company (cents per share)			
Loss from continuing operations per share cents		31.46	77.95
Total loss per share cents		29.76	810.50

The consolidated statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2014

	Notes	Consolidated 31 Dec 2014 $	30 June 2014 $
Current assets			
Cash & cash equivalents		3,923,074	1,477,814
Trade & other receivables	4	2,246,705	1,231,921
Prepayments		77,585	25,732
Non-current asset held for sale	6	644,372	-
Total current assets		**6,891,736**	**2,735,467**
Non-current assets			
Trade and other receivables		303,843	249,598
Plant and equipment		8,647	6,282
Oil & gas properties	5	-	777,076
Total non-current assets		**312,490**	**1,032,956**
Total assets		**7,204,226**	**3,768,423**
Current liabilities			
Trade and other payables		1,374,341	1,764,425
Cash call from JV partners		32,273	37,028
Interest bearing loans	7	6,205,001	2,086,000
Provisions		146,411	111,277
Liabilities directly associated with assets classified as held for sale		41,642	-
		7,799,668	**3,998,730**
Non-current liabilities			
Provisions		97,537	182,997
Total non-current liabilities		**97,537**	**182,997**
Total liabilities		**7,897,205**	**4,181,727**
Net assets		**(692,979)**	**(413,304)**
Equity			
Contributed equity	9	113,206,671	112,248,925
Reserves		869,195	641,983
Accumulated losses		(114,768,845)	(113,304,212)
Total equity		**(692,979)**	**(413,304)**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

	Contributed Equity	Accumulated Losses	Option Premium Reserve	Foreign Currency Translation Reserve	Convertible Notes Reserve	Total Equity
Balance at 1 July 2013	**111,809,740**	**(89,860,096)**	**4,029,740**	**(4,924,244)**	**1,369,193**	**22,424,333**
Loss for the period	-	(22,440,033)	-	-	-	**(22,440,033)**
Other comprehensive income				251,167		**251,167**
Total comprehensive income for the half-year	-	(22,440,033)	-	251,167	-	**(22,188,866)**
Transactions with owners in their capacity as owners						
Shares issued	327,564	-	-	-	-	**327,564**
Fair value loss on derivative	8,553	-	-	-	-	**8,553**
Transaction costs on shares issued	(28,271)	-	-	-	-	**(28,271)**
Balance at 31 December 2013	**112,117,586**	**(112,300,129)**	**4,029,740**	**(4,673,077)**	**1,369,193**	**543,313**

	Contributed Equity	Accumulated Losses	Option Premium Reserves	Foreign Currency Translation Reserve	Convertible Notes Reserve	Total Equity
Balance at 1 July 2014	**112,248,925**	**(113,304,212)**	**4,029,740**	**(4,756,950)**	**1,369,193**	**(413,304)**
Loss for the period		(1,464,633)				**(1,464,633)**
Other comprehensive income				227,212		**227,212**
Total comprehensive income for the half-year		(1,464,633)		227,212		**(1,237,421)**
Transactions with owners in their capacity as owners						
Shares issued	1,102,069					**1,102,069**
Fair value loss on derivative	-					**-**
Transaction costs on shares issued	(144,323)					**(144,323**
Balance at 31 December 2014	**113,206,671**	**(114,768,845)**	**4,029,740**	**(4,529,738)**	**1,369,193**	**(692,979)**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended 31 December 2014

	Consolidated	
	31 Dec 2014 $	**31 Dec 2013 $**
Cash flows from operating activities		
Receipts from customers	213,217	1,599,875
Payment to suppliers and employees	(1,869,570)	(1,185,251)
Interest received	1,529	289
Interest paid	(78,818)	(40,505)
Net cash flows (used in) operating activities	**(1,733,642)**	**374,408**
Cash flows from investing activities		
Loan to Mozambican projects	(2,005,174)	-
Production and development costs	(70,652)	(1,117,731)
Proceeds from sale of assets	3,500	-
Proceeds from sale of prospects	715,970	-
Net cash flows (used in) investing activities	**(1,356,356)**	**(1,117,731)**
Cash flows from financing activities		
Proceeds from the issue of shares	-	126,000
Proceeds from loans	5,774,001	7,490
Proceeds from the issue of convertible notes	-	200,000
Redemption of convertible notes and convertible security (including settlement)	(530,000)	-
Share issue costs	(15,802)	(14,933)
Net cash flows from financing activities	**5,228,199**	**318,557**
Net (decrease) / increase in cash held	**2,138,201**	**(424,766)**
Add opening cash brought forward	1,477,814	671,811
Effect of exchange rate changes on cash	307,059	21,139
Cash and cash equivalents at 31 December	**3,923,074**	**268,184**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcements made by Mustang Resources Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Significant accounting policies

The accounting policies applied by the group in this consolidated half-year financial statements for the six months to 31 December 2014 are the same as those applied by the group in its consolidated financial report as at and for the year ended 30 June 2014.

Estimates

The preparation of the half-year financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated half-year financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were, other than described in the notes below, the same as those applied to the consolidated financial report as at and for the year ended 30 June 2014. New estimates and judgments that have been established in the half year are:

Recoverability of loans to Save River Diamonds Pty Ltd & Sese Diamonds Pty Ltd
The Company has advanced funds to the above named entities (refer Note 4), in anticipation of settlement of the acquisition of the Mozambique assets. The recovery of those loans receivable is dependent on the successful Bulk Sampling Programs to be undertaken, the subsequent development of the underlying diamond licenses held by those companies and consequently the generation of profits in excess of the amount due on the loans. The directors have no reason to believe that such development and recovery will not be successful at the date of signing this interim financial report. Assuming a successful acquisition of SRD and Sese, and on the basis that these entities will be controlled and therefore consolidated, the loans will eliminate and the value of the underlying assets held will be reflected in the group accounts as exploration assets and will be subject to impairment testing under the relevant criteria in AASB6.

Notes to the financial statements

1. Basis of preparation and accounting policies (continued)

Going Concern

The Company's financial statements have been prepared and presented on a basis assuming it continues as a going concern. The going concern basis of accounting contemplates the continuity of normal business activities, including the realization of assets and settlement of liabilities in the normal course of business.

The Company incurred a net loss of $1,464,633 (2013: $22,440,033). At 31 December 2014 the Company had cash at bank totaling $3,923,074 and a working capital deficiency of $907,932 (2013: $1,263,263). However, included in current liabilities are convertible notes and convertible loans totaling $6,205,001 of which $5,774,001 were converted to ordinary shares on 5 February 2015 with the remainder to convert into ordinary shares on or prior to the settlement of the Mozambique asset acquisitions.

The Company is also preparing a Prospectus to raise an additional amount of up to $3,500,000 that is partially underwritten to $1,050,000. Upon relisting the Company will be debt free aside from trade payables incurred in the normal course of business.

The ability of the Company to continue as a going concern is dependent upon the successful settlement of the Mozambique asset acquisitions and the ability of the Company to raise the necessary funds for the exploration and future development plans of those assets. The Directors have no reason to believe that the transaction will not complete, or that the Company will not be able to raise the necessary funds. Should the Company not be successful in these matters, then it may not be able to realize its assets and extinguish its liabilities in the ordinary course of business for the amounts stated in the financial report.

2. Operating segments

No information is disclosed for operating segments as when management accounts are reviewed by the board of directors only consolidated numbers together with revenue and capital expenditure by project are included.

Notes to the financial statements

3. Loss for the half-year

Loss for the half-year includes the following items:

Continuing Operations

	31 Dec 2014 $	31 Dec 2013 $
Impairment of exploration costs	-	(155,035)
Impairment of oil and gas properties	(260,633)	(155,035)
Office, meeting & travel costs	(283,630)	(287,218)
Legal settlement and costs associated with settlement	(311,548)	-
Legal / corporate advisory fees – Mozambican projects	(110,158)	-
Professional fees	(126,010)	(139,539)
Employee costs	(307,744)	(519,975)

Discontinued Operations

	31 Dec 2014 $	31 Dec 2013 $
Revenue from oil and gas sales	369,236	1,689,364
Costs of sales	(285,761)	(1,443,574)
Impairment of exploration costs	-	(4,633,135)
Impairment of oil and gas properties	-	(15,894,528)
	83,475	(20,281,873)

4. Trade and other receivables

	31 Dec 2014 $	30 June 2014 $
Loan to Save River Diamonds Pty Ltd	1,862,115	-
Loan to Sese Diamonds Pty Ltd	186,236	-
Loan to Balama Resources Pty Ltd	19,608	-
Trade and other receivables, net of impairment	217,962	1,231,921
Total trade and other receivables	2,246,705	1,231,921

The loans to Save River Diamonds Pty and Sese Diamonds Pty Ltd have been provided under a total facility of US$ 2,700,000, which bears interest at LIBOR + 2.5%. Save River Diamonds Pty Ltd owns 65% of diamond concession License No. 4969L in Mozambique and Sese Diamonds Pty Ltd owns 70% of diamond concession Licence No. 4525L in Mozambique. The loan is to be used for the purpose of the bulk sampling program on these licenses and other working capital requirements, and is to be repaid through 100% of the net proceeds of this bulk sampling program and are also secured through fixed and floating charges over the assets of Save River Diamonds Pty Ltd and Sese Diamonds Pty Ltd. As of the date of signing this report these charges have not been registered.

Trade and other receivables, net of impairment are on an unsecured basis.

Notes to the financial statements

5. Oil and gas properties

a) Oil and gas properties	31 Dec 2014 $	30 June 2014 $
Oil and gas properties - at cost	**-**	**777,076**

b) Reconciliation:	Six months ended 31 Dec 2014 $	Twelve months ended 30 June 2014 $
- **Oil and gas properties**		
Carrying amount at beginning	777,076	5,102,120
Transferred from exploration	-	17,316,738
Movement in carrying value as a result of foreign currency variations	95,553	29,167
Additions	70,652	27,646
Transfer to assets held for sale	(644,372)	-
Sales	-	(5,375,625)
Impairment expense	-	(15,587,693)
Amortisation	(38,276)	(735,277)
Carrying amount at end	**-**	**777,076**

6. Non-current assets classified as held for sale

Non-current assets held for sale	31 Dec 2014 $	30 Jun 2014 $
Oil and gas properties	644,372	-
	644,372	-

Non-current assets held for sale are measured at the lower of their carrying value amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

On 2 December 2014 the Company announced that it had entered into an agreement with Grand Gulf Energy Ltd (ASX: GGE) to sell one of its US based subsidiaries for a total consideration of US$575,000 subject to certain conditions precedent. The sale involves the Company's 3.99% working interest in the Hensarling #1 well the 15.3% working interest in the Dugas & Leblanc wells, the 14-52 leases and facilities, and the leases and facilities within the 14-149 AMI at the Napoleonville project. In addition, the Company will be relieved by GGE of its liability to plug and abandon the Fausse Point project and a US$100,000 farm-in exposure.

The effective date of the sale will be 1 November 2014, and all profit or loss from this date to closing will be attributable to the purchaser. A letter of intent was signed by both parties on 21 November 2014 and the purchase and sale agreement is currently being drafted. The Company expects to close the sale transaction on completion of the Mozambican acquisitions.

Notes to the financial statements

7. Interest bearing loans

	31 Dec 2014 $	30 Jun 2014 $
Current		
Convertible Notes – Series 1	175,000	300,000
Convertible Notes – Series 2	206,000	206,000
Convertible Notes – Series 3	50,000	830,000
Convertible Notes – Series 4	-	200,000
Convertible Security	-	550,000
Unsecured Convertible Loans	5,774,001	-
	6,205,001	2,086,000

Debt conversion and repayments

The following instruments totaling $825,000 were converted to 200,282,737 ordinary shares during the period:

- Convertible Notes – Series 1: 2,500,000 notes were converted to 22,612,156 ordinary shares on 21 October 2014 at 85% of the 10 day VWAP of $0.005528 per share, totaling $125,000;
- Convertible Notes – Series 3:
  - 8,500,000 notes were converted to 128,787,879 ordinary shares on 8 September 2014 at 90% of the 5 day VWAP of $0.033 totaling $425,000; and
  - 1,500,000 notes were converted to 12,703,252 ordinary shares on 21 October 2014 at 90% of the 5 day VWAP of $0.005904 per share, totaling $75,000; and
- Convertible Notes – Series 4: 4,000,000 notes were converted to 36,179,450 ordinary shares on 21 October 2014 at 85% of the 10 day VWAP of $0.005528 per share, totaling $200,000.

$250,000 of the Convertible security was converted to 83,333,333 ordinary shares on 10 November 2014 at 90% of the rounded 3 day VWAP of $0.003.

The following instruments were repaid during the period:

- Convertible Notes – Series 3:
  - 5,000,000 notes were repaid on 28 November for $250,000; and
  - 600,000 notes were repaid on 5 December 2014 for $30,000; and
- $200,000 of the convertible security was repaid in cash on 8 October 2014. Following conversion of $250,000 into ordinary shares as noted above, the remaining debt was $100,000. This amount was discharged as part of a settlement on 10 November 2014 totaling $250,000 ($311,548 including costs).

Debt issues

The unsecured convertible loans were issued between October and December 2014. The loans are denominated in $AUD and bear interest at 10% p.a., calculated and accrued monthly. These loans will convert to fully-paid ordinary shares at $0.20 per share for the face value plus including accrued interest on the conversion date. The conversion date will occur on or before the settlement of the acquisition of the Mozambican assets, however should the settlement take longer than 90 days after the date of the loan agreement, the holder has the right to demand repayment of the loan at any time after the 90 days has elapsed, or alternatively continue to hold the instrument until settlement has occurred in which case conversion to ordinary shares will occur at that date. On 5 February 2015, the full amount of $5,774,001 plus accrued interest was converted to ordinary shares.

Notes to the financial statements

8. Contingent assets & liabilities

Permian Project

Mr. Paul Page and Petro-Raider, LLC, "Petro Raider" together a party to a previous agreement with a subsidiary of Arturus Capital Limited in connection with the Permian project leases (which the Company sold in June 2014) have enjoined the Company in an action to enforce an option agreement previously entered into by Arturus Capital Limited with the parties prior to the sale of the leaseholds to the Company.

Petro Raider is seeking to transfer the option agreement to a US based subsidiary of the Company. The primary claims by Petro Raider are its rights to a 5% net profits interest and 20% working interest back-in. The working interests back-in would not vest until the Company's capital costs have been recovered, which is expected to take years. Petro Raider also contends that when the Company recovers 110% of the amount of its capital costs that the back-in increases to 25%.

Petro Raider makes no claim to the balance of the working interest. Petro Raider also claim fraud, tortious interference and civil conspiracy. The action has been stayed by the court in Reagan County Texas, USA until the Arturus Capital Limited liquidation proceedings are completed in Australia.

As Arturus Capital Limited was placed in liquidation in June 2013, the value of this indemnity is uncertain. The Company has lodged a proof of debt with the liquidator in regard to certain legal, royalties and administration costs that the Company considers that Arturus Capital is required to pay.

Following the sale of the Permian interest, the purchaser has withheld US$500,000 which is currently in escrow. Should the matter not be resolved by March 2015, then the purchaser retains this amount and assumes all potential liabilities relating to this matter. The Company impaired this receivable at 30 June 2014, as it expects the matter will not be resolved by this time.

Dugas & Leblanc #1 Well

Commercial settlement has now been reached between the landowners affected by the well blow out and all personal injuries cases.

Under the terms of the agreement Grand Gulf Energy Ltd (ASX: GGE) the Company's insurance will continue to cover the ongoing remediation of work required at location.

Accordingly and subject to the completion of the transaction (expected to follow shortly after completion of the Mozambique acquisitions) the Company will no longer have any exposure to the Blow out of the D&L#1 well.

Notes to the financial statements

8. Contingent assets & liabilities (continued)

Purchase of 100% interest in Balama Pty Ltd

The binding term sheet for the purchase of 100% of the shares in Balama Pty Ltd contemplates the following contingent liabilities to the Group:

- An estimated US$300,000 payable to existing shareholders of Balama Pty Ltd in addition to share based payments on settlement; and
- A payment of US$1,500,000 following vesting of Performance Rights B contemplated to be issued on purchase of Balama Pty Ltd under the term sheet. The Performance Rights B will vest following a successful proving of a JORC compliance inferred & indicated graphite resource of a minimum of 100 million tons at >5% total graphitic content on any of the licenses owned by Balama Pty Ltd.

9. Contributed equity

Reconciliation of movement in share capital	31 Dec 2014		31 Dec 2013	
	$	No.	$	No.
On issue at 1 July – fully paid	112,248,925	191,940,064	111,809,740	178,832,659
Issued for cash		-	126,000	5,302,222
Issued for redemption of convertible notes	825,000	200,282,737	150,000	5,620,915
Issued for redemption of convertible security	250,000	83,333,333	51,564	1,182,477
Issued in lieu of Interest payment	27,069	8,299,960	8,556	-
Less: Transaction costs	(144,323)	-	(28,271)	-
On issue at 31 December – fully paid	113,206,671	483,856,094	112,117,589	190,938,273

December 2013 comparative share figures are shown on a 25:1 post consolidation basis.

10. Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2014 (2013: Nil).

11. Share Based Payments

10,000,000 options were issued to Lind Partners on settlement of the disputed Convertible Security (refer Note 7) on 10 November 2014. The options have an exercise price of $0.0036 and an expiry date of 10 November 2017.

There were no other share based options issued or vested during the six months ended 31 December 2014.

Notes to the financial statements

12. Subsequent Events

On 23 January 2015 shareholders approved twelve resolutions supporting the change of direction of the Company and the acquisition of the Mozambican projects.

The Resolutions approved were:

1. Change to the nature and scale of the activities of the Company.
2. Consolidation of the share capital of the Company.
3. Issue of securities to the vendors of the projects in Mozambique.
4. Raising by the Company of up to an additional $3.5 million.
5. Participation of directors in the proposed capital raising.
6. Change of name of the Company to Mustang Resources Limited.
7. Issue of shares on conversion of the convertible loans.
8. Issue of shares on the conversion of convertible notes.
9. Issue of shares & share options to Novus Capital Ltd.
10. Issue of share options to Boomerang Capital Pty Limited.
11. Issue of share options to CPS Securities Pty Limited.
12. Election of Mr Cobus van Wyk as a director of the Company upon the completion of the acquisition of the projects in Mozambique and the satisfaction of all conditions for re-quotation of the Company on ASX.

On 23 January 2015, the Company's securities were placed in suspension at the Company's request and will remain in suspension until the Company has completed the acquisitions and re-complied with the Chapters 1 & 2 of the ASX Listing Rules, including satisfying any conditions precedent to reinstatement imposed by the ASX.

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Auditor's Independence Declaration
To The Directors of Mustang Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Mustang Resources Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 17 March 2015

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Independent Auditor's Review Report
To the Members of Mustang Resources Limited

We have reviewed the accompanying half-year financial report of Mustang Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Mustang Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Mustang Resources Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Mustang Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mustang Resources Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualifying our opinion we draw attention to Note 1 in the consolidated financial report which indicates that the consolidated entity incurred a loss of $1,464,633 during the six months ended 31 December 2014, and as at that date the consolidated entity had a working capital deficiency of $907,932 and its total liabilities exceeded its total assets by $692,979. Note 1 also indicates that to continue as a going concern, the consolidated entity is dependent upon the successful settlement of the Mozambique asset acquisitions and the ability of the company to raise the necessary funds for the exploration and future development plans of those assets. These conditions along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 17 March 2015