



CORPORATE DIRECTORY

DIRECTORS

Ian Daymond (Non- Executive Chairman)
Andrew Law (Executive Director)
Cobus van Wyk (Executive Director)
Frank Petruzzelli (Non-Executive Director)

SECRETARY

Chris Ritchie

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AUSTRALIAN SECURITIES EXCHANGE CODE

MUS (Ordinary Shares)

CONTENTS

CHAIRMAN'S LETTER	04
REVIEW OF OPERATIONS	06
DIRECTOR'S REPORT	14
DIRECTORS' DECLARATION	30
AUDITOR'S INDEPENDENCE DECLARATION	31
CORPORATE GOVERNANCE STATEMENT	32
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	38
STATEMENT OF FINANCIAL POSITION	40
STATEMENT OF CASH FLOWS	41
STATEMENT OF CHANGES IN EQUITY	42
NOTES TO THE FINANCIAL STATEMENTS	43
INDEPENDENT AUDITOR'S REPORT	86
ADDITIONAL SHAREHOLDER INFORMATION	89
SAVE RIVER DIAMOND PROJECT – JORC TABLE 1	92
BALAMA GRAPHITE PROJECT – JORC TABLE 1	104



MUS

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CHAIRMAN'S LETTER

Dear fellow Shareholders,

As your Chairman, it is my pleasure to present the Annual Report for Mustang Resources Ltd ("MUS" or the "Company") for the year ended 30 June 2015.

The Company entered the 2015 financial year with a great sense of optimism following a proposed change in direction away from US oil and gas exploration, to focus on the development of our interests in graphite and diamond prospecting and exploration licences in Mozambique.

In the last 12 months the Company's previous US oil and gas interests were successfully disposed of and associated debt and other liabilities were satisfied or settled.

A new Board of Directors was formed, shares were consolidated and total new capital of close to \$9.3 million was raised during the financial year from sophisticated convertible loan holders and investors, including \$3.5 million from an oversubscribed prospectus to recapitalise the Company, leading to the re-listing of the Company on ASX (after its voluntary suspension from trading in January 2015) in early June 2015.

Having obtained the required shareholder approval, the Company is proceeding to earn majority percentage interests in two highly prospective alluvial diamond prospecting and exploration licences in Mozambique, downstream from the well-known Murowa and Marange diamond fields in Zimbabwe. To this end, a 100,000 tonne bulk sampling program was undertaken at the project, with positive gem diamond recoveries being returned from inception and to date.

Local management in Mozambique is provided by the Regius Resources Group in South Africa. A diamond exploration camp was established on the Save River concessions and bulk sampling equipment and machinery was mobilised to site and recovery of gem quality diamonds occurred immediately. Subsequently, additional equipment and machinery, including an RC drill rig and a flow sorter, were procured to increase the processing of material to 1,000 tonnes per day.

The Company is very proud of the achievements made to date at Save River, in what have been challenging market conditions and we would like to take this opportunity to thank all involved for their dedication and hard work.

In addition to the Save River Diamond Project, Mustang agreed to earn majority interests in six exploration and prospecting licences for graphite in northern Mozambique – the Balama Graphite Project. The Company considers the decision to widen its mineral development strategy to incorporate both alluvial diamonds and graphite will result in increased upside exposure for investors.





At the Balama Graphite Project, initial surface sampling and metallurgical work was completed and an airborne SkyTEM electromagnetic survey has been flown with the view to defining drilling targets. The Company has also taken out an option over a further two graphite licences to the north.

Mr Mark Freeman left the Board with its grateful thanks in June 2015, having discharged his function as a key person in the Company's re-listing and transition to its activities in Mozambique. Mr Cobus van Wyk was welcomed to the Board as an executive director, as foreshadowed in the diamond interest acquisitions. Subsequent to year end, Mr Chris Ritchie voluntarily ceased to be an executive director but continues to serve as Chief Financial Officer and Company Secretary, and Mr Frank Petruzzelli joined the Board as a non-executive director, having previously served on the Board for many years from the Company's foundation until 2012.

Management has been significantly boosted by the key appointment of Mr Andrew Law as Chief Operations Officer and as an executive director based in Perth. He brings considerable technical expertise as a mining engineer and significant experience in graphite and diamond exploration and operations.

The Board now comprises two executive directors reporting to the Board and two non-executive directors, including myself as independent director.

A detailed presentation on the alluvial diamond and graphite prospecting and exploration projects will be given at the Annual General Meeting in Sydney on 20 November 2015. Shareholders are encouraged to attend the AGM and/or to view the presentation to be released to the ASX to gain a better insight into the possibilities of the projects in Mozambique and the scope for mining development and production.

Finally, it has been very satisfying to be associated with the challenging but successful re-invention and transition of Mustang Resources to focus on diamond and graphite exploration activities in Mozambique. Your Board looks forward to the Company delivering substantial results for shareholders in the near future.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ian C Daymond'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Ian C Daymond
Chairman

- > shares were consolidated and total new capital of close to \$9.3 million was raised during the financial year from sophisticated convertible note holders and investors, including \$3.5 million from an oversubscribed prospectus to recapitalise the Company,





SAVE RIVER DIAMOND PROJECT

On 4 August 2014 the Company announced that it was proposing to earn (subject to shareholder approval) a majority interest in a highly-prospective diamond licence (4969L) and in addition a first right of refusal to earn a majority interest in the adjacent licence (4525L), in Mozambique, downstream from the world class Murowa and Marange diamond fields in Zimbabwe.

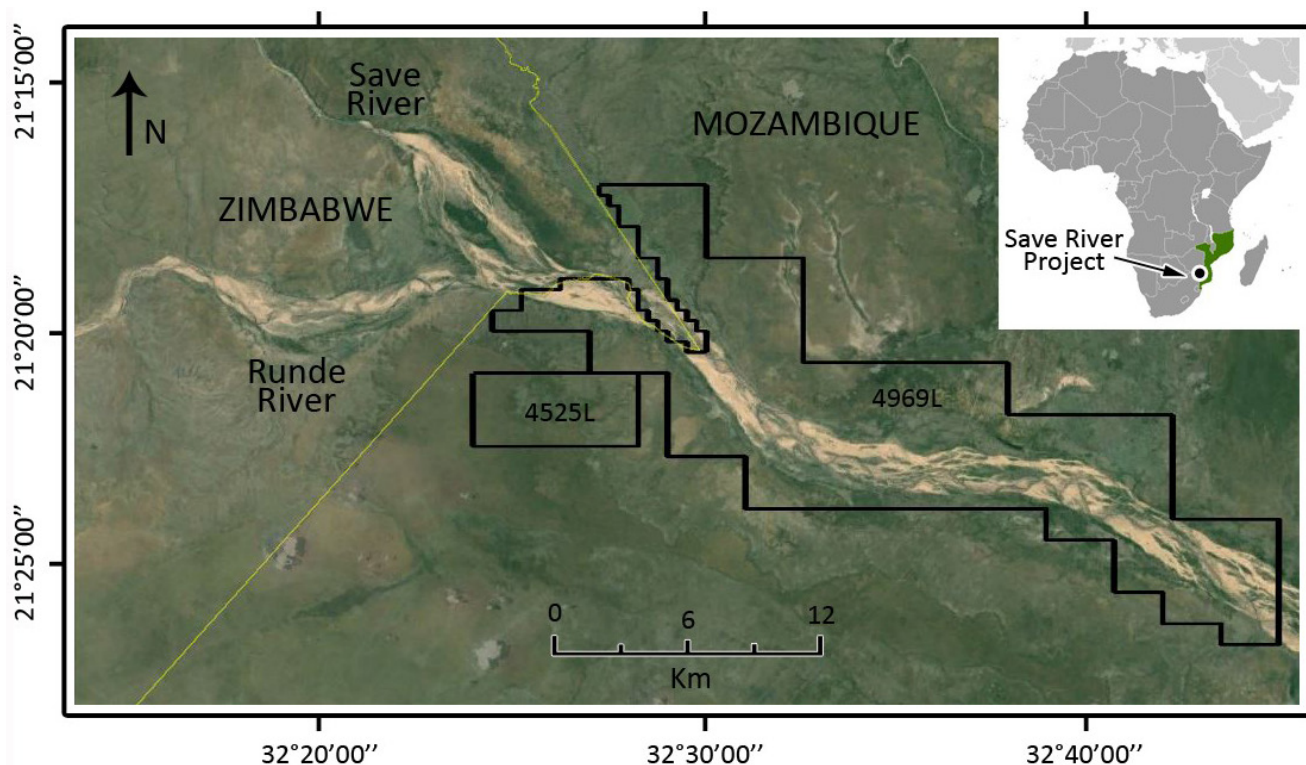
On 8 September 2014 the Company announced that it had secured (subject to shareholder approval) the right to earn of the majority interest in the 4525L licence and that the bulk sampling program was to be extended to include the 4525L licence.

The Save River Diamond Project is located in southern Mozambique, next to the border with Zimbabwe. The area of interest is along the Save River, after the confluence with the Runde River. The licence area is located where gravels, conglomerates and grits have been mapped on the surface. The tertiary to quaternary aged sediments are potentially associated with alluvial diamonds. The geological model for this project is based on the Save and Runde Rivers having drained areas of some 20kms upstream with rich diamondiferous conglomerates and kimberlites over millions of years.

The gradient profile of the Save & Runde Rivers from the Marange/ Murowa areas in Zimbabwe to the project location shows a very steep gradient resulting in a high energy environment which the Save River maintains until it reaches the confluence with the Runde River. The topography then changes to a gentle and almost flat surface at the confluence of the rivers. This has resulted in a massive deposition of gravels on the concession area which is a substantial 40km x 10km in size.

Previous exploration work included radiometric images of the area which showed channel features cutting across the concessions. These features which are sub-parallel to the Save River, indicate that the river has migrated towards the north. Further airborne magnetic data confirmed the occurrence of a structure trending NE through the concessions and is associated with structural displacements resulting in up-faulted sandstone units.

The crosscutting structure formed a barrier which would have promoted the deposition of sediments and gravels on the west and eastern portion of the feature. In addition, a Ground Penetrating Radar Survey ("GPR") over the concessions was completed by Terravision™ in April 2014. The GPR traverses confirmed the presence of a deep (14m) and wide (1-1.5km) palaeochannel



Save River Project Licence details:

Licence No.	Area (km ²)	Status	Issue Date	Valid Until	Earn in Interest
4525L	23.84	Granted	22/11/2011	22/11/2016	51.8%
4969L	216.60	Granted	26/4/2012	26/4/2017	50.7%

in the western and central portions of the concession. Two GPR lines completed to the south of the concession mapped potential lower gravel terraces which have been affected by faulting and define a sandstone plateau and troughs with visible gravels on the surface.

An initial exploration program was designed to validate the traverses and test for diamonds in all gravel settings. The program involves the collection of a minimum of 50,000 tonnes and a maximum of 100,000 tonnes of material to test for diamonds. A preliminary budget of US\$1.7 million was proposed with works to begin

as soon as possible. The gravels exposed during pitting and trenching will be processed for diamonds using rotary pans and Boesman jigs. Diamond size distribution and gravel volume estimates are to be used to determine the grade of diamonds in the areas and the depth continuity of the troughs / grabens will be confirmed during pitting and trenching.

The key trial mining equipment arrived on site in early January 2015 and the trial mining program began in late January after the clearing of the site and the establishment of the exploration camp.



➤ On 9 July 2015 a gem quality 2.6 carat white diamond, the largest diamond to be recovered so far, was recovered from Pit 006.

During March 2015 Mustang engaged an experienced diamond geologist, Dr Renato Spaggiari to conduct a field visit to the project. Dr Spaggiari has more than 33 years' experience in diamonds, specialising in alluvial diamonds. He has previously worked as a geologist for De Beers and has worked as a "competent person", geologist on numerous alluvial diamond projects across Africa.

Dr Spaggiari identified a number of terraces to be tested during the bulk sampling process and also confirmed that from his observations in the field that the Save River's flow conditions during its evolution were at times highly energetic, and enough to transport and concentrate diamonds. Dr Spaggiari also confirmed the soundness of the geological model being tested by Mustang, and that diamonds could have been transported from the Marange diamond fields by the Save River and deposited in the project area.

Bulk sampling commenced on 23 March 2015 with the first sample being excavated from Pit 001. This was followed by Pit 002 on 8 April 2015, Pit 003 on 16 April 2015, Pit 004 on 18 May 2015 and Pit 005 on 1 June 2015. The initial sites were selected due to their close proximity to the bulk sampling recovery plant and for convenience of access during the wet season. All the pits were within a 1km radius of the camp. The size of the Company's two concessions a total some 24,000 hectares with terraces identified over much of the concessions makes this project highly prospective. Further, only gem quality diamonds have been recovered from the top gravels and the bottom gravels above the bedrock have not yet been explored.

As at 11 June 2015 a total of 16 diamonds had been recovered. All diamonds recovered at that date had been visually confirmed as being of gem quality.

Due to the presence of a calcrete layer between 1.5 and 2.5 metres thick, the 20 Ton excavator could not break through the calcrete layer and thus the lower gravels could not be tested and the bedrock could not be identified.

The decision was taken to scale up the Bulk Sampling program from 100 tonnes per day to be able to process up to 1,000 tonnes per day. The initial Boesman Jigs are to be replaced by a Flow Sort machine which will sort the concentrate from the rotary pans through dual stage x-ray machines. The Boesman Jigs could only process 3 tons of concentrate per day where-as the Flow Sort will be able to process some 30 tonnes of concentrate per day. The Flow Sort is expected to automate some 95% of the manual work which is needed with the Boesman Jigs and is significantly more efficient.

An additional 16ft rotary pan is also to be procured to enable the plant to run at the optimum processing capability and to be able to provide the Flow Sort with 30 tonnes of concentrate per day. In addition, an 85 ton excavator has been acquired to break through the calcrete layer and to open the pits to bedrock. An additional front end loader was also acquired to improve the processing feed capabilities.

As at the end of June, the main terraces identified from field mapping comprise the Plateau Beds, the 230m ASL (metres above sea level) terrace, the 180m ASL terrace and the 160m ASL terrace. All mapping completed in the area has been based on surface characteristics and a few trench pits with a maximum depth of 3.5m. As more data is collected, a detailed geological map and model will be developed, resulting in better insight into the palaeochannel migration as well as identifying specific "collection" target areas.

In order to obtain information on the gravel stratigraphy and palaeochannel location, the Company agreed to acquire a reverse circulation drilling rig. The rig will be used to locate buried gravel targets, to determine the stratigraphy and to characterise the different gravel units as well as identify the bedrock basement. A systemic drilling and pitting program will also be implemented in order to estimate the volumes of available gravels within a reasonable level of confidence.

On 9 July 2015 a gem quality 2.6 carat white diamond, the largest diamond to be recovered so far, was recovered from Pit 006. This was a very exciting and significant find for the Company, as it was recovered from the shallow deflation surface gravels. By 14 July 2015 all equipment required to increase bulk sampling to 1,000 tonnes per day had been sourced and arrangements made to be transported to site.

As at 14 July 2015 the exploration sample results for the project were as follows:

Sample	Volume (m³) est.	No. Stones	Total Carats (ct)	Average Stone Size (ct/st)
Pit001	1,271	3	1.68	0.56
Pit002	592	2	2.59	1.30
Pit003	1,799	5	2.37	0.47
Pit004	871	4	1.61	0.40
Pit005	1,187	3	1.67	0.56
Pit006	720	1	2.58	2.58
	6,440	18	12.50	0.69





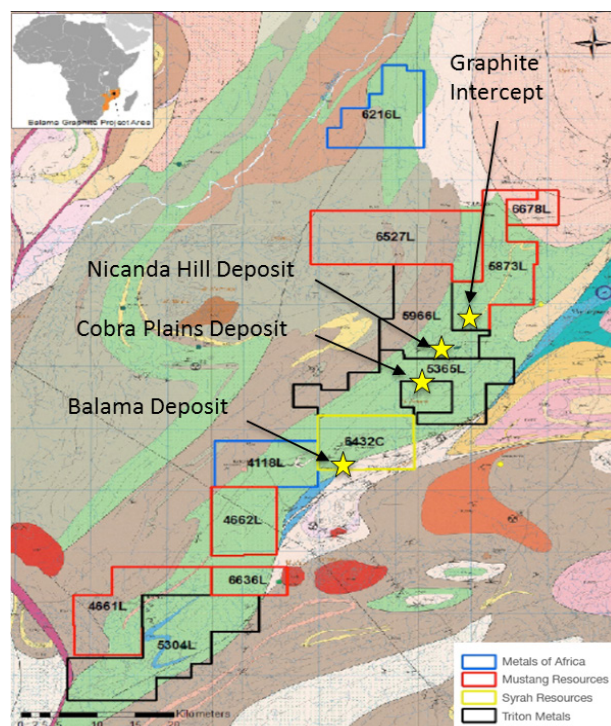
- > The Company decided that an airborne electromagnetic survey was to be conducted followed by resources drilling and detailed sample analysis. The aim is to prove an initial resource as quickly and efficiently as possible.



BALAMA GRAPHITE PROJECT

On 20 October 2014 the Company announced that it was proposing to acquire 100% of the issued capital of Balama Resources Pty Ltd which held interests in six tenements in the highly prospective and world class Mozambique graphite province of Cabo Delgado making Mustang the largest tenement holder in the area.

The Balama Graphite project consists of six highly prospective tenements in the Balama graphite province of Cabo Delgado, in Mozambique. The licences collectively make up > 66,670ha (667sq km) and are all underlain by the locally graphite bearing schists. Importantly, the tenements are all along geological strike of two recent major discoveries by Syrah Resources (ASX: SYR) and Triton Minerals (ASX: TON).



Licence #	Area (km ²)	Status	Issue Date	Valid Until	Earn In Interest
4661L	147.5	Granted	11/09/2013	11/09/2018	60%
4662L	94.8	Granted	01/10/2012	01/10/2017	60%
5873L	137.8	Granted	17/11/2014	17/11/2019	75%
6527L	209.0	Granted	07/03/2014	07/03/2019	75%
6636L	45.7	Granted	16/07/2014	16/07/2019	75%
6678L	31.9	Granted	18/03/2014	18/03/2019	80%

Prior to acquisition by Mustang, Balama Resources Pty Ltd had discovered numerous graphite outcrops as well as electromagnetic anomalies consistent with graphite mineralisation (as graphite is a highly conductive mineral).

An extensive 42 line km ground electromagnetic survey (EM-34) was conducted on the tenements during September 2014 which provided further evidence of multiple areas of potential graphite mineralisation on all the tenements, further validated by numerous outcrops discovered on the southern licences and the extrapolation of the neighbouring graphite licence 5966L into the Balama licence 5873L, directly north of it.

Within licences 5873L and 6527L a distinct positive anomaly is observed that strikes in a north-easterly direction from the established graphitic carbon intersection on the neighbouring property (5966L) providing very strong indications of graphite mineralisation of licence 5873L.

On 11 November 2014 the Company announced that initial sample results for SGS Laboratories (LECO analysis for total graphitic content) had proven high "TGC" content on four of the licences.

Licence	TGC
4661L	14%
4662L	8%
5873L	14%
6527L	12%

Shallow test drill holes had been drilled to prove graphite mineralisation on licences 5873L and 6527L and a test hole on 5873L had intersected a 56 metre continuous graphite zone (4 metres to 60 metres) with up to 14% TGC returned. XRF & petrography (flake size distribution) analysis by optical microscopy of the submitted samples indicated high percentages of large to super-jumbo flake graphite in both rock chip samples and drill hole samples.

The Company decided that an airborne electromagnetic survey was to be conducted followed by resources drilling and detailed sample analysis. The aim is to prove an initial resource as quickly and efficiently as possible. The airborne electromagnetic survey to be undertaken by SkyTEM Australia Pty Ltd began in August 2015 and is expected to be complete by the end of September 2015.

Post processing of the data is to be undertaken by ASST Pty Ltd as each licence area is completed. The Company expects that it will receive the final data from ASST by mid-October 2015.

OIL AND GAS PROJECTS

Napoleonville Project

Dugas & Leblanc #3 well, Assumption Parish, Louisiana, Non-operator, 15% WI Hensarling #1 well, Assumption Parish, Louisiana, Non-operator, 3.99% WI Templet #1 well, Assumption Parish, Louisiana, Non-operator, 3.28% WI

Napoleonville Project Production (1 July 2014 to 31 October 2015)

		Total production		Company's Share of Production	
		OIL	GAS	OIL	GAS
Well	WI	BBL	MCF	BBL	MCF
Dugas & Leblanc #3	15.3%	11,234	3,736	1,685	560
Hensarling #1	3.99%	49,825	0	1,988	0
Total		61,059	3,736	3,673	560

The Company sold its subsidiary Birdwood Louisiana, LLC to Grand Gulf Energy (ASX: GGE) on 25 June 2015. The effective date of the sale was 31 October 2014. The sale included the Company's 15.3% working interest in the Dugas & Leblanc #3 well, the 3.99% interest in the Hensarling #1 well and the leases and facilities associated with the wells at the Napoleonville Project. As well the Company was relieved of its liability to plug and abandon the Fausse Point project and a US\$100,000 farm in exposure.

The Templet #1 well in which the Company had a free carry to casing point 3.28% working interest, spudded in August 2014 but the main intervals were found to be wet. The JV was unable to substantiate adequate economic benefit in side-tracking the well up-dip. Consequently, the well was placed into suspension and will be used as a salt water disposal well for the Hensarling #1 well when that well commences to produce water.

Bowtie West Project

Sugar Valley #1 well, Matagorda County, Texas, Non-Operator, 12% - 22% WI

Bowtie West Project Production (1 July 2014 to 31 March 2015)

		Total production		Company's Share of Production	
		OIL	GAS	OIL	GAS
Well	WI	BBL	MCF	BBL	MCF
Sugar Valley #1	12%/ 22%	353	39,280	42	6,029
Total		353	39,280	42	6,029

The Company exited the Sugar Valley #1 well on 30 June 2015 when it agreed to resolve a dispute with the operator of the well.

As part of this settlement, the Company bought out two other parties and assigned the total working interest in the project to the operator.

Padre Island Project

Bonds issued to the National Parks Service are still outstanding and will be held until 70% of ground cover with target species has been achieved. This is estimated to take up to another twelve months.

CORPORATE

On 30 July 2014, Mr Christopher Porter and Mr Robert Oliver resigned as directors of the Company. On the same day the Company appointed Mr Ian Daymond and Mr Mark Freeman to the Board.

On 4 August 2014, the Company announced that it was proposing to acquire interests in two diamond prospecting licences in Mozambique.

The acquisition of the diamond prospecting licences would result in a change in the Company's nature and scale of activities which would require shareholder approval at an EGM of the Company in January 2015 and for the Company to re-comply with the Chapters 1 and 2 of the ASX Listing Rules.

Additionally at the Company's EGM shareholders would be asked to approve the issue of securities to the vendors, a further consolidation of the Company's share capital at a ratio of around 67:1 to meet ASX Listing Rule requirements, approve a new name for the Company to reflect the proposed principal focus on diamond exploration and mining and approve a capital raising of up to \$6 million.

On 27 August 2014, the Company announced that the maturity dates for the Series 1 & 2 Convertible Notes had been extended through to 31 December 2014.

On 5 September 2014, the Company converted 8,500,000 Series 3 Convertible Notes into 128,787,879 fully paid ordinary shares.

On 8 September 2014, the Company confirmed that it has secured (subject to shareholder approval) the second of the two diamond prospecting licences referred to on 4 August 2014.

On 20 October 2014, the Company announced the proposed acquisition of 6 graphite licences in Mozambique, subject to shareholder approval at the EGM.

On 10 November 2014, the Company announced that \$250,000 of a \$550,000 convertible security issued to the Australian Special

Opportunities Fund, LP had been converted into 83,333,333 fully paid ordinary shares.

On 11 November 2014, the Company announced that it had mutually terminated a Funding Agreement with Lind Partners, LLC, manager of the Australian Special Opportunities Fund, LP.

On 28 November 2014, all resolutions were approved by a show of hands, specifically, the adoption of the FY 2014 Remuneration Report, the election of Messrs Ritchie, Daymond and Freeman as directors of the Company and a special resolution to approve an additional 10% placement capacity to the Directors.

On 2 December 2014, the Company announced that it had entered into an agreement with Grand Gulf Energy Limited (ASX: GGE) to sell one of its subsidiaries in the United States of America that held the Company's investments in the Dugas & Leblanc #3 well and the Hensarling #1 well.

On 11 December 2014, the Company announced that it would be seeking to raise a further \$3.5 million to fund the ongoing development of the Save River Diamond project and the Balama Graphite project.

On 31 December 2014, 6,923,077 listed options ("OGIOA") with an exercise price of \$1.25 and 25,849,680 listed options ("OGIOB") with an exercise price of \$0.50 expired.

On 23 January 2015, the Company's shareholders at an EGM approved all resolutions by a show of hands, specifically, the change to the nature and scale of the Company's activities, the consolidation of the Company's capital, the issue of shares to the vendors of the projects, the \$3.5 million capital raising, the approval of related parties to participate in the capital raising, issue of shares on conversion of convertible loans, issue of shares on conversion of convertible notes, issue of shares and options to brokers, the election of Mr Cobus van Wyk as a director subject to the closing of the acquisitions and the change of name of the Company to Mustang Resources Limited.

On 23 January 2015, the Company's securities were placed in suspension by the ASX pending the Company's re-compliance with Chapters 1 & 2 of the ASX Listing Rules.

On 10 June 2015, the Company's securities were reinstated to trading on the ASX.

On 10 June 2015, Mr Mark Freeman resigned as a director and Mr Cobus van Wyk took up the position as a director, as approved at the EGM on 23 January 2015.

On 25 June 2015, the Company announced the closing of the sale of Birdwood Louisiana, LLC.

On 3 July 2015, the Company announced that it had resolved a dispute with the operator of the Sugar Valley #1 well and that it was assigning its working interest to the operator as part of the settlement of the dispute, to be effective from 30 June 2015.

Forward Looking Statements

This report contains forward-looking statements that are subject to risk factors associated with resources businesses. It is considered that the expectations reflected in these statements are reasonable but they may be affected by a variety of variable 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 estimate, 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.

Save River Diamond Project Competent Person Statement

Information in this report that relates to Exploration Targets, Explorations Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Tania R Marshall. A Competent Person who is a registered member of the South African Council for Natural Scientific Professions (SACNASP) which is a Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Dr Marshall is a consultant with Explorations Unlimited South Africa who was engaged by the Company to undertake this work. Dr Marshall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code of Reporting of Exploration Results. Dr Marshall consents to the inclusion of the data in the form and context in which it appears.

Balama Graphite Project Competent Person Statement

Information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Johan Erasmus, a Competent Person who is a registered member of the South African Council for Natural Scientific Professions (SACNASP) which is a Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Mr Erasmus is a consultant with Sumsare Consulting, Witbank, South Africa who was engaged by the company to undertake this work. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for reporting of Exploration Results. Mr Erasmus consents to the inclusion of the data in the form and context in which it appears.

The Directors of Mustang Resources Limited ("MUS" or "the Company") present their report and the financial report of MUS and the entities it controlled ("the Consolidated Entity") at the end of, or during the year ended 30 June 2015. The financial report was authorised for issue by the Directors on 30 September 2015. The Company has the power to amend and reissue the financial report.

1. DIRECTORS AND COMPANY SECRETARY

The Directors of the Company at any time during or since the end of the financial year are as follows. Directors were in office for the entire period unless otherwise stated.

Ian Daymond BA LL.B – Non-Executive Director, Chairman (Appointed 30 July 2014)

Mr Daymond has practised as a solicitor and consultant with more than 35 years as an external or in-house lawyer in the mining and resources area. He was General Counsel and Company Secretary of Delta Gold Ltd for over 11 years which saw the company grow from a small gold explorer into one of the largest gold producers in Australia with significant platinum and gold mining interests in southern Africa. Mr Daymond has significant independent director experience, having served as a non-executive director of the International Base Metals Ltd with substantial copper interests in Namibia and is the former chairman of Eldorado Mining Corporation Ltd (ASX: EDM), ActivEX Ltd (ASX: AIV) and Copper Range Ltd (ASX: CRJ) and a former non-executive director of Hill End Gold Ltd (ASX: HEG). Mr Daymond was the national chairman of the Australia-Southern Africa Business Council for 3 years and has substantial business, legal and corporate government precious, base metals and diamond projects, not only in Australia but also in southern Africa over the past 25 years. He is currently the Honorary Consul in NSW for the Republic of Botswana and a member of the Australia Africa Mining Industry Group which promotes corporate social responsibility principles amongst Australian mining companies with activities in Africa.

During the last three years, Mr Daymond has been a director of Hill End Gold Ltd (ASX: HEG) and ActivEX Ltd (ASX: AIV).

Andrew Law - Executive Director (Appointed 13 July 2015)

Mr Law has over 30 years' experience in the mining industry in Australia, Africa and South America. He has extensive technical and management experience in Southern Africa with specific experience in alluvial diamonds and graphite deposits.

Mr Law holds a Higher National Diploma in Mine Engineering (Witwatersrand) and a Master's degree in Business Administration (University of Western Australia). He is a Fellow and Chartered Professional of the AusIMM (CP Management), a Fellow of the Institute of Quarrying – Australia, a member of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Management.

During the last three years, Mr Law has not served as a director of any other listed company.

**Cobus van Wyk – Executive Director
(Appointed 10 June 2015)**

Mr van Wyk is the Chief Executive Officer and co-founder of the Regius group of companies, obtained his Bachelor of Marketing at the Tshwane University of Technology and his MBA at the University of Wales. Mr van Wyk started his career in the financial industry and capital markets in the Bankorp Group in South Africa. He commenced work on the Johannesburg Stock Exchange (“JSE”) in 1994 and is a qualified portfolio manager and Stockbroker. Mr van Wyk was accepted as a member of the JSE in January 1996, became a member of Safex in 1996 in the derivatives market. Since 1999 Mr van Wyk has been involved in corporate finance as part of his duties as a member of the JSE. Mr van Wyk has more than 23 years’ experience in the financial services industry which he is applying to the mining sector. Mr van Wyk has more than 10 years’ experience in mining and exploration ventures in Mozambique (tantalite & coal) as well as South Africa (platinum group metals).

During the last three years, Mr van Wyk has not served as a director of any other listed company.

**Frank Petruzzelli B.Bus (Acc), Non-Executive Director
(Appointed 13 July 2015)**

Mr Petruzzelli is a principal of MDB Taxation & Business Services Pty Ltd, an Australian accounting firm. He is an accounting and management services specialist and advises ASX listed companies and large private organisations. Mr Petruzzelli holds a Bachelor of Business (Accounting) and is a Fellow of the National Institute of Australia and a Fellow of the Institute of Public Accountants.

Mr Petruzzelli was a founding director of the Company and served through to November 2012 and re-joined the board on 13 July 2015.

During the last three years, Mr Petruzzelli has been a director of Solimar Energy Limited (ASX: SXS)

**Chris Ritchie B.Bus Acc, Grad Dip Int. Bus., FCPA
FGIA, Executive Director (Resigned 13 July 2015)
& Company Secretary**

Mr Ritchie is a CPA with over twenty five (26) years’ experience in ASX listed companies. Mr Ritchie has experience in the energy & resources sector with several of Australia’s largest engineering contractors and services companies in the financial management of the construction of major oil and gas infrastructure projects. Mr Ritchie is a Fellow of CPA Australia and a Fellow of the Governance Institute of Australia.

During the past three years, Mr Ritchie has not served as a director of any other listed companies.

**Mark Freeman B Com, Grad Dip App Finance,
Non-Executive Director –
(Appointed 30 July 2014, Resigned 10 June 2015)**

Mr Freeman is a Chartered Accountant and has more than 18 years’ experience in corporate finance and the resources industry. He has experience in strategic planning, business development, acquisitions and mergers, and project development general management. Prior experience with Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources NL and Matra Petroleum Plc. Mr Freeman is presently Managing Director of Grand Gulf Energy Ltd (ASX: GGE).

During the last three years, Mr Freeman has been a director of Quest Petroleum NL (ASX: QPN), Macro Energy Ltd (ASX: MEJ) and is currently a director of Tamaska Oil & Gas Ltd (ASX: TMK) and Grand Gulf Energy Ltd (ASX: GGE).

**Christopher Porter Bsc (Hons) Geology,
Msc Petrophysics (Non-Executive Director) –
(Resigned 30 July 2014)**

Mr Porter has extensive senior management and consulting geologic experience in the oil and gas industry, working with such companies as Phillips Petroleum, Western Mining Corporation (“WMC”) and Santos Limited. Mr Porter initiated WMC’s oil and gas section and prior to leaving was General Manager, having established hydrocarbon reserves in the Cooper Basin and production offshore from Western Australia. Mr Porter was a non-executive director of the ASX listed oil & gas company Cooper Energy Limited from 2002 to 2011,

During the past three years, Mr Porter has not served as a director of any other listed companies.

**Robert Oliver BE Mechanical Engineering, (Hons)
Non-Executive Director – (Resigned 30 July 2014)**

Mr Oliver has extensive operational experience in the oil and gas industry. He has worked on drilling and completion work internationally for BHP Billiton in the Middle East and West Africa, Exxon in the USA and Esso in the UK and Australia. Mr Oliver’s management experience includes completion work involving fracture stimulation programs and other similar activities. Mr Oliver’s industry course work has included horizontal and extended reach practices, production and reservoir engineering and log interpretational work.

During the past three years, Mr Oliver has not served as a director of any other listed companies.

Interests in the shares, options and performance rights of the company and related bodies corporate

As at the date of this report, the interests of the current directors in the shares, options & performance rights of the Company were:

	Ordinary Shares	Unlisted Performance Rights	Listed Options	Un-Listed Options	Expiry	Exercise price (\$)
Ian Daymond	100,000	-	-	-	-	-
Andrew Law	-	-	-	-	-	-
Cobus van Wyk	4,900,000	20,580,000	-	-	-	-
Frank Petruzzelli	16,211,607	16,216,792	-	1,205,597	21/05/2017	\$0.21

Directors' meetings

The number of directors' meetings held during the financial year each director held office and the number of meetings attended by each director are:

Director	A	B
Ian Daymond	8	8
Andrew Law	-	-
Cobus van Wyk	-	-
Frank Petruzzelli	-	-
Chris Ritchie	9	9
Mark Freeman	8	8
Christopher Porter	2	2
Robert Oliver	1	2

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

The Company does not have separate audit, remuneration, ethical standards or diversity committees and these matters are addressed at board meetings when required.



2. OPERATING AND FINANCIAL REVIEW

Overview of the consolidated entity

The Company had an exciting year entering into a new era, focussing on diamond and graphite exploration in Mozambique, acquiring the rights to earn majority interests in two diamond prospecting licences and six graphite mining licences. During the year, the Company exited from its three final producing oil and gas wells in the United States of America.

The Company underwent a name change to Mustang Resources Limited and its share capital underwent a 67:1 consolidation.

Significant capital raising and asset sales have allowed the Company to acquire the new assets and strengthen its Balance Sheet. As a result of the change of direction of the Company, it was required to re-comply with Chapters 1 & 2 of the ASX Listing Rules, which necessitated the suspension of the Company's equities from trading for a considerable period of time. The Company is extremely appreciative of the support of its shareholders, debt holders and supporting brokers during this process, especially those debt holders that converted their debt into shares during the recapitalisation and relisting process.

Operations

The diamond project commenced with the Company moving through the planning, procurement and mobilisation stages of the bulk sampling process. Early success has encouraged the Company to move from a 100 tonne per day to 1,000 per tonne per day sampling program, which necessitated additional capital expenditure, but with diamonds already having been discovered in the shallow gravels, the Company is confident of a successful project.

Towards the end of the financial year the Company committed to aerial magnetic survey the graphite licences. This process should expedite the review and analysis of the licences. The Company expects to receive the final data in mid-October 2015.

Financial

The loss from continuing operations of the Company was \$2,376,140. The significant additional professional costs incurred in acquiring the new assets and re-complying with Chapters 1 & 2 of the ASX Listing Rules has contributed to this result. Additionally one off costs of terminating a previous funding agreement and additional costs of establishing offices in Pretoria, South Africa and Maputo in Mozambique contributed to the loss.

The Company incurred a net loss from discontinued operations of \$4,244,564. In accordance with accounting standards the company reclassified the amounts held in the Foreign Currency Translation Reserve in regard to the Company's previous oil and gas assets back to profit and loss,

The consolidated net loss for the economic entity for the year ended 30 June 2015 was \$6,620,704 (2014: \$23,444,116).

The Company was unable to resolve a legal action within the terms of the Purchase and Sale Agreement of the Company's Permian project in Texas. The amount of US\$500,000 withheld by the purchaser was forfeited by the Company. However, a separate agreement allowed the legal action to be withdrawn, upon the payment by the purchaser to the third party claimant of US\$400,000. The withdrawal of the legal action removed a major impediment to the Company's future growth. The full US\$500,000 holdback had been impaired in last year's accounts.

A further amount of US\$492,000 withheld by the purchaser subject to documents being unavailable to allow a lien to be removed over the sale property as at 30 June 2014, was received during the financial year under review.

Total assets increased from \$3,768,423 in 2014 to \$27,483,393 an increase of 629%, and net assets increased from negative net assets of \$413,304 to net assets of \$24,098,054 an increase of 5,931%.

The Company's working capital improved from a working capital deficiency of \$1,263,263 in 2014 to working capital of \$2,578,603 an improvement of 304%.

During the year the Company raised \$9,274,001 (prior to costs) and convertible notes and securities were converted decreasing debt and increasing equity by \$1,506,000.

Strategy and investments for future performance

The Company announced subsequent to year-end that it was proposing to acquire an option for two further graphite licences in the Balama region of Cabo Delgado, Mozambique.

Performance indicators

The Board and management team work together in preparing strategic plans and budgets. Key performance indicators identified from the plans and budgets are used to monitor performance.

3. PRINCIPAL ACTIVITIES

The principal activities of the entities within the Consolidated Entity during the financial year were diamond and graphite exploration in Mozambique. During the financial year the Company exited its previous principal activity, oil and gas exploration in the Gulf Coast region of the United States of America.

4. RESULTS

The net loss after income tax of the Consolidated Entity for the financial year ended 30 June 2015 totalled \$6,620,704 (2014: \$23,444,116).

5. DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year, or to the date of this report.

6. CORPORATE STRUCTURE

The Company is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated report incorporating the entities that it controlled during the financial year.

7. EARNINGS PER SHARE

The basic loss per share for the Company for the year 2015 was 10.48 (2014: 77.93) cents per share from continuing operations.

8. EMPLOYEES

At the end of the year, the Company had thirty five (35) full time employees (2014: one (1)).

9. SHARE OPTIONS

Shares issued as a result of the exercise of options

No options were exercised either in the current or previous year.

Un-issued Shares

As at the date of the report, there were un-issued ordinary shares under option.

Number of Options	Listed / Unlisted	Exercise Price	Expiry Date
149,254	Unlisted	\$0.2412	10/11/2017
2,238,806	Unlisted	\$0.2100	22/05/2017
500,000	Unlisted	\$0.2000	31/10/2016
1,500,000	Unlisted	\$0.2000	1/12/2016

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company. All options (if exercised) would convert at a ratio of 1 fully paid ordinary share for every 1 option.

As at the date of the report, there were un-issued ordinary shares under performance rights.

Class	Number of Rights	Listed / Unlisted
A	2,238,806	Unlisted
B	1,119,403	Unlisted
C	2,238,806	Unlisted
D	1,119,403	Unlisted
E	14,000,000	Unlisted
F	14,000,000	Unlisted
G	14,000,000	Unlisted



The non-vesting conditions of the performance rights, which need to be satisfied for conversion to ordinary shares in the Company, are as follows:

Class	Non-vesting conditions
A	On 1 July 2016, if the Company has successfully completed the Bulk Sampling program and generated gross proceeds of US\$5,000,000 from the direct mining of licence 4969L in the period 1 January 2015 to 30 June 2016 (inclusive of both dates).
B	Upon a US\$10,000,000 facility being provided to Save River Diamonds Pty Ltd on or before 30 June 2018.
C	On 1 July 2016, if the Company has successfully completed the Bulk Sampling program and generated gross proceeds of US\$2,500,000 from the direct mining of licence 4525L in the period from 1 January 2015 to 30 June 2016.
D	Upon a US\$2,500,000 facility being provided for the mining licences 4525L and 4969L on or before 30 June 2018.
E	Upon proving a JORC Compliant Inferred Graphite Resource of a minimum of 50 Million tonnes @ >5% Total Graphitic Content, on any of the Balama licences on or before 31 December 2019.
F	Upon proving a JORC Compliant Inferred & Indicated Graphite Resource of a minimum of 100 Million tonnes @ >5% Total Graphitic Content, on any of the Balama Licences on or before 31 December 2019.
G	Upon proving a JORC Compliant Inferred & Indicated Graphite Resource greater than 500 Million tonnes @ >5% Total Graphitic Content, on any of the Balama licences on or before 31 December 2019.

Performance right holders do not have any right, by virtue of the performance right, to participate in any share issue of the Company. All performance rights (if vesting conditions achieved) would convert at a ratio of 1 fully paid ordinary share for every 1 performance right.

10. REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors, executives and key management personnel of the company in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report key management personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

The remuneration report is set out under the following main headings:

- A. Principles of compensation
- B. Service agreements
- C. Details of remuneration
- D. Share based compensation

A. Principles of compensation

The remuneration policy of the company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and directors to run and manage the Consolidated Entity. The key management personnel of the Company are the executive and non-executive directors, company secretary and officers of the parent entity. For the purposes of this report, the term 'executive' encompasses the executive directors and officers of the Consolidated Entity. The board's policy for determining the nature and amount of remuneration for board members and key management personnel of the Consolidated Entity is as follows: (next page)

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Fixed remuneration

The remuneration policy, setting the terms and conditions for the executive directors and key management personnel, was developed by the board. All key management personnel are remunerated either as an employee or on a consultancy basis based on services provided by each person. The board reviews key management personnel packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of director fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting (currently \$200,000). Fees for non-executive directors are not linked to the performance of the Consolidated Entity.

However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in employee option plans that may exist from time to time.

Variable remuneration – short term incentive (STI)

There is currently no variable short term incentives provided to management in the form of a STI or bonus program. The board is of the opinion that the variable long term remuneration provided to directors and executives is sufficient to align the interest of management with shareholders.

Variable remuneration – long term incentive (LTI)

Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. Currently there are no long term incentives provided to management. The board as a whole agrees upon an appropriate level of remuneration incentive for each director, which then requires shareholder approval, relative to their involvement in the management of the Consolidated Entity. The main performance criteria of the LTI remuneration is increasing shareholder

value through aligning the Company with high quality exploration assets, which in turn should increase share price. There are no specific performance hurdles attached to options issued to directors, however, the exercise price of options is set at a level that encourages the directors to focus on share price appreciation. The Company believes this policy will be effective in increasing shareholder wealth. On the resignation of directors, the options issued as remuneration are retained by the relevant party for a period of 21 days, following which if they are unexercised the options terminate. For details of directors and key management personnel interests in options at year end, refer section D.

Executive remuneration is not linked to either long term or short term performance conditions. The board will continue to monitor this to ensure that it is appropriate for the Company in future years. Consequently, remuneration of executives is determined with reference to the operations of the Company.

The net loss of the Company for the financial year 30 June 2015 after income tax amounted to \$6,620,704 (2014: \$23,444,116).

The board may exercise discretion in relation to approving incentives such as bonuses or options. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.

The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Voting and comments made at the Company's last Annual General Meeting

The Company received valid proxies of approximately 97% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2014. The resolution to approve the Remuneration Report was carried by a show of hands. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Shareholder returns

The following table shows the last five years' financial performance against shareholder returns.

	2015	2014	2013	2012	2011
Product sales revenue	481,753	2,948,648	3,491,266	3,696,947	2,698,372
Net loss attributable to members of Mustang Resources Limited	6,620,704	23,444,116	5,528,461	4,766,272	7,256,120
Basic EPS (cents)	(29.20)	(832.59)	(4.60)	(6.50)	(15.30)
Closing share price as at 30 June	\$0.22	\$0.03	\$0.001	\$0.012	\$0.011

In 2014 the Company's shares underwent a 25:1 consolidation.

In 2015 the Company's shares underwent a 67:1 consolidation.

B. Service Arrangements

Details of key management personnel

(i) Directors

Ian Daymond	- Non-Executive Director (appointed 30 July 2014)
Cobus van Wyk	- Executive Director (appointed 10 June 2015)
Chris Ritchie	- Executive Director (resigned as a director 13 July 2015), Chief Financial Officer & Company Secretary
Mark Freeman	- Non-Executive Director (appointed 30 July 2014 & resigned 10 June 2015)
Christopher Porter	- Non-Executive Director (resigned 30 July 2014)
Robert Oliver	- Non-Executive Director (resigned 30 July 2014)

Details of executives

Remuneration and other terms of employment for the following key management personnel are set out below:

Ian Daymond, Non-Executive Director (appointed 30 July 2014)

- Non-executive director fees of \$60,579 plus additional consulting fees of \$15,000 were paid or payable during the financial year (2014: Nil).
- Mr. Daymond is subject to re-election as a director in accordance with the Company's Constitution.

Cobus van Wyk, Executive Director (appointed 10 June 2015)

- Consulting fees of \$164,070 were paid or payable during the financial year (2014: Nil).
- Mr van Wyk's consulting contracts is for an annual amount of US\$216,000.
- Mr van Wyk is entitled to be issued 780,000 options in the Company with an exercise date of three years from the date of his appointment as a director, with

an exercise price of 25% premium to the market following the recommencement of trading in the Company's equities following the acquisition of the Save River Diamonds and Balama Graphite projects, based on a 30 day VWAP and subject to shareholder approval.

- Both Mr van Wyk and the Company can terminate the agreement by giving one month's written notice.
- Mr van Wyk is subject to re-election as a director in accordance with the Company's Constitution.

Chris Ritchie, Executive Director (resigned as a director 13 July 2015), Chief Financial Officer & Company Secretary

- Annual remuneration of \$213,672 (including an increase in annual leave accrual of \$13,164) was paid or payable (2014: \$160,030).
- Mr. Ritchie can terminate his employment contract by giving six weeks' notice and the Company can terminate this arrangement by giving 3 months' written notice.

Mark Freeman, Non-Executive Director
(appointed 30 July 2014, resigned 10 June 2015)

- Non-executive director fees of \$33,000 plus additional consulting fees of \$25,000 were paid or payable during the financial year (2014: NIL).
- Mr Freeman is subject to re-election as a director in accordance with the Company's Constitution.

Christopher Porter, Non-Executive Director
(resigned 30 July 2014)

- Non-executive director fees of \$5,000 were paid or payable (2014: \$60,000).

Robert Oliver, Non-Executive Director
(resigned 30 July 2014)

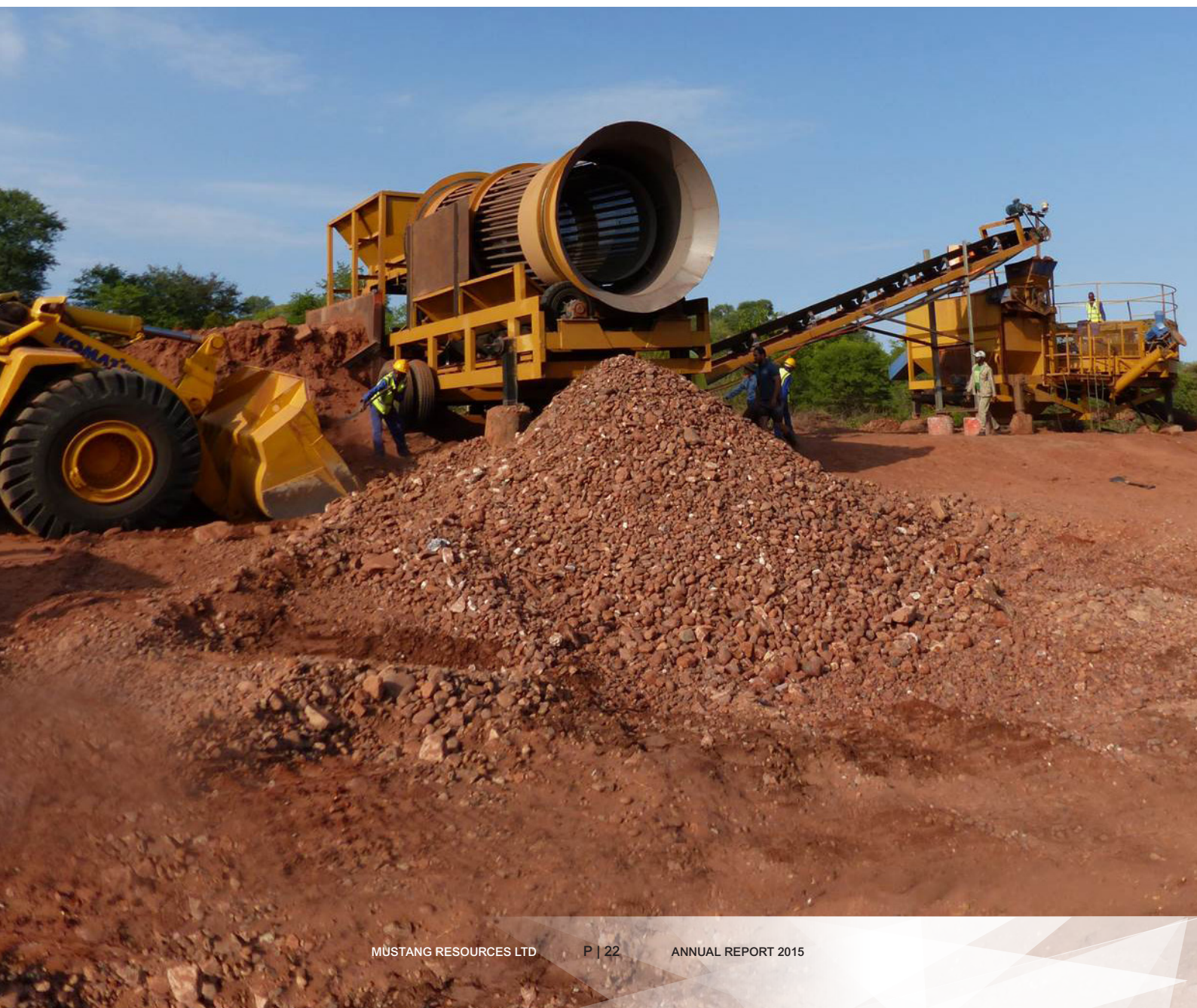
- Non-executive director fees of \$5,000 were paid or payable (2014: \$60,000).

Steven Graves, Executive Chairman
(resigned 14 November 2013)

- No Consulting fees (inclusive of director fees) were paid or payable during the financial year (2014: \$149,639).

Retirement benefits

Other retirement benefits may be provided directly by the Company if approved by shareholders.



C. Details of remuneration

The following table sets out remuneration paid to directors and senior executives of the Consolidated Entity during the reporting period.

	Salary , fees & short term compensated absences	Short-term non monetary benefits	Additional fees	Post employment super- annuation	Termination payments	Share- based payments Options	Total	Options as % of Total
	\$	\$	\$	\$	\$	\$	\$	
Key Management Personnel – Directors and Executives								
Ian Daymond, Non-Executive Chairman, (i)								
2015	55,323	-	15,000	5,256	-	-	75,579	-
2014	-	-	-	-	-	-	-	-
Cobus van Wyk, Executive Director (iii)								
2015	164,070	-	-	-	-	78,000	242,070	-
2014	-	-	-	-	-	-	-	-
Chris Ritchie, Executive Director, Chief Financial Officer & Company Secretary (iii)								
2015	189,926	6,954	-	16,792	-	-	213,672	-
2014	141,400	5,904	-	12,726	-	-	160,030	-
Mark Freeman, Non-Executive Director (iv)								
2015	33,000	-	25,000	-	-	-	58,000	-
2014	-	-	-	-	-	-	-	-
Christopher Porter, Non-Executive Director (v)								
2015	4,566	-	-	434	-	-	5,000	-
2014	54,920	-	-	5,080	-	-	60,000	-
Robert Oliver, Non-Executive Director (vi)								
2015	5,000	-	-	-	-	-	5,000	-
2014	60,000	-	-	-	-	-	60,000	-
Steve Graves, Executive Chairman (vii)								
2015	-	-	-	-	-	-	-	-
2014	149,639	-	-	-	-	-	149,639	-
Total 2015	451,885	6,954	40,000	22,482	-	78,000	599,321	-
Total 2014	405,959	5,904	-	17,806	-	-	429,669	-

(i) Mr Ian Daymond commenced as a non-executive director on 30 July 2014. Mr Daymond earned additional consulting fees (in addition to his director's fee) during the year of \$15,000 (excluding GST), due to the relisting process and project acquisitions, this additional amount was paid to Daymond & Associates Pty Ltd.

(ii) Mr Cobus van Wyk commenced on a consulting basis commencing in December 2014. He was appointed as an executive director on 10 June 2015. His services are provided by Regius Resources Group Limited.

(iii) Mr Chris Ritchie resigned as a director on 13 July 2015 but remains as Chief Financial Officer and Company Secretary.

Mr Ritchie's salary package was voluntarily reduced by 20% during the period 1 July 2013 to 30 June 2014, but was returned to the previous level effective 1 July 2014. Mr Ritchie's remuneration in 2015 includes an increase in annual leave provision of \$13,164.

(iv) Mr Mark Freeman commenced as a non-executive director on 30 July 2014 and resigned on 10 June 2015. His services are provided by Meccano Pty Ltd. Mr Freeman earned additional consulting fees (in addition to his director's fee) during the year of \$25,000 (excluding GST), due to the relisting process and project acquisitions.

(v) Mr Christopher Porter resigned on 30 July 2014.

(vi) Mr Robert Oliver resigned on 30 July 2014. His services were provided by Robert Oliver Consulting Pty Ltd.

(vii) Mr Stephen Graves resigned on 14 November 2013. Tigre International Inc. provided consulting services of Stephen Graves. Mr Graves's consulting fees were voluntarily reduced by 25% during the period 1 July 2013 to 14 November 2013.

There was no performance-based remuneration received during the year by directors or management.

D. Share based compensation

(a) Shares issued on exercise of remuneration options

No remuneration options were exercised in the 2015.

(b) Option holdings of key management personnel

The movement during the reporting period in the number of options over ordinary shares in Mustang Resources Limited held, directly, indirectly or beneficially, by each director and executive, including their personally-related entities.

2015	Held at 1 July 2014	Granted	Expired	Exercised/ Sold	Other Changes	Held at 30 June 2015	Exercisable/ Vested
Key Management Personnel							
Mr I Daymond	-	-	-	-	-	-	-
Mr C van Wyk	-	-	-	-	-	-	-
Mr C Ritchie	-	-	-	-	-	-	-
Mr M Freeman	-	-	-	-	-	-	-
Mr C Porter	-	-	-	-	-	-	-
Mr R Oliver	-	-	-	-	-	-	-
Mr S Graves (i)	112,150	-	(112,150)	-	-	-	-
Total	112,150	-	(112,150)	-	-	-	-

(i) Final balance of Mr Graves refers to the balance as of the date that he ceased to be considered key management personnel.

No options have been issued to directors or management as part of their remuneration during the year.

Mr van Wyk is entitled to be issued 780,000 unlisted options subject to shareholder approval at the Company's AGM in November 2015.

No options were granted since the end of the year. No terms of equity settled share based payment transactions have been altered or modified during the year. No options were exercised by directors or executives for shares in the Company during the year.

There are no options granted as remuneration on issue.

(c) Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares of Mustang Resources Limited, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

2015	Held at 1 July 2014	On Exercise of Options	Other changes	Held at 30 June 2015
Key Management Personnel				
Mr I Daymond	-	-	100,000	100,000
Mr C van Wyk (i)	-	-	4,900,000	4,900,000
Mr C Ritchie	-	-	125,000	125,000
Mr M Freeman	-	-	-	-
Mr C Porter (ii)	100,000	-	(98,508)	1,492
Mr R Oliver	-	-	-	-
Mr S Graves (iii)	800,745	-	(788,794)	11,951
Total	900,745	-	4,237,698	5,138,443

- (i) Acquired as part of the consideration paid by the Company for acquiring Save River Diamonds Pty Ltd, Sese Diamonds Pty Ltd and Balama Resources Pty Ltd to Regius Resources Group Limited of which Mr van Wyk is a related party.
- (ii) Final balance of Mr Porter refers to the balance as of the date that he ceased to be considered key management personnel, represented in post 67:1 consolidation terms.
- (iii) Final balance of Mr Graves refers to the balance as of the date that he ceased to be considered key management personnel, represented in post 67:1 consolidation terms.

(d) Performance Rights holdings of key management personnel

The movement during the reporting period in the number of performance rights of Mustang Resources Limited, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

2015	Held at 1 July 2014	Other changes	Held at 30 June 2015
Key Management Personnel			
Mr I Daymond	-	-	-
Mr C van Wyk (i)	-	20,580,000	20,580,000
Mr C Ritchie	-	-	-
Mr M Freeman	-	-	-
Mr C Porter	-	-	-
Mr R Oliver	-	-	-
Mr S Graves	-	-	-
Total	-	20,580,000	20,580,000

- (i) Acquired as part of the consideration paid by the Company for acquiring Save River Diamonds Pty Ltd, Sese Diamonds Pty Ltd and Balama Resources Pty Ltd to Regius Resources Group Limited of which Mr van Wyk is a related party.

(e) Other transactions and balances with key management personnel

No loans have been made during the financial period or at the date of this report to any specified directors or specified executives. A number of specified directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Transaction	Note	2015 \$	2014 \$
Directors & Executives			
Mr I Daymond (i)		1,786	-
Mr C van Wyk (ii)		319,132	-
Mr C Ritchie (iii)		18,376	43,025
Mr M Freeman (iv)		7,931	-
Mr C Porter (v)		313	1,239
Mr R Oliver		-	175
Mr S Graves		-	63,449

(i) During 2015, Mr Daymond was reimbursed travel expense, and was not owed any funds at year end.

(ii) During 2015, Regius Resources Group Ltd (or its subsidiaries) "Regius", of which Mr van Wyk is a director was reimbursed travel expenses and office rent of \$22,721. Capital raising fees of \$60,132 were also paid. Regius Resources Group Limited was also paid a total of US\$200,000 in accordance with the terms of the acquisition and joint venture agreements.

Prior to the Company establishing bank accounts in Mozambique and South Africa, all funds were distributed through Regius group companies. At year end \$155,055 was payable to Regius.

(iii) During 2015, Mr Ritchie was reimbursed travel and other costs totalling \$18,736 and was not owed any funds at year end,

(iv) During 2015, Mr Freeman was reimbursed travel costs and ASIC lodgement fees of \$7,931. At year end \$3,300 was outstanding.

(v) During 2015, Mr Porter was reimbursed travel costs of \$313, and was not owed any funds at year end.

*** End of Remuneration Report (Audited) ***



11. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Company acquired rights to earn majority interests in diamond prospecting and graphite licences in Mozambique.

As a consequence of the decision to change the nature and scope of the Company's activities the Company's equities were suspended on 23 January 2015 until the Company's securities were reinstated to the official list of ASX on 10 June 2015.

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. 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. All figures expressed in pre 67: 1 consolidation terms.

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 23 January 2015, the Company changed its name from OGI Group Ltd to Mustang Resources Limited.

On 5 February 2015, the Company's equities underwent a 67:1 consolidation.

During the financial year the company raised \$9,274,001 in equity through the issue of convertible loans, subsequently converted into fully paid ordinary shares in the financial year and through a Prospectus.

12. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 13 July 2015, Mr Chris Ritchie resigned as a director of the Company, although he will continue as Chief Financial Officer and Company Secretary. Mr Andrew Law was appointed as an executive director and also as Chief Operations Officer. Mr Frank Petruzzelli was also appointed as a non-executive director.

On 1 September 2015, the Company announced that it was proposing to acquire an option to acquire rights to earn majority interests in an additional two graphite licences in the Balama province of Cabo Delgado, Mozambique. Under the binding term sheet (subject to shareholder approval) the Company will be able to select any two of four additional licences currently having electromagnetic surveys being conducted upon them.

The total consideration for the acquisition of the option to acquire the two licences is:

1. The payment of \$150,000 payable in fully paid ordinary shares in the capital of the Company, based on a 10 day VWAP from the date of settlement.
2. The payment of \$50,000 in cash.
3. The issue of Class A Performance Rights in the Company calculated at the rate of the number of shares issued in point 1 multiplied by 1.4, which would vest upon the delineation of a JORC Compliant Inferred Graphite Resource of a minimum of 50 Million tonnes @ >10% TGC, on either of the two licences acquired.
4. The issue of Class B Performance Rights in the Company calculated at the rate of the number of shares issued in point 1 multiplied by 1.6, which would vest upon the delineation of a JORC Compliant Inferred Graphite Resource of a minimum of 100 Million tonnes @ >10% TGC, on either of the two licences acquired.
5. The issue of Class C Performance Rights in the Company calculated at the rate of the number of shares issued in point 1 multiplied by 1.8, which would vest upon the delineation of a JORC Compliant Inferred Graphite Resources of a minimum of 500 Million tonnes @ >10% TGC, on either of two licences acquired.
6. The Company will bear the cost of the EM survey and the processing of data of the four additional licences.

13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 31 and forms part of the directors' report for financial year ended 30 June 2015.

14. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor, Grant Thornton, for non-audit services provided during the year are set out below.

The board of Directors has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were reviewed by the board to ensure that they did not impact the impartiality and objectivity of the auditor; and
- None of the service undermine the general principles relating to auditor independence as set out in APEX 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firm:

	Consolidated	
	2015	2014
	\$	\$
Corporate Advisory		
Grant Thornton Audit Pty Ltd	-	2,145

15. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company is focussing its future development on diamond and graphite exploration & mining in southern Africa and is currently progressing with a diamond bulk sampling program and aerial surveying of graphite licences in Mozambique. The Company has announced its intention to acquire an option to acquire two additional graphite licences in Mozambique.

16. ENVIRONMENTAL REGULATIONS & PERFORMANCE

The Consolidated Entity is a party to various exploration and development licences or permits in the countries in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to diamond and graphite mining and oil & gas operations in the respective jurisdiction. The Consolidated Entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no significant known breaches of the environmental obligations of the Consolidated Entity's licences.

17. RISK MANAGEMENT

The Company takes a proactive approach to risk management. The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Consolidated Entity's objectives and activities are aligned with the risks and opportunities identified by the board.

18. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of sound corporate governance. The board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. Due to the size of the board currently there is no separate audit committee. These matters are considered by the full board.

19. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

20. INDEMNIFICATION AND INSURANCE OF OFFICERS

An indemnity agreement has been entered into with each of the directors and company secretary of the Company named earlier in this report. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. There is no monetary limit to the extent of this indemnity. The Company has paid insurance premiums of \$7,915 (2014: \$28,924) in respect of directors' and officers' liability and legal expenses insurance contracts, for current directors and officers of the Company.

The insurance premiums relate to:

- Costs and expenses incurred in by the relevant officers in defending legal proceedings, whether civil or criminal and whatever the outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

This report is made in accordance with a resolution of the directors.



Ian Daymond - Chairman

Mustang Resources Limited
Sydney, 30 September 2015

FORWARD LOOKING STATEMENTS

This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is considered 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 references to dollars, cents or \$ in this report are to Australian dollar currency, unless otherwise stated.



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

In the opinion of the directors:

1. The financial statements, comprising the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes of the Consolidated Entity, are in accordance with the Corporations Act 2001; and
 - a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the Consolidated Entity; and
 - c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the board



Ian Daymond - Chairman

30 September 2015
Sydney, Australia



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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 audit of Mustang Resources Limited for the year ended 30 June 2015, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten-style signature of "Grant Thornton" in a light purple color.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature of "Adrian Nathanielsz" in a light purple color.

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 30 September 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
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1. OVERVIEW

The Board and management of Mustang Resources Limited ("Company") are committed to conducting the business of the Company in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) to the extent appropriate to the size and nature of the Company's operations.

The Company's full Corporate Governance Plan is available at www.mustangresources.com.au/investors/corporate-governance.

This version of the Company's Corporate Governance Statement was approved by the Board on 8 October 2015.

2. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1: A listed entity should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the board and those delegated to management.

The Company has adopted a Board Charter.

The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of

the Board's disclosure policy.

A copy of the Company's Board Charter as part of the Company's Corporate Governance Plan is available on the Company's website.

Recommendation 1.2: A listed entity should undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.

All material information relevant to a decision on whether or not to elect or re-elect a director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a director will be voted on.

Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company requires that each director and senior executive is a party to a written agreement with the Company which sets out the terms of that director's or senior executive's appointment.

Recommendation 1.4: The Company Secretary of the listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Recommendation 1.5: A listed entity should:

- (a) have a diversity policy which includes requirements of the

board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - i. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "gender Equality Indicators", as defined in and published under the Act.

The Company has adopted a Diversity Policy.

The Diversity Policy provides a framework for the Company to develop a list of measurable objectives that encompass gender equality. The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting the measurable objectives.

The Diversity Policy as part of the Company's Corporate Governance Plan is available on the Company's website.

The measurable objectives set by the Board will be included in the annual key performance indicators for the senior executives.

In addition, the Board will review progress against the objectives in its annual performance assessment.

The Board will include in the annual report each year, the measurable objectives, progress against the objectives and the proportion of male and female employees in the whole organisation, at senior management level and at board level.

No measurable objectives were established during the year due to the Company's focus on acquiring the new assets, the relisting procedure and the integration of the new assets into the Company's operations. It is expected that the measurable objectives will be established in the next financial year.

Category	Female	Male
Board level	-	100%
Senior management (1)	-	100%
Whole organisation	8%	92%

(1) Senior management is defined as a member of the key management personnel as disclosed in the Company's Directors' Report.

Recommendation 1.6: A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Chairman is responsible for ensuring there is a process for evaluating the performance of the Board, its committees and individual directors on an annual basis. The Chairman does so with the aid of an independent advisor where appropriate. The process for this can be found in Schedule 6 of the

Company's Corporate Governance Plan.

No performance reviews were undertaken during the period due to a significant change in board composition during the reporting period and due to the few months in the life of the relisted company.

Recommendation 1.7: A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan.

No performance review were undertaken during the year due to a significant change in management and the focus on the acquiring of the new assets, the relisting process and the integration of the new assets into the business.

3. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1: The board of a listed entity should:

- (a) have a nomination committee which:
 - i. has at least three members, a majority of whom are independent directors; and
 - ii. is chaired by an independent director; and disclose

iii. the charter of the committee;

iv. the members of the committee; and

v. as at the end of each reporting period, the number of time the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose the fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not have a separate nomination committee but has established a nominations committee charter. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board.

Given the size and nature of the Company's activities the Board does not believe that any material effectiveness or enhancements would be achieved by the creation of a separate nomination committee.

The Board periodically reviews its structure and skills base to ensure that the Board has the optimal spread and depth of skills.

Recommendation 2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

As at this date the Board has not created a board skills matrix. Full details as to each director and senior executive's relevant skills and experience are available in Annual Reports, Prospectuses and on the Company's website.

Recommendation 2.3: A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

The Board Charter provides for the disclosure of the names of directors considered by the Board to be independent. These details are provided in Annual Reports, Prospectuses, and the Corporate Governance Statement.

The Company considers that only Mr Ian Daymond is an independent director.

The Board Charter requires directors to disclose their interest, positions, associations and relationships and requires that the independence of directors is regularly assessed by the Board in light of the interests disclosed by directors. Details of the directors' interests, positions, associations and relationships are provided in Annual Reports, Prospectuses and the Corporate Governance Statement.

Mr Andrew Law is the Company's COO and an executive director of the Company and therefore cannot be considered to be independent. Mr Law's services are provided by Fusion (WA) Pty Ltd.

Mr Cobus van Wyk is an executive director with the Company. Mr van Wyk is also a director of Regius Resources Group Limited. Regius Resources Group Limited was one of the vendors from which the Company acquired the diamond and graphite projects, and in which they maintain a non-controlling interest

in the Company's subsidiaries that hold the diamond licences. Mr van Wyk's services are provided by Regius Resources Group Limited, and this company is a substantial shareholder of the Company with approximately 5.4% of the issued capital of the Company. Mr van Wyk cannot be considered an independent director.

Mr Frank Petruzzelli is a non-executive director of the Company. Mr Petruzzelli is also a director of MDB Taxation & Business Pty Ltd, a company that provides consulting services and a serviced office in Melbourne to the Company. Mr Petruzzelli's services are also provided by MDB Taxation & Business Services Pty Ltd. Mr Petruzzelli is also a related party to Elba Investments Pty Ltd, one of the vendors from which the Company acquired the diamond and graphite projects. Elba Investments Pty Ltd is also a substantial shareholder of the Company with approximately 17.9% of the issued capital of the Company. Mr Petruzzelli cannot be considered an independent director.

The Board Charter provides for the determination of the Directors' terms and requires the length of service of each director to be disclosed. The length of service of each director is provided in Annual Reports, Prospectuses, and the Corporate Governance Statement.

Recommendation 2.4: A majority of the board of a listed entity should be independent directors.

One of the four current Directors is independent.

The Board Charter requires that where practical the majority of the Board will be independent.

Details of each director's independence are provided in Annual Reports, Prospectuses, and the Company's Corporate Governance Statement. Please see recommendation 2.3, above, for details.

Recommendation 2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Mr Ian Daymond is an independent director.

The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent director.

Recommendation 2.6: A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively.

Name of Director	Date of appointment	Length of service
Ian Daymond	30 July 2014	1 year 2 months
Andrew Law	13 July 2015	3 months
Cobus van Wyk	10 June 2015	4 months
Frank Petruzzelli	13 July 2015	3 months

The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for directors. The Remuneration Committee (when active, but currently the full Board assumes this responsibility) is responsible for the approval and review of induction and continuing professional development programs and procedures for directors to ensure that they can effectively discharge their responsibilities.

No formal induction program was conducted during the reporting period.

4. PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

Recommendation 3.1: A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.

The Company's Corporate Code of Conduct as part of the Company's Corporate Governance Plan is available on the Company's website.

5. PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1: The board should:

- (a) have an audit committee which:
 - i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

- ii. is chaired by an independent director, who is not the chair of the board, and disclose:
- iii. the charter of the committee;
- iv. the relevant qualifications and experience of the members of the committee; and
- v. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

- (b) if it does not have an audit committee disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company does not have a separate audit committee but has established an Audit & Risk Committee Charter. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board.

Given the size and nature of the Company's activities the Board does not believe that any material effectiveness or enhancements would be achieved by the creation of a separate audit committee.

The Audit and Risk Committee Charter as part of the Company's Corporate Governance Plan is available on the Company's website.

Recommendation 4.2: The board should, before it approves the listed entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a fair view of the financial position and performance of the entity and that the opinion has been

formed on the basis of a sound system of risk management and internal control which is operating effectively.

Before the Board approves the entity's financial statements for a financial period, the COO and CFO must have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3: Listed entities that have an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Board invites the Company's external auditor to attend its AGM and is available to answer questions from security holders relevant to the audit.

6. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1: A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or summary of it.

The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Continuous Disclosure' and details the Company's disclosure requirements as required by the

ASX Listing Rules and other relevant legislation.

The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company's website.

7. PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.

Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has adopted a shareholder communications strategy which aims to promote and facilitate effective two-way communication with investors. The shareholder communications strategy outlines a range of ways in which information is communicated to shareholders.

A copy of the shareholder communications strategy as part of the Company's Corporate Governance Plan can be found on the Company's website.

Recommendation 6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made

by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.

Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.

Recommendation 6.4: A listed entity should give security holders the option to receive communication from, and send communications to, the entity and its security registry electronically.

Security holders can register on the Company's website to receive email notifications when an announcement is made by the Company to the ASX.

Shareholders queries should be referred to the Company Secretary at first instance.

8. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1: The board of the listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
 - i. has at least three members, a majority of whom are independent director; and
 - ii. is chaired by an independent director, and disclose:
 - iii. the charter of the committee;
 - iv. the members of the committee; and
 - v. as at the end of each reporting period the number of times the committee met

throughout the period and the individual attendances of the members at those meetings; or

- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company does not have a separate risk committee but has established an Audit & Risk Committee Charter. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board.

Given the size and nature of the Company's activities the Board does not believe that any material effectiveness or enhancements would be achieved by the creation of a separate risk committee.

A copy of the Audit and Risk Committee Charter as part of the Company's Corporate Governance Plan is available on the Company's website.

Recommendation 7.2: The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.

Details of the number of times that the Board has met and the individual attendances of members at those meetings are provided in the Company's Annual Reports.

Recommendation 7.3: A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs or
- (b) if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function. Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Board Charter details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

No review of the Company's risk management framework and associated internal compliance and internal control procedures was carried out during the reporting period.

9. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1: The board of a listed entity should:

- (a) have a remuneration committee which;
 - i. has at least three members, a majority of whom are independent directors; and
 - ii. is chaired by an independent director, and disclose:
 - iii. the charter of the committee;
 - iv. the members of the committee; and
 - v. as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company does not have a separate remuneration committee but has established a Remuneration Committee Charter. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board.

Given the size and nature of the Company's activities the Board does not believe that any material effectiveness or enhancements would be achieved by the creation

of a separate remuneration committee.

The remuneration of directors is formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the managing director and the executive team.

It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board and executive team by remunerating fairly and appropriately with reference to relevant employment market conditions. To assist in delivering this objective the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial position and operational performance.

Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Board discloses its policies and practices regarding the remuneration of non-executive, executive and other senior directors.

A copy of the Remuneration Committee Charter as part of the Company's Corporate Governance Plan is available on the Company's website.

Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

The Company does not currently have an equity-based remuneration scheme.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARENDED 30 JUNE 2015

		Consolidated	
	Notes	2015	2014
		\$	\$
Revenue from sales		-	-
Cost of sales		-	-
Gross profit		-	-
Interest revenue		2,672	800
Impairment of debtors	4	-	(250,000)
Administration costs	2(a)	(1,687,089)	(1,658,636)
Relisting & restructure costs		(636,432)	-
Profit on sale of assets		40,682	-
Realised FX gain		105,994	-
Future value gain / (loss) on derivatives	2(b)	-	(20,212)
Finance costs	2(b)	(201,967)	(266,295)
Loss from continuing operations before income tax expense		(2,376,140)	(2,194,385)
Income tax (expense) / benefit	3	-	-
Loss from continuing operations		(2,376,140)	(2,194,385)
Loss from discontinued operations	27	(4,244,564)	(21,249,731)
Net loss for the period		(6,620,704)	(23,444,116)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation gain		4,743,596	167,294
Other comprehensive gain for the period net of tax		4,743,596	167,294
Total comprehensive loss for the period		(1,877,108)	(23,276,822)
Loss for the period attributable to:			
Non-controlling interest		(999)	-
Owners of the parent		(6,619,705)	(23,444,116)
		(6,620,704)	(23,444,116)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		(999)	-
Owners of the parent		(1,876,109)	(23,276,822)
		(1,877,108)	(23,276,822)

The above statement should be read in conjunction with the accompanying notes to these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated	
	Notes	2015	2014
Loss per share			
Continuing operations			
Basic loss per share (cents per share)	13	(10.48)	(77.93)
Diluted loss per share (cents per share)	13	(10.48)	(77.93)
Discontinued operations			
Basic gain / (loss) per share (cents per share)	13	(18.72)	(754.66)
Diluted gain / (loss) per share (cents per share)	13	(18.72)	(754.66)
Total			
Basic loss per share (cents per share)	13	(29.20)	(832.59)
Diluted loss per share (cents per share)	13	(29.20)	(832.59)

The above statement should be read in conjunction with the accompanying notes to these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

Consolidated			
	Notes	2015 \$	2014 \$
Current assets			
Cash and cash equivalents	15(b)	3,711,787	1,477,814
Trade and other receivables	4	670,702	1,231,921
Prepayments	5	116,609	25,732
Total current assets		4,499,098	2,735,467
Non-current assets			
Trade and other receivables	4	1,014	249,598
Plant and equipment	7	1,676,172	6,282
Exploration and evaluation assets	8	21,307,109	-
Oil and gas properties	9	-	777,076
Total non-current assets		22,984,295	1,032,956
Total assets		27,483,393	3,768,423
Current liabilities			
Trade and other payables	10(a)	1,783,718	1,764,425
Interest bearing loans & borrowings	10(b)	-	2,086,000
Cash call	10(a)	-	37,028
Provisions	11	136,777	111,277
Total current liabilities		1,920,495	3,998,730
Non-current liabilities			
Other payables	10 (c)	1,464,844	-
Provisions	11	-	182,997
Total non-current liabilities		1,464,844	182,997
Total liabilities		3,385,339	4,181,727
Net (liabilities) / assets		24,098,054	(413,304)
Equity			
Contributed equity	12	128,821,203	112,248,925
Reserves	14	13,341,691	641,983
Accumulated losses		(119,923,917)	(113,304,212)
Parent interests		22,238,977	(413,304)
Non-controlling interests		1,859,077	-
Total equity		24,098,054	(413,304)

The above statement should be read in conjunction with the accompanying notes to these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEARENDED 30 JUNE 2015

		Consolidated	
	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		440,618	3,456,620
Payments to suppliers and employees		(3,709,809)	(5,892,943)
Interest received		2,672	759
Interest paid		(28,615)	(62,392)
Net cash flows used in operating activities	15(a)	(3,295,134)	(2,497,956)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(2,699,334)	(498,597)
Payments for plant & equipment		(1,210,900)	-
Payments for oil & gas properties		(108,131)	(27,646)
Proceeds from sale of controlled entity		616,293	-
Proceeds from sale of prospects		803,293	3,743,110
Net cash flows from / (used) in investing activities		(2,598,779)	3,216,867
Cash flows from financing activities			
Proceeds from the issue of shares		3,500,000	126,000
Proceeds from the issue of convertible loans		5,774,001	-
Share issue costs		(900,805)	(30,004)
Loans from / (to) other entities		39,315	-
Redemption of convertible notes & securities		(580,000)	-
Net cash from financing activities		7,832,511	95,996
Net increase/(decrease) in cash and cash equivalents		1,938,598	814,907
Cash and cash equivalents at 1 July		1,477,814	671,811
Effect of exchange rate changes on cash and cash equivalents		295,375	(8,904)
Cash and cash equivalents at 30 June	15(b)	3,711,787	1,477,814

The above statement should be read in conjunction with the accompanying notes to these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

Consolidated Entity	Issued capital	Accumulated losses	Option Reserve	Performance Rights reserve	Foreign currency translation reserve	Convertible notes reserve	Owners of the parent	Non-controlling interest	Total equity
	\$	\$	\$		\$	\$			\$
At 1 July 2014	112,248,925	(113,304,212)	4,029,740	-	(4,756,950)	1,369,193	(413,304)	-	(413,304)
Loss for the period	-	(6,619,705)	-	-	-	-	(6,619,705)	(999)	(6,620,704)
Other comprehensive loss	-	-	-	-	4,743,596	-	4,743,596	-	4,743,596
Total comprehensive gain / (loss) for the period	-	(6,619,705)	-	-	4,743,596	-	(1,876,109)	(999)	(1,877,108)
Non-controlling interest of subsidiaries acquired	-	-	-	-	-	-	-	1,860,076	1,860,076
Issue of performance rights	-	-	-	7,508,955	-	-	7,508,955	-	7,508,955
Issue of options	-	-	447,157	-	-	-	447,157	-	447,157
Issue of share capital (net of issue costs)	16,572,278	-	-	-	-	-	16,572,278	-	16,572,278
Balance at 30 June 2015	128,821,203	(119,923,917)	4,476,897	7,508,955	(13,354)	1,369,193	22,238,977	1,859,077	24,098,054
At 1 July 2013	111,809,740	(89,860,096)	4,029,740	-	(4,924,244)	1,369,193	22,424,333	-	22,424,333
Loss for the period	-	(23,444,116)	-	-	-	-	(23,444,116)	-	(23,444,116)
Other comprehensive loss	-	-	-	-	167,294	-	167,294	-	167,294
Total comprehensive loss for the period	-	(23,444,116)	-	-	167,294	-	(23,276,822)	-	(23,276,822)
Issue of share capital (net of issue costs)	439,185	-	-	-	-	-	439,185	-	439,185
Balance at 30 June 2014	112,248,925	(113,304,212)	4,029,740	-	(4,756,950)	1,369,193	(413,304)	-	(413,304)

The above statement should be read in conjunction with the accompanying notes to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Mustang Resources Limited and its subsidiaries ("the Consolidated Entity") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 30 September 2015. Mustang Resources Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The address of the registered office and principal place of business is 566 Elizabeth Street, Melbourne, Victoria, 3000. The principal activity of Mustang Resources Limited during the financial year changed from the exploration of oil and gas in the USA to the exploration of diamonds and graphite in Mozambique.

(a) Significant accounting policies

New and amended accounting policies adopted by the group

The accounting policies adopted are consistent with those of the previous financial and the Company has adopted all mandatory standards.

New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations most relevant to the consolidated entity are set out below:

AASB 9 Financial Instruments

The standard is applicable to annual reporting periods beginning on or after 1 January 2018 and completes phase 1 of the IASB's project to replace IAS 39 (being the international equivalent to AASB 129 'Financial Instruments: recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value.

The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2018 and the impact is not expected to be material.

AASB 15 Revenue from Contracts with Customers

AASB 15:

- Replaces AASB 18 revenue, AASB 111 Construction Contracts and some revenue-related interpretations
- Established a new control-based revenue recognition model
- Changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- Provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- Expands and improves disclosures about revenue

When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared for a for-profit entity in accordance with Australian Accounting Standards (AASB) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(c) Going concern

The Company's financial statements have been prepared and presented on a basis assuming it continues as a going concern.

The Company incurred a net loss for the year of \$6,620,704 (2014: \$23,444,116). At 30 June 2015, the Company had cash at bank totalling \$3,711,787 and a working capital surplus of \$2,578,603 (2014: deficit of \$1,263,263). The going concern basis of accounting contemplates the continuity of normal business activities, including the realisation of assets and settlement of liabilities in the normal course of business.

The Company potentially has significant capital commitments in the next financial year and it is unlikely that revenue generated from the trial mining program will be sufficient to fund these commitments in the required timeframe. It is probable that the Company will be able to negotiate with licence holders to extend payment milestone and interest-earning entitlement dates, given the early success of the projects. Irrespective, the Company will seek to raise additional capital to ensure the ongoing development of both the Diamond and Graphite projects until such time as they are self-funding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

The Company's ability to continue as a going concern is dependent upon obtaining necessary funds. While the Company is expending its best efforts, the raising of the necessary funds cannot be assured.

(d) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2015 (the "Consolidated Entity"). The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Other than those subsidiaries in Mozambique and South Africa all subsidiaries have a reporting date of 30 June. South African and Mozambican subsidiaries have a 31 December reporting date. The Company is in the process of harmonising all reporting dates to 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes

total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Investments in subsidiaries held by Mustang Resources Limited are accounted for at cost less impairment charges in the parent entity information in Note 26. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment.

Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries that are carrying on a business is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for

as an equity transaction.

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

If the group considers that an acquisition is not carrying on a business then the identifiable assets are capitalised as exploration assets in accordance with AASB 6 when no other identifiable assets and liabilities have been identified in the entities acquired at acquisition date. Acquisition costs are calculated based on the fair value of the consideration at the date of purchase.

(e) Plant and equipment

Mining plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items

Depreciation

Mining plant and equipment, other than freehold land, are depreciated to their residual values on a straight-line basis to write-off the net cost of

each item over their expected useful lives as follows:

- Mining plant & equipment 25%
- Motor vehicles 25%
- Office equipment 10% to 25%

Currently there are no buildings owned by the Consolidated Entity.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in profit or loss.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(f) Mineral exploration and development costs

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration licence acquisition costs are capitalised and subject to annual impairment testing or more frequent if there is an indication of impairment. All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs, are capitalised provided the rights to tenure of the area of interest is current and either:

- The expenditure relates to an exploration discovery that, at balance date, has not reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant activities in relation to the area of interest are continuing; or
- It is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

Each potential or recognised area of interest is reviewed half yearly to determine whether economic quantities of resources have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever the facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

(g) Impairment of non-financial assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes a formal estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of recoverable amount, but only if there has been

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

a change in the estimates used to determine the assets recoverable amount and only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit).

(h) Provision for restoration

The Consolidated Entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities and restoration of affected areas. Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The capitalised carrying amount is depreciated over the useful life of the related asset (refer Note 1(e)). Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the full debt. Bad debts are written off when identified. Objective evidence is defined as when the debt is more than 120 days old. This is a base case scenario, other prevailing

circumstances like payment history and payment arrangements may override the 120 day rule.

(j) Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, including bank overdrafts.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using

a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Employee entitlements

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Wages, salaries, bonus payments, annual leave and sick leave

Liabilities for wages and salaries, bonus payments, including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Profit or Loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Profit or Loss as an integral part of the lease expense.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales revenue

Sales revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of "delivery of goods to the customer". Delivery of product is under well specific contracts that define transfer point of ownership.

Interest

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(p) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences; except:

When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and,

at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised; except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, in which case the deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

Receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Borrowing costs

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (greater than 12 months). The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Consolidated Entity's outstanding borrowings during the year.

(s) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

(t) Earnings per share ("EPS")

Basic EPS is calculated as net profit or loss attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as the net profit or loss attributed to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from

the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares; adjusted for any bonus element.

(u) Foreign currency translation

Both the functional and presentation currency of Mustang Resources Limited is Australian Dollars (\$). The Australian subsidiary companies functional currency is United States Dollars (US\$). Functional currency for foreign operations has been determined based on the requirements of AASB 121 "The Effects of Changes in Foreign Exchange Rates". Each entity in the Consolidated Entity uses its specific functional currency to measure the items included in the financial statements of that entity.

The functional currencies of overseas subsidiaries are United States Dollars (USD), South African Rand (ZAR) or Mozambican Meticals (MZN). As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of Mustang Resources Limited at the rate of exchange ruling at the balance date and their Statement of Profit or Loss and Other Comprehensive Income items are translated at the average exchange rate for the year.

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange ruling at the date of the transaction or the average for the period when translating a large number of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items are measured at fair value in a foreign currency are

translated using the exchange rate as at the date when fair value was determined.

The exchange differences arising on the translation are taken directly to the foreign currency reserve. On disposal of a foreign entity, the exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(v) Share-based payment transactions

The Consolidated Entity may provide benefits to directors and employees of the Consolidated Entity in the form of equity, whereby directors and employees render services in exchange for options to acquire shares or rights over shares.

The fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The fair value of the options granted is measured using an appropriate model, taking into account the terms and conditions upon which the options were granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the group or Company receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of the shares of Mustang Resources Ltd (market conditions).

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to

market conditions not being met.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the grant date fair value of the award, (ii) the extent to which the vesting period has expired and (iii) for non-market based hurdles the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for changes in the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the fair value at grant date. The Statement of Profit or Loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 13).

(w) Convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issuance of the convertible notes, the fair value of the liability component is determined using an estimated market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. Interest on the liability component of the instruments is recognised as an expense in the Statement of Profit or Loss. The increase in the liability due to the passage of time is recognised as a finance cost if material.

(x) Interests in joint arrangements

Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Where the Group's activities are conducted through joint operations, the Group recognises its assets (including its share of assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Where the Group's activities are conducted through a joint venture, the Group recognises its interests in the joint venture using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the joint venture. Where there has been a change recognised directly in other comprehensive income or equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of profit or loss and other comprehensive income or the statement of changes in equity, as appropriate.

Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of the joint venture's net profit/ (loss) is shown on the face of profit or loss. This is the profit/ (loss) attributable to venturers in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the venturer. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(y) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for

which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(z) Comparative figures

Where necessary, prior year comparatives have been adjusted to be consistent with the classification applied in the current year.

(aa) Critical accounting estimates, assumptions and judgements

Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Consolidated Entity continually employs judgement in the application of its accounting policies.

(i) Critical accounting estimates and assumptions

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest

have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable resources. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Equity settled transactions include options and performance rights. The fair value of an option is determined by using an appropriate option-pricing model.

(ii) Critical judgements in applying the consolidated entity's accounting policies

Exploration and evaluation

The Consolidated Entity's accounting policy for exploration and evaluation is set out at Note 1(f). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been or will be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, it is determined that the Consolidated Entity is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the Statement of Profit or Loss.

Restoration provision

The Consolidated Entity's accounting policy for restoration provisions is set out at Note 1 (h). The application of this policy necessarily requires management to make certain estimates and

assumptions as to future events and circumstances, in particular the forecast costs of the restoration and remediation of prospects to their pre-drilling state. Any such estimates and assumptions may change as new information becomes available. Any change in the estimated level of restoration provision will be written off or written back to the Statement of Profit or Loss.

Estimation on valuation of Consideration of Acquisition

As part of the acquisition terms for Balama Resources Pty Ltd, if the Class F Performance Rights vest, then a payment of US\$1,500,000 is due to the vendors. As at 30 June 2015 the Company has taken up this liability discounted to a 75% probability of achievement. At each reporting date the liability will be revalued based on the probability of payment.

Estimates have also been used in valuing the probability of the performance rights.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. REVENUE, EXPENSES AND LOSSES/GAINS

	2015	2014
	\$	\$
(a) Administration costs		
Employee/consulting fees	707,755	684,241
Defined contribution superannuation	22,516	14,379
Employee benefit / consulting fees expense	730,271	698,620
Compliance costs	316,205	407,540
Insurance	35,057	37,606
Depreciation	1,326	11,186
Other	604,230	503,684
	1,687,089	1,658,636
(b) Finance expense		
Fair value loss on derivatives	-	20,212
Interest expense	201,967	266,295
	201,967	286,507

3. INCOME TAX

The major components of income tax expenses are:

	Consolidated	
	2015	2014
	\$	\$
Statement of comprehensive income		
<i>Current income tax</i>		
Current income tax charge	(2,544,326)	(616,270)
Adjustments in respect of current income tax of previous years		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences		-
DTA not brought to account	2,544,326	616,270
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	-	-
Statement of changes in equity		
<i>Deferred income tax</i>		
Convertible note	-	-
Deferred income tax recognised directly in equity	-	-

The aggregate amount of income tax attributed to the financial period differs from the amount calculated on the operating loss. The differences are recorded as follows:

Accounting (loss)	(6,670,204)	(23,444,116)
Prima facie tax receivable at 30% (2014:30%)	(1,986,211)	(7,033,235)
Add tax effect of:		
DTA not brought to account	1,986,211	7,033,235
Income tax expense / (benefit) on loss	-	-

Deferred income tax

Deferred income tax at 30 June relates to the following:

	2015	2014
	\$	\$
Deferred tax liabilities		
Deferred tax liabilities movement in the profit and loss:		
Exploration expenses	-	-
Deferred tax liabilities movement in equity:		
Convertible note	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	\$	\$
Deferred tax assets		
Deferred tax assets movement		
Exploration expenses:		
Provisions	(48,821)	(18,280)
Losses - Australian	2,293,672	-
Losses - US	-	-
Losses - South Africa	558,571	-
Losses - Mozambique	55,305	-
Non-recognition of deferred taxes	(2,858,727)	18,280
	-	-

Tax losses

No deferred tax assets have been recognised in the Statement of Financial Position in respect of the amount of previous losses.

	Consolidated	
	2015	2014
	\$	\$
Deferred tax assets		
Tax losses – Australian	2,293,672	-
Tax losses – US	-	-
Tax losses – South Africa	558,571	-
Tax losses – Mozambique	55,305	-
	2,907,548	-

Mustang Resources Limited and its 100% owned Australian subsidiary have not formed a tax consolidated group for the year ended 30 June 2015.

The potential deferred tax asset will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company and/or the Consolidated Entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- conditions for the deductibility imposed by the laws are complied with; and
- no changes in tax legislation adversely affect the realization of the benefit from the deductions.

4. TRADE & OTHER RECEIVABLES

	Consolidated	
	2015	2014
	\$	\$
Current		
Trade debtors ¹	189,819	233,387
	189,819	233,387
Other receivables ³	216,495	1,829,320
Security deposits ⁴	264,388	-
Allowance for impairment loss ²	-	(830,786)
	670,702	1,231,921

Reconciliation of the allowance for impairment loss at the beginning and end of financial year:

	Consolidated	
	2015	2014
	\$	\$
Allowance for impairment loss		
Balance at start of year	830,786	50,000
Additions	-	780,786
Utilisation	(830,786)	-
Release	-	-
Balance at end of year	-	830,786

	Consolidated	
	2015	2014
	\$	\$
Non-current		
Security deposits ⁴	-	249,598
Other debtors	1,014	-
	1,014	249,598

Terms and conditions relating to the above financial instruments;

- 1 Trade debtors are non-interest bearing and generally on 60 day terms.
- 2 An allowance for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss (2014:\$780,786) has been recognised by the group in the current year.
- 3 Other receivables are non-interest bearing and have repayment terms of between 30 and 90 days.
- 4 Security deposits are interest bearing and provide security towards performance bonds provided by the Consolidated Entity's banks to state governmental agencies against environmental obligations. The security deposits represent the net of farm in partners share. In 2015 the remaining security deposits have been reallocated to current assets, as the Company expects to receive these amounts within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

At 30 June, the ageing analysis of current trade receivables is as follows:

		Total	0 to 30 Days	31 to 60 Days	61 to 90 Days	>90 Days CI*	>90 Days PDNI**
		\$	\$	\$	\$	\$	\$
2015	Consolidated	189,819	23,266	3,689	7,821	-	155,043
2014	Consolidated	233,387	137,219	28,645	1,228	-	66,295

* Considered impaired ('CI')

** Past due not impaired ('PDNI')

Receivables past due but not impaired total \$155,043 (2014: \$66,295). The amounts are predominately insurance claims lodged but not yet paid.

Management has reviewed the outstanding amounts considered PDNI and are satisfied that the debts are collectable or will be netted off against future payments to the debtor from current contract entitlements.

5. PREPAYMENTS

	Consolidated	
	2015	2014
	\$	\$
Prepayments	116,609	25,732

The major items in the prepayment balance in 2015 are prepaid travel and meeting expenses for a European Investor Roadshow that took place in July 2015 and prepaid insurance. The major item in the prepayment balance in 2014 was prepaid insurance.

6. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Percentage of equity Interest held by the consolidated entity	
		2015	2014
Investments in subsidiaries		%	%
Golden Gate Resources Ltd	Canada	100	100
GGR Exploration LLC	USA	100	100
Cathie Energy Texas, LLC	USA	100	100
Kindee Oil & Gas Louisiana, LLC	USA	100	100
Kindee Oil & Gas Texas, LLC	USA	100	100
Long Flat Ltd	USA	100	100
Birdwood Louisiana, LLC	USA	-	100
Yarras Texas, LLC	USA	100	100
Save River Diamonds Pty Ltd	AUS	78	-
Sese Diamonds Pty Ltd	AUS	74	-
Balama Resources Pty Ltd	AUS	100	-
Mustang Diamonds (Pty) Ltd	SA	100	-
Mustang Graphite (Pty) Ltd	SA	100	-
Mustang Diamonds Lda	MZ	100	-
Mustang Graphite Lda	MZ	100	-
Mozvest Mining Lda	MZ	53	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

7. PROPERTY, PLANT & EQUIPMENT

a) Office Equipment

	Consolidated	
	2015	2014
	\$	\$
Office equipment at cost	24,068	92,760
Accumulated depreciation	(737)	(86,478)
Total office equipment	23,331	6,282

Reconciliation of the carrying amounts of office equipment at the beginning and end of the financial year:

	Consolidated	
	2015	2014
	\$	\$
Office equipment at cost		
Balance at start of year	6,282	25,749
Additions	24,068	-
Sales	-	(8,372)
Movement in carrying value as a result of foreign currency valuations	711	91
Depreciation	(7,730)	(11,186)
Balance at end of year	23,331	6,282

b) Plant & equipment

	Consolidated	
	2015	2014
	\$	\$
Plant & equipment	1,760,543	-
Accumulated depreciation	(107,702)	-
Total plant & equipment	1,652,841	-

Reconciliation of the carrying amounts of plant & equipment at the beginning and end of the financial year:

	Consolidated	
	2015	2014
	\$	\$
Plant & equipment		
Balance at start of year	-	-
Additions	1,760,543	-
Sales	-	-
Movement in carrying value as a result of foreign currency valuations	-	-
Depreciation	(107,702)	-
Balance at end of year	1,652,841	-

c) Total Property, plant & equipment

	Consolidated	
	2015	2014
	\$	\$
Total property, plant & equipment	1,784,611	92,760
Accumulated depreciation	(108,439)	(86,478)
Total plant & equipment	1,676,172	6,282

Reconciliation of the carrying amounts of plant & equipment at the beginning and end of the financial year:

	Consolidated	
	2015	2014
	\$	\$
Plant & equipment		
Balance at start of year	6,282	25,749
Additions	1,784,611	-
Sales	-	(8,372)
Movement in carrying value as a result of foreign currency valuations	711	91
Depreciation	(115,432)	(11,186)
Balance at end of year	1,676,172	6,282

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. EXPLORATION AND EVALUATION ASSETS

a) Expenditure carried forward in respect of diamond & graphite areas of interest

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective diamond and graphite interests.

b) Reconciliation:

	Consolidated	
	2015	2014
	\$	\$
Carrying amount at beginning of period	-	22,000,001
Movement in carrying value as a result of foreign currency variations	211,922	211,000
Additions – acquisition of costs	319,389	498,597
Issue of shares (1)	7,469,776	-
Issue of options	277,092	-
Issue of performance rights	7,891,292	-
Additions – capitalised exploration & evaluation costs	3,277,562	-
Non-controlling interest (2)	1,860,076	-
Transfer to oil & gas properties	-	(17,316,738)
Impairment expense – continuing operations	-	(1,003,248)
Impairment expense – discontinuing operations	-	(4,389,612)
Carrying amount at end of period	21,307,109	-

(1) Issue of shares includes an amount accrued at 30 June 2015 to reflect the possible payment of US\$1,500,000 upon the achievement of the Class F Performance rights, discounted to a 75% probability of achievement.

(2) Non-controlling interest relates to the 22% of Save River Diamonds Pty Ltd and the 26% of Save River Diamonds Pty Ltd that the Company does not own.

The Company through its 74% ownership of Sese Diamonds Pty Ltd which holds 70% of Mozvest Mining Limitada is entitled to the 51.8% of Licence 4525L. For all other licences the Company is entitled to earn the individual interest through joint venture agreements with a number of existing licence holders in Mozambique.

Allowance for impairment expense in 2014 write off incurred with respect to the non-developed Permian prospects, and prospects at Bowtie West and Napoleonville. The Permian prospects were impaired to match the sale value, Bowtie West was impaired due to the Company not participating in further wells at this project and the Templet #1 well was the final well that the Company was involved in at Napoleonville Project and this was declared a dry well in September 2014.

9. OIL AND GAS PROPERTIES

a) Oil and gas properties carried forward

	Consolidated	
	2015	2014
	\$	\$
Oil and gas production properties	-	777,076

b) Reconciliation:

	Consolidated	
	2015	2014
	\$	\$
Carrying amount at beginning of period	777,076	5,102,120
Transferred from exploration	-	17,316,738
Movement in carrying value as a result of foreign currency variations	174,187	29,167
Additions	75,143	27,646
Sales	(965,256)	(5,375,625)
Impairment expense – continuing operations	-	(401,079)
Impairment expense –discontinuing operations	(20,443)	(15,186,614)
Amortisation	(40,707)	(735,277)
Carrying amount at end of period	-	777,076

In 2014 the recoverable amount of the discontinued operations was based on fair value less cost to sell while continuing operations were based on their value in use. The carrying value of the discontinued operations was based on the sale value of the Permian leases, less commission paid to complete an open market sale. The carrying amounts of the continuing operations were determined to be higher than their recoverable amounts and an impairment expense of \$15,587,693 was recognised. The impairment costs relate primarily to the Permian leases that were sold during the 2014 financial year.

Value in use was determined by modelling management's estimate of the future discounted cash flows that could be generated from on-going development and use of the assets. The values calculated from the model were used as a guide to assist the management in determining the recoverable value of development assets. The model was based on the following key assumptions:

- a discount rate of 10.0%
- no increase in oil or gas prices from existing prices

The above assumptions have been applied by management based on an assessment of historical operating performance to date, and best estimates of forecast future production.

Sensitivity to changes in assumptions

With regard to the assessment of the value in use of the development assets, reasonable possible changes in key assumptions could cause the carrying value of the assets to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10. FINANCIAL LIABILITIES

a) Trade creditors

	Consolidated	
	2015 \$	2014 \$
Current		
Trade creditors ¹	1,439,024	1,200,301
Other creditors ²	344,694	564,124
	1,783,718	1,764,425
Cash call ³	-	37,028
	1,783,718	1,801,453
Aggregate amount payable to related parties included in the above:		
Directors and director related entities:		
- director related entity ⁴	235,209	37,166

Terms and conditions

- 1 Trade creditors are non-interest bearing and generally on 30 - 60 day terms.
- 2 Other creditors are non-interest bearing and have no fixed repayment terms.
- 3 Payments received in advance from JV partners are non-interest bearing.
- 4 Amounts relate to consulting fees and travel expenses owing at year end and are payable within 30 days. Refer to Note 20 for details of other key management personnel transactions.

b) Interest bearing loans and borrowings

	Consolidated	
	2015 \$	2014 \$
Current		
Convertible Notes – Series 1	-	300,000
Convertible Notes – Series 2	-	206,000
Convertible Notes – Series 3	-	830,000
Convertible Notes – Series 4	-	200,000
Convertible Security	-	550,000
	-	2,086,000

During the financial year the Company redeemed \$580,000 convertible notes and security in cash and note holders converted convertible notes and securities to the value of \$1,506,000. The number of shares issued on conversion is shown in Note 12(b).

c) Other payables

	Consolidated	
	2015 \$	2014 \$
Non-current		
Other payables	1,464,844	-
	1,464,844	-

As part of the acquisition terms for Balama Resources Pty Ltd, if the Class F Performance Rights vest, then a payment of US\$1,500,000 is due to the vendors. As at 30 June 2015 the Company has taken up this liability discounted to a 75% probability of achievement. At each reporting date the liability will be revalued based on the probability of payment.

11. PROVISIONS

	Consolidated	
	2015 \$	2014 \$
Current		
Employee benefits	31,592	26,351
Restoration costs	105,185	84,926
	136,777	111,277

Non-Current		
Restoration costs	-	182,997
	-	182,997

Restoration

Carrying amount at beginning of period	267,923	268,548
Additional provisions	-	18,431
Accretion in provisions	-	(14,912)
Provision reversed in the period	(143,309)	-
FX movement on provision	(19,429)	(4,144)
Carrying amount at end of period	105,185	267,923

A provision for restoration is recognised in relation to the exploration and production activities for costs associated with the restoration of the various sites. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the restoration provision, the entity has assumed no significant changes will occur in the relevant federal and state legislation in relation to restoration in the future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

12. CONTRIBUTED EQUITY

(a) Issued and paid up share capital

	Consolidated	
	2015	2014
	\$	\$
Ordinary shares fully paid	128,821,203	112,248,925

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. No dividends were declared during the current year or the prior year.

(b) Movements in ordinary shares

	2015		2014	
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning of the year	191,938,698	112,248,925	178,832,659	111,809,740
Conversion of convertible notes	283,616,092	1,075,000	5,620,915	150,000
Conversion of convertible loans	-	-	-	-
Equity issued on settlement of acquisitions	-	-	-	-
Equity issued not for cash	8,299,960	27,069	2,182,902	74,073
Equity issued during the year for cash	-	-	-	-
Total prior to 67:1 consolidation	483,854,750	-	-	-
Total post 67: 1 consolidation	7,221,712	-	-	-
Consolidation Rounding	(2,602)	-	-	-
Conversion of convertible notes	2,155,000	431,000	-	-
Conversion of convertible loans	28,870,005	5,774,001	-	-
Equity issued on settlement of acquisitions	33,780,060	6,606,012	-	-
Equity issued not for cash	1,154,922	389,938	-	-
Equity issued for cash	17,500,000	3,500,000	-	-
Tranche issue of shares	-	-	5,302,222	134,556
Less: transaction costs ⁽¹⁾	-	(1,230,742)	-	80,556
Balance at the end of the year	90,679,097	128,821,203	191,938,698	112,248,925

(1) Transaction costs during the financial year included the issue of 750,000 shares @ \$0.20 cents and the issue of options that have been fair valued at \$168,500 in addition to cash costs.

13. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the year ended 30 June 2015 was based on the loss attributable to ordinary shareholders of \$6,620,704 (2014: \$23,444,116) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2015 calculated on a post 67:1 share consolidation basis of 22,676,454 (2014: 2,815,789), calculated as follows:

	Consolidated	Consolidated
	2015	2014
	\$	\$
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	2,864,757	2,669,165
Effect of shares issued during the period	19,811,697	146,624
Weighted average number of ordinary shares at 30 June	22,676,454	2,815,789
Loss attributable to ordinary shareholders	(6,620,704)	(23,444,116)
Loss per share (cents) overall	(29.20)	(832.59)

Potential ordinary shares are not considered dilutive and accordingly diluted earnings per share are the same as basic earnings per share. Total number of anti-dilutive options which could be dilutive in the future was 5,168,060 as at 30 June 2015 (2014: 559,304). In addition there are potential ordinary shares arising as a result of convertible notes that are not considered dilutive (refer Note 10).

The Company has announced its proposed acquisition of additional graphite licences. Details of the equity consideration for the acquisition are shown at Note 22.

There were no other events that occurred subsequent to year end which would have a significant effect on the number of shares or potential ordinary shares on issue.

14. RESERVES

	Consolidated	
	2015	2014
	\$	\$
Option reserve	4,476,897	4,029,740
Foreign exchange translation reserve	(13,354)	(4,756,950)
Performance rights reserve	7,508,955	-
Convertible note reserve	1,369,193	1,369,193
Balance at end of the year	13,341,691	641,983

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

(a) Option reserve

(i) Nature and purpose of reserve

The option reserve is used to record the value of options.

(ii) Movements in reserve

	Consolidated	
	2015	2014
	\$	\$
Balance at the beginning of the year	4,029,740	4,029,740
Share option reserve	-	-
Issue of options	447,157	-
Balance at end of the year	4,476,897	4,029,740

(iii) Movements in options on issue

2015	Number	Exercise Price	Expiry Date
Unlisted options			
Balance at the beginning of the year	26,866	\$33.50	19-Mar-16
	5,970	\$4.02	19-Apr-16
	14,925	\$2.01	22-May-16
	6,567	\$2.51	27-Jun-16
	8,000	\$2.01	31-Jul-16
	7,828	\$1.84	6-Sep-16
Cancellation of Options ⁽¹⁾	(26,866)	\$33.50	19-Mar-16
	(5,970)	\$4.02	19-Apr-16
	(14,925)	\$2.01	22-May-16
	(6,567)	\$2.51	27-Jun-16
	(8,000)	\$2.01	31-Jul-16
	(7,828)	\$1.84	6-Sep-16
Issue of options	149,254	\$0.2412	10-Nov-17
	2,238,806	\$0.2100	22-May-17
	1,500,000	\$0.2000	1-Dec-16
	500,000	\$0.2000	31-Oct-16
Total unlisted options at the end of the year	4,388,060		

(1) During the financial year the Company entered into a Settlement Agreement with the Australian Special Opportunities Fund, LP to cancel the unlisted options.

A further 780,000 options may be issued, subject to shareholder approval at the Annual General Meeting in regard to Mr Cobus van Wyk commencing as an executive director.

2015	Number	Exercise Price	Expiry Date
Listed options			
Balance at the beginning of the year	103,330	\$83.75	31-Dec-14
	385,818	\$33.50	31-Dec-14
Options expired	(103,330)	\$83.75	31-Dec-14
	(385,818)	\$33.50	31-Dec-14
Total listed options at the end of the year		-	

The figures in the above table reflect the balances after the 67:1 consolidation that occurred during the year

2014	Number	Exercise Price	Expiry Date
Unlisted options			
Balance at the beginning of the year	26,866	\$33.50	19-Mar-16
	5,970	\$4.02	19-Apr-16
	14,925	\$2.01	22-May-16
	6,567	\$2.51	27-Jun-16
Issue of options	8,000	\$2.01	31-Jul-16
	7,828	\$1.84	6-Sep-16
Total unlisted options at the end of the year		70,156	

Listed options			
Balance at the beginning of the year	103,330	\$83.75	31-Dec-14
	385,818	\$33.50	31-Dec-14
Total listed options at the end of the year		489,148	

The figures in the above table have been amended to reflect the 67:1 consolidation that occurred in the 2015 financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(b) Foreign currency translation reserve

(i) Nature and purpose of reserve

The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(ii) Movements in reserve

	Consolidated	
	2015 \$	2014 \$
Balance at the beginning of the year	(4,756,950)	(4,924,244)
Realisation of reserve	4,756,950	-
Currency translation differences	(13,354)	167,294
Balance at end of the year	(13,354)	(4,756,950)

The realisation of the reserve refers to amounts relating to the foreign currency translation of the Company's former oil & gas assets activities in the USA which were disposed of or discontinued during the period.

(c) Convertible note reserve

(i) Nature and purpose of reserve

These convertible notes had the ability to convert to ordinary shares and in accordance with the accounting standards the equity component was required to be calculated and included in contributed equity.

(ii) Movements in reserve

	Consolidated	
	2015 \$	2014 \$
Balance at the beginning of the year	1,369,193	1,369,193
Convertible notes issued (net of tax)	-	-
Balance at end of the year	1,369,193	1,369,193

(d) Performance rights reserve

(i) Nature and purpose of reserve

These performance rights have the ability to convert to ordinary shares upon the non-vesting conditions being met and in accordance with the accounting standards the entire instrument has been classified as equity.

(ii) Movements in reserve

	Consolidated	
	2015 \$	2014 \$
Balance at the beginning of the year	-	-
Performance rights issued	7,508,955	-
Balance at end of the year	7,508,955	-

2014	Number	Conversion date subject to non-vesting condition
Unlisted performance rights	#	
Balance at the beginning of the year	-	-
Issue of performance rights		
Class A performance rights	2,238,806	1 Jul 2016
Class B performance rights	1,119,403	30 Jun 2018
Class C performance rights	2,238,806	1 Jul 2016
Class D performance rights	1,119,403	30 Jun 2018
Class E performance rights	14,000,000	31 Dec 2019
Class F performance rights	14,000,000	31 Dec 2019
Class G performance rights	14,000,000	31 Dec 2019
Total unlisted performance rights	48,716,418	-

Class	Non-vesting Condition for conversion to ordinary shares
A	On 1 July 2016, if the Company has successfully completed the Bulk Sampling program and generated gross proceeds of US\$5,000,000 from the direct mining of licence 4969L in the period 1 January 2015 to 30 June 2016 (inclusive of both dates).
B	Upon a US\$10,000,000 facility being provided to Save River Diamonds Pty Ltd on or before 30 June 2018.
C	On 1 July 2016, if the Company has successfully completed the Bulk Sampling program and generated gross proceeds of US\$2,500,000 from the direct mining of licence 4525L in the period from 1 January 2015 to 30 June 2016.
D	Upon a US\$2,500,000 facility being provided for the mining licences 4525L and 4969L on or before 30 June 2018.
E	Upon proving a JORC Compliant Inferred Graphite Resource of a minimum of 50 Million tonnes @ >5% Total Graphitic Content, on any of the Balama licences on or before 31 December 2019.
F	Upon proving a JORC Compliant Inferred & Indicated Graphite Resource of a minimum of 100 Million tonnes @ >5% Total Graphitic Content, on any of the Balama Licences on or before 31 December 2019.
G	Upon proving a JORC Compliant Inferred & Indicated Graphite Resource greater than 500 Million tonnes @ >5% Total Graphitic Content, on any of the Balama licences on or before 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

15. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net loss after tax to the net cash flows from operations

	Consolidated	
	2015 \$	2014 \$
Net loss after tax for the period	(6,620,704)	(23,444,116)
Add/(less) non-cash items:		
Allowance for impairment in exploration & development assets	20,443	20,980,551
Allowance for impairment of debtors	-	780,786
Amortisation of production and exploration assets	40,707	735,277
Realisation of foreign currency reserve	4,418,782	-
Bad Debt	13,605	-
Accrued interest expense	4,852	177,446
Fair value loss/(gain) on derivative	-	20,212
Interest expense paid in shares	168,500	-
Unrealised FX gains	(9,570)	-
Fair value of options issued as part of legal settlement	68,209	-
Net loss/(gain) on sale of non-current assets	(54,629)	353,633
Other non-cash items	6,026	-
Depreciation	1,326	11,186
Net cash used in operating activities before change in assets and liabilities	(1,942,453)	(385,025)
Decrease/(increase) in receivables	570,126	309,727
Decrease/(increase) in prepayments	(18,423)	135,924
Increase/(decrease) in provisions	(145,262)	12,081
Increase/(decrease) in prepaid JV receipts	-	(579)
Increase/(Decrease) in payables	(1,759,122)	(2,570,084)
Net cash flow used in operating activities	(3,295,134)	(2,497,956)

(b) Reconciliation of cash and cash equivalents

Cash balance comprises:		
<i>Cash at bank</i>		
Held in AUD funds	841,257	77,091
Held in USD funds	1,778,484	1,400,723
Held in ZAR funds	982,750	-
Held in MZN funds	109,296	-
Total cash and cash equivalents	3,711,787	1,477,814

(c) Non-cash investing and financial activities

	Consolidated	
	2015 \$	2014 \$
Shares issued in settlement of interest on convertible notes	24,497	74,073
Shares issued in settlement of interest on convertible loans	123,310	-
Shares issued on conversion of convertible notes	1,506,000	-
Shares issued on acquisition of Diamond & Graphite projects	6,454,072	-
Performance Rights issued on acquisition of Diamond & Graphite projects	7,508,954	-
Options issued on acquisition of Diamond & Graphite projects	210,448	-
Shares issued in settlement of debt acquired on acquisition of Diamond & Graphite projects	150,000	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

16. INTEREST IN JOINT OPERATIONS

At 30 June 2015 the Consolidated Entity was a participant in the following joint operations:

	Consolidated	
	2015	2014
	Interest %	Interest %
Diamond Licences		
4525L Save River Diamond Project	51.8%	-
4969L Save River Diamond Project	50.7%	-
Graphite Licences		
4661L Balama Graphite Project	60.0%	-
4662L Balama Graphite Project	60.0%	-
5873L Balama Graphite Project	75.0%	-
6527L Balama Graphite Project	75.0%	-
6636L Balama Graphite Project	75.0%	-
6678L Balama Graphite Project	80.0%	-
Producing oil & gas wells		
Dugas & Leblanc #3	-	15.30%
Sugar Valley #1	-	12.00%
Hensarling #1	-	3.99%
Louisiana prospects		
Templet #1	-	3.28%

4525L The Company owns 74% of Sese Diamonds Pty Ltd, which owns 70% of Mozvest Mining Limitada. Mozvest Limitada is the holder of licence 4525L.

4969L The Company owns 78% of Save River Diamonds Pty Ltd, which has the rights to acquire a 65% interest in licence 4969L.

The Company owns 100% of Balama Resources Pty Ltd. The Company is a party to joint venture agreements with five existing licence holders covering the six licences. The Company's right to acquire an interest in each licence is shown in the above table.

The joint operations are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenues and profit. Capitalised exploration costs of \$3,277,562 (2014: NIL) and production costs of Nil (2014: \$777,076) represent principally the Consolidated Entity's share of development and exploration joint ventures, the material interests of which are noted above.

17. COMMITMENTS

Exploration and Evaluation Commitments

	Consolidated	
	2015 \$	2014 \$
Less than one year	911,458	-
Between one and five years	5,989,583	-
More than five years	-	-
	6,901,041	-

As part of the acquisition of Balama Resources Pty Ltd, the Company assumed all obligations under the joint venture agreements with the existing licence holders. In regard to the joint venture agreement concerning the Company's 75% majority interest in graphite licence 5873L, a total acquisition price of US\$4,000,000 is payable should the Company elect to develop the licence. The Company has paid an exclusivity fee of US\$200,000 to allow the Company to conduct an evaluation of the licence. If the Company elects to continue with the purchase, the Company is obligated to pay US\$700,000 on the 15th of February 2016 and then the final payment of US\$3,100,000 on 31 July 2016. The Company would also be obligated to complete a Joint Ore Reserve Committee ("JORC") Compliant Resource Statement & Scoping Study report by 31 July 2016.

The Company has the ability not to proceed with the acquisition at any time without a termination fee.

As part of the acquisition of Save River Diamonds Pty Ltd, the Company assumed all obligations under the joint venture agreement. Should the Company elect (after the conclusion of a successful trial mining program) to develop licence 4969L, the Company is obligated to pay the licence holder between US\$1,000,000 and US\$1,500,000 dependent upon the results of the exploration work, to be calculated by mutual agreement, and upon the transfer of the licence into a Mozambican special purpose vehicle ("SPV") and the Company being issued with 65% of the equity of this SPV.

The Company has the ability not to proceed with the acquisition at any time without a termination fee.

These commitments while contingent have been included in the schedule above.

Non-cancellable lease rentals are payable as follows:

	Consolidated	
	2015 \$	2014 \$
Less than one year	35,156	26,291
Between one and five years	-	5,164
More than five years	-	-
	35,156	31,455

The lease of the office in Maputo, Mozambique is US\$3,000 per month through to March 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

18. CONTINGENT LIABILITIES

Other than those events disclosed in Note 17 there are no other contingent liabilities.

19. AUDITORS' REMUNERATION

Amounts received or due and receivable by Grant Thornton Audit Pty Ltd for:

	Consolidated	
	2015 \$	2014 \$
Audit or review of the financial reports of the company		
Auditors of Mustang Group Limited – Grant Thornton		
Audit Services	73,000	72,000
Non-audit services *	-	2,145
	73,000	74,145

* Non-audit services refers to corporate advisory fees

20. KEY MANAGEMENT PERSONNEL

Directors and Executives

	Consolidated	
	2015 \$	2014 \$
DISCLOSURES		
Short term	451,885	405,959
Short term non-monetary	6,954	5,904
Additional fees paid to non-executive directors	40,000	-
Share based payment options	78,000	-
Post-employment	22,482	17,806
	599,321	429,669

Other transactions and balances with key management personnel

No loans have been made during the financial period or at the date of this report to any specified directors or specified executives. A number of specified directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Transaction	2015 \$	2014 \$
Directors & Executives		
Mr I Daymond (i)	1,786	-
Mr C van Wyk (ii)	319,132	-
Mr C Ritchie (iii)	18,376	43,025
Mr M Freeman (iv)	7,931	-
Mr C Porter (v)	313	1,239
Mr R Oliver	-	175
Mr S Graves	-	63,449

- (i) During 2015, Mr Daymond was reimbursed travel expense, and was not owed any funds at year end.
- (ii) During 2015, Regius Resources Group Ltd (or its subsidiaries) "Regius", of which Mr van Wyk is a director was reimbursed travel expenses and office rent of \$22,721. Capital raising fees of \$60,132 were also paid. Regius Resources Group Limited was also paid a total of US\$200,000 in accordance with the terms of the acquisition and joint venture agreements.
- Prior to the Company establishing bank accounts in Mozambique and South Africa, all funds were distributed through Regius group companies. At year end \$155,055 was payable to Regius.
- (iii) During 2015, Mr Ritchie was reimbursed travel and other costs totalling \$18,736 and was not owed any funds at year end,
- (iv) During 2015, Mr Freeman was reimbursed travel costs and ASIC lodgement fees of \$7,931. At year end \$3,300 was outstanding.
- (v) During 2015, Mr Porter was reimbursed travel costs of \$313, and was not owed any funds at year end.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

21. SHARE BASED PAYMENTS

(a) Recognised share based payments

	Consolidated	
	2015	2014
	\$	\$
Shares issued on acquisition of Diamond & Graphite projects	6,454,072	-
Performance Rights issued on acquisition of Diamond & Graphite projects	7,508,954	-
Options issued on acquisition of Diamond & Graphite projects	210,448	-
Shares issued in settlement of debt acquired on acquisition of Diamond & Graphite projects	150,000	-
Shares issued in settlement of legal dispute	98,507	-
Options issued in settlement of legal dispute	68,209	-

(b) Details of options granted and vested during the year ended 30 June 2015

During the year the Company did not issue any incentive options to directors, executives and consultants. No options vested during the year.

Mr Cobus van Wyk is entitled to be issued 780,000 unlisted options, subject to shareholder approval at the Company's Annual General Meeting in November 2015.

During the year the Company granted options to:

Name	Amount	Expiry Date	Exercise Price	Vested / Unvested
Pursuant to Working Capital Facility				
The Australian Special Opportunities Fund (i)	149,254	10-Nov-2017	\$0.2412	Vested
Pursuant to acquisition and capital raising				
Elba Investments Pty Ltd (ii)	1,205,597	22-May-2017	\$0.21	Vested
Alimond Pty Ltd	833,955	22-May-2017	\$0.21	Vested
Keras Capital Pty Ltd	199,254	22-May-2017	\$0.21	Vested
Superb Merino Pty Ltd	1,500,000	1-Dec-2016	\$0.20	Vested
Mr D Cassidy	125,000	31-Oct-2016	\$0.20	Vested
Barton Place Holdings Pty Ltd	125,000	31-Oct-2016	\$0.20	Vested
CPS Capital Group Pty Ltd	250,000	31-Oct-2016	\$0.20	Vested

(i) The figure for The Australian Special Opportunities Fund has been adjusted to reflect the 67:1 consolidation.

(ii) Mr Frank Petruzzelli who was appointed a director on 13 July 2015, is a related party of Elba Investments Pty Ltd.

Details of options granted and vested during the year ended 30 June 2014

During the year the Company did not issue any incentive options to directors, executives and consultants. No options vested during the year.

During the year the Company granted options to The Australian Special Opportunities Fund, LP in line with the terms and conditions of the Working Capital Facility. These options vested upon issue.

(c) Summaries of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2015 No.	2015 WAEP	2014 No.	2014 WAEP
Outstanding at the beginning of the year	4,700,445	0.2130	3,640,000	0.275
Granted during the period	10,000,000	0.0036	1,060,445	0.030
Forfeited during the period	(3,389,535)	0.2130	-	-
Expired during the period	(1,310,910)	0.2130	-	-
Total prior to 67: 1 consolidation	10,000,000	0.0036	-	-
Total post 67: 1 consolidation	149,254	0.2412	-	-
Granted during the period	4,238,806	0.2050	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the year	4,388,060	0.207	4,700,445	0.213
Exercisable at the end of the year	4,388,060	0.207	4,700,445	0.213

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2015 is 1.68 years (2014: 0.67 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year (post 67:1 consolidation) was \$0.20 to \$0.2412. The exercise price of options outstanding at the end of the previous year was \$0.213. Refer to section (c) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of the those options.

(f) Weighted average fair value

The weighted average fair value price of options issued during the year (post 67:1 consolidation) was \$0.207 (2014: \$14.271).

(g) Summary of performance rights granted

Name	Class A	Class B	Class C	Class D	Class E	Class F	Class G
Elba Investments Pty Ltd	1,101,493	550,746	1,309,702	654,851	4,200,000	4,200,000	4,200,000
Alimold Pty Ltd	895,522	447,761	772,388	386,194	1,680,000	1,680,000	1,680,000
Regius Resources Group Ltd	-	-	-	-	6,860,000	6,860,000	6,860,000
Keras Capital Pty Ltd	241,791	120,896	156,716	78,358	1,260,000	1,260,000	1,260,000
Total	2,238,806	1,119,403	2,238,806	1,119,403	14,000,000	14,000,000	14,000,000

Details of the non-vesting conditions of each class are stated in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

22. SUBSEQUENT EVENTS

On 13 July 2015, Mr Chris Ritchie resigned as a director of the Company, although he will continue as Chief Financial Officer and Company Secretary. Mr Andrew Law was appointed as an executive director and also as Chief Operations Officer. Mr Frank Petruzzelli was also appointed as a non-executive director.

On 1 September 2015, the Company announced that it is proposing to acquire an option to acquire rights to earn majority interests in an additional two graphite licences in the Balama province of Cabo Delgado, Mozambique. Under the binding term sheet (subject to shareholder approval) the Company will be able to select any two of four additional licences currently having electromagnetic surveys being conducted upon them.

The total consideration for the acquisition of the option to acquire the two licences is:

1. The payment of \$150,000 payable in fully paid ordinary shares in the capital of the Company, based on a 10 day VWAP from the date of settlement.
2. The payment of \$50,000 in cash.
3. The issue of Class A Performance Rights in the Company calculated at the rate of the number of shares issued in point 1 multiplied by 1.4, which would vest upon the delineation of a JORC Compliant Inferred Graphite Resource of a minimum of 50 Million tonnes @ >10% TGC, on either of the two licences acquired.
4. The issue of Class B Performance Rights in the Company calculated at the rate of the number of shares issued in point 1 multiplied by 1.6, which would vest upon the delineation of a JORC Compliant Inferred Graphite Resource of a minimum of 100 Million tonnes @ >10% TGC, on either of the two licences acquired.
5. The issue of Class C Performance Rights in the Company calculated at the rate of the number of shares issued in point 1 multiplied by 1.8, which would vest upon the delineation of a JORC Compliant Inferred Graphite Resources of a minimum of 500 Million tonnes @ >10% TGC, on either of two licences acquired.
6. The Company will bear the cost of the EM survey and the processing of data if the four additional licences.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise cash, trade receivable and payables, and convertible notes. It is, and has been throughout the period under review, the Consolidated Entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Consolidated Entity's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Historically, the Consolidated Entity has not implemented strategies to mitigate these financial risks. As the Consolidated Entity's activities were mainly in the USA the majority of funds held were held in US\$ to mitigate foreign currency risk. Accordingly, no hedging policies have been put in place. The directors will review this policy during the financial year given that the Company now operates in USD, ZAR (South African Rand) and MZ (Mozambican Metical). Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(a) Interest rate risk

Cash flow interest rate risk

The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to the Consolidated Entity's cash and short-term deposits with a floating interest rate. These financial assets with variable rates expose the Consolidated entity to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables are

non-interest bearing or bear fixed interest rates (the convertible notes). The Consolidated Entity currently does not engage in any hedging or derivative transactions to manage interest rate risk.

(b) Foreign currency risk

The Consolidated Entity also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Consolidated Entity currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

(c) Commodity price risk

Due to the nature of the group's and parent's principal operations being diamond and graphite exploration and production the group and the parent is exposed to the fluctuations in the prices of diamonds and graphite. Although the group and parent entity is economically exposed to commodity price risk of the abovementioned inputs, this is not a recognised market risk under the accounting standards as the risk is embedded within normal purchase and sales and are therefore not financial instruments.

(d) Credit risk

The Consolidated Entity trades only with recognised, creditworthy third parties. It is the Consolidated Entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Consolidated Entity. With respect to credit risk arising from the other financial assets

of the Consolidated Entity, which comprise cash and cash equivalents the Consolidated Entity's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Consolidated Entity trades only with recognised third parties, there is no requirement for collateral.

(e) Liquidity risk

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans if required. The Company does not currently have any bank loans.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

24. FINANCIAL INSTRUMENTS

a. Interest rate risk

Interest rate risk exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

Consolidated					
2015	Weighted Average Interest rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial assets					
Cash assets *	1.2%	-	3,711,787	-	3,711,787
Trade and other receivables – current *	-	-	-	406,314	406,314
Security deposits *	0.5%	-	264,388	-	264,388
			3,976,175	406,314	4,382,489
Financial liabilities					
Trade and other payables – current*	-	-	-	1,783,718	1,783,718
Other payables – non-current	-	-	-	1,464,844	1,464,844
Convertible notes *	-	-	-	-	-
Convertible notes *	-	-	-	-	-
			-	3,248,562	3,248,562

* Maturing in 1 year or less

Consolidated					
2014	Weighted Average Interest rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
Financial assets					
Cash assets *	0.1%	-	1,477,814	-	1,477,814
Trade and other receivables - current *	-	-	-	1,231,921	1,231,921
Security deposits **	0.5%	-	249,598	-	249,598
			-	1,231,921	2,959,333
Financial liabilities					
Trade and other payables*	-	-	-	1,764,425	1,764,425
Convertible security **	8.5%	550,000	-	-	550,000
Convertible notes *	10%	1,030,000	-	-	1,030,000
Convertible notes *	11%	506,000	-	-	506,000
		2,086,000	-	1,764,425	3,850,425

* Maturing in 1 year or less

** Maturing in 1 year or more

Sensitivity analysis

(a) Interest rate risk

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant. A 50 basis point favourable (+) and unfavourable (-) change is deemed to be possible change and is used when reporting interest rate risk.

Consolidated		Effect On:		Effect On:	
		Profit	Other Comprehensive Income	Profit	Other Comprehensive Income
Risk variable	Sensitivity*	2015	2015	2014	2014
Interest rate	+ 50 b.p.	-	-	7,389	7,389
	- 50 b.p.	-	-	(7,389)	(7,389)

(b) Foreign currency risk

The Company's exploration and evaluation cash costs are principally denominated in South African rand and Mozambican Metical. It is expected that revenue generated upon the commencement of commercial production will be denominated in US dollars. The Company does not undertake any hedging at this stage, but will continually evaluate the risk.

Consolidated		Effect On:		Effect On:	
		Profit	Other Comprehensive Income	Profit	Other Comprehensive Income
Risk variable	Sensitivity*	2015	2015	2014	2014
USD Foreign exchange rate	+10%	31,739	34,182	1,998,892	1,998,892
	-10%	(38,793)	(41,777)	(2,443,091)	(2,443,091)
ZAR Foreign exchange rate	+10%	32,137	32,112	-	-
	-10%	(39,279)	(39,248)	-	-
MZN Foreign exchange rate	+10%	4,007	3,768	-	-
	-10%	(4,898)	(4,605)	-	-

(c) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in portion to each class of recognised financial asset, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Company does not have any material risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(d) Liquidity risk and capital management

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity objectives when managing capital are to safeguard the Consolidated Entity ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. Capital is defined as total equity and borrowings, as disclosed in the Statement of Financial Position. In order to maintain or adjust the capital structure, the Consolidated Entity may return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

The Consolidated Entity's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Consolidated Entity's approach to capital management during the year.

Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The following are the contractual maturities of financial liabilities:

Consolidated 30 June 2015						
	Carrying amount \$	Contractual cash flows \$	<3 months \$	3-6 mths \$	6-24 mths \$	>2 years \$
Trade and other payables	1,412,777	1,412,777	1,412,777	-	-	-
Convertible notes *	-	-	-	-	-	-
	1,412,777	1,412,777	1,412,777	-	-	-

30 June 2014						
	Carrying amount \$	Contractual cash flows \$	<3 months \$	3-6 mths \$	6-24 mths \$	>2 years \$
Trade and other payables	1,579,730	1,579,730	1,579,730	-	-	-
Convertible notes *	2,036,000	64,570	39,665	724,915	-	-
	3,665,730	1,644,300	1,619,395	724,915	-	-

* The contractual cash flows are interest only for Series 3 Convertible Notes as the holder had no right to redemption and interest and principal for the Series 1 & 2 Convertible Notes. Interest on Series 3 secured convertible notes has been paid by the issue of shares at the Company's option.

(e) Fair values

Methods and assumptions used in determining net fair value

For financial assets and liabilities, the fair value approximates their carrying value. Accounts receivable, accounts payable, cash and cash equivalents approximates fair value due to their short term nature. Intercompany loans approximates fair value due to being payable on demand. The Company has no financial assets where carrying amounts exceed net fair values at balance date.

25. SEGMENT INFORMATION

The group has identified its operating segments based on the internal management reporting that is reviewed and used by the executive management team (the chief operating decision makers ("CODM")) in assessing performance and in determining the allocation of resources.

The group operates in the diamond and graphite exploration business in Mozambique. It has ceased its oil and gas exploration and development in the USA. The financial information reviewed by the CODM is only prepared on a consolidated basis and no discrete financial information is available, hence no business segments and no segment information is presented.

Entity-wide disclosures

Geographical information

Revenues and non-current assets by geographical location are as follows:

2015	Australia	South Africa	Mozambique	USA
			\$	\$
Sales revenue	-	-	-	481,753
Non-current assets	-	-	22,984,295	-

2014	Australia	South Africa	Mozambique	USA
			\$	\$
Sales revenue	-	-	-	2,948,649
Non-current assets	539	-	-	1,032,416

The Consolidated Entity ceased oil and gas sales in the North American market during the year. The Group had three customers to which it provided oil, gas products. These customers accounted for 100% of total revenue. No revenue has been generated from the diamond or graphite project.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

26. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2015, the parent entity of the group was Mustang Resources Limited.

	Parent	
	2015	2014
	\$	\$
Result of the parent entity		
Profit / (loss) of the parent entity	(7,297,521)	(23,276,824)
Total comprehensive income of the parent entity	(7,297,521)	(23,276,824)
Financial position of the parent entity at year end		
Current assets	2,272,404	76,915
Non-current assets	23,593,939	2,011,364
Total assets	25,866,343	2,088,279
Current liabilities	303,445	415,583
Non-current liabilities	1,464,844	2,086,000
Total liabilities	1,768,289	2,501,583
Net assets	24,098,054	(413,304)
Contributed equity	128,821,203	112,248,925
Retained earnings	(119,924,916)	(112,744,035)
Option reserve	4,476,897	4,029,740
Foreign exchange translation reserve	(13,354)	(5,317,127)
Performance share reserve	7,508,955	-
Convertible note reserve	1,369,193	1,369,193
Non-controlling interest	1,860,076	
Total shareholders' equity	24,098,054	(413,304)

	2015	2014
	\$	\$
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	-	-
Details of any contingent liabilities of the parent entity	-	-
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	-	-

27. DISCONTINUED OPERATIONS

	2015	2014
	\$	\$
Revenue	481,753	2,948,648
Cost of sales	(287,092)	(2,319,948)
Gross Margin	194,661	628,700
Impairment of oil & gas properties	(20,443)	(15,587,693)
Impairment of exploration and evaluation expenditure	-	(5,392,858)
Impairment of debtors	-	(544,247)
Loss on sale of assets	-	(353,633)
Realisation of foreign currency translation reserve	(4,418,782)	-
Loss from discontinued operations before tax	(4,244,564)	(21,249,731)
Income tax (expense) / benefit	-	-
Loss from discontinued operations	(4,244,564)	(21,249,731)

As at 30 June the Company is carrying the following values relating to the discontinued operations.

	2015	2014
	\$	\$
Assets		
Trade debtors	-	-
Other debtors	-	878,890
Non-current assets	-	-
Total assets	-	878,890
Liabilities		
Trade creditors	-	279,176
Total liabilities	-	279,176

Cash flows generated for the reporting periods under review until the disposal are as follows:

	2015	2014
	\$	\$
Operating activities	119,518	(729,548)
Investing activities	-	3,264,011
Cash flows from discontinued operations	119,518	2,530,630



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Independent Auditor's Report

To the Members of Mustang Resources Limited

Report on the financial report

We have audited the accompanying financial report of Mustang Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Mustang Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualification to the audit opinion expressed above, we draw attention to Note 1(c) to the financial statements which indicates the Company incurred a net loss for the year of \$6,620,704, has a closing cash balance of \$3,711,787 and a working capital surplus of \$2,578,603 for the year ended 30 June 2015. The Company has significant contingent capital commitments in the next financial year to progress its exploration projects and it is likely the Company will seek to raise additional capital to ensure the ongoing development of projects until such time as they are self-funding. These conditions, along with other matters set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Mustang Resources Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

A stylized, handwritten signature in purple ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized, handwritten signature in purple ink, likely belonging to Adrian Nathanielsz.

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 30 September 2015

ADDITIONAL SHAREHOLDER INFORMATION

AS AT 16 SEPTEMBER 2015

Stock exchange listing

Mustang Resources Limited shares are listed on the Australian Securities Exchange Limited. The Company's ASX code is MUS for ordinary shares.

Substantial shareholders (holding not less than 5%)

Mr Frank Petruzzelli	17.85%
Mr Tom Booth	13.78%
Mr Cobus van Wyk	5.43%

Class of shares and voting rights

At 16 September 2015 there were 5,066 holders of 90,679,097 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

There are no voting rights attached to the options in the Company. Voting rights will be attached to the unissued ordinary shares when options have been exercised.

Distribution of security holders

Number of shares held	Number of shareholders
1 – 1,000	4,234
1,001 – 5,000	324
5,001 – 10,000	104
10,001 – 100,000	275
100,001 and over	129
Total	5,066

The number of shareholders holding less than a marketable parcel is 4,452

ADDITIONAL SHAREHOLDER INFORMATION

AS AT 16 SEPTEMBER 2015

Cash usage

Since the time of listing on ASX, the entity has used its cash resources and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

Listing of 20 largest shareholders

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held
1	Elba Investments Pty Ltd	15,925,201	17.6%
2	Alimold Pty Ltd	12,382,247	13.7%
3	Regius Resources Group Ltd	4,900,000	5.4%
4	Keras Capital Pty Ltd	2,882,925	3.2%
5	Mr S W Tritton	1,525,890	1.7%
6	Highland Timbers Pty Ltd	1,306,671	1.4%
7	Kings Park Superannuation Fund Pty Ltd	1,296,315	1.4%
8	Pegari Pty Ltd	1,090,562	1.2%
9	J W Douglass Superannuation Pty Ltd	1,073,768	1.2%
10	Edenbridge Investments Pty Ltd	1,022,466	1.1%
11	Gorann Pty Ltd	1,000,000	1.1%
12	Mr G Said	970,000	1.1%
13	RW Associates Pty Ltd	950,000	1.1%
14	Weach Pty Ltd <Lennox Family S/F A/C>	914,500	1.0%
15	Allcare Investments Pty Ltd <The Cray Discre Family A/C>	888,000	1.0%
16	LPS Holdings LLC	828,934	0.9%
17	Dottie Investments Pty Ltd	750,922	0.8%
18	Superb Marino Pty Ltd	750,000	0.8%
19	Ms K Y G Lai	689,610	0.8%
20	Buckingham Investment Financial Services Pty Ltd	675,000	0.7%
		51,823,011	57.2%

Unlisted Options

Number Issued	Exercise Price	Expiry Date	Number of Holders	Holder in excess of 20%
149,253	\$0.2412	10/11/2017	1	Australian Special Opportunities Fund, LP
2,238,806	\$0.2100	21/5/2017	3	Elba Investments Pty Ltd 54% Alimold Pty Ltd 37%
500,000	\$0.2000	31/10/2016	3	CPS Capital Group Pty Ltd 50% Mr D Cassidy 25% Barton Place Holdings Pty Ltd 25%
1,500,000	\$0.2000	1/12/2016	1	Superb Merino Pty Ltd 100%

Unlisted Performance Rights

Description	On Issue	No of Holders	Holders in excess of 20%
Class A	2,238,806	3	Elba Investments Pty Ltd 49%, Alimold Pty Ltd 40%
Class B	1,119,403	3	Elba Investments Pty Ltd 49% Alimold Pty Ltd 40%
Class C	2,238,806	3	Elba Investments Pty Ltd 59% Alimold Pty Ltd 35%
Class D	1,119,403	3	Elba Investments Pty Ltd 59% Alimold Pty Ltd 35%
Class E	14,000,000	4	Regius Resources Group Ltd 49% Elba Investments Pty Ltd 30%
Class F	14,000,000	4	Regius Resources Group Ltd 49% Elba Investments Pty Ltd 30%
Class G	14,000,000	4	Regius Resources Group Ltd 49% Elba Investments Pty Ltd 30%

Tenement Summary

Tenement	Interest	Effective Net Interest
Save River Diamonds Project		
4525L (1)	70%	51.8%
4969L (2)	65%	50.7%

Balama Graphite Project		
4661L - JV with licence holder	60%	60%
4662L - JV with licence holder	60%	60%
5873L - JV with licence holder	75%	75%
6527L - JV with licence holder	75%	75%
6636L - JV with licence holder	75%	75%
6678L - JV with licence holder	80%	80%
6527L - JV with licence holder	75%	75%

(1) The Company owns 74% of Sese Diamonds Pty Ltd which owns 70% of Mozvest Mining Limitada which owns the lease.

(2) The Company owns 78% of Save River Diamonds Pty Ltd which has an agreement to acquire 65% of the lease.

SAVE RIVER DIAMOND PROJECT

Jorc Table 1

JORC CODE, 2012 EDITION TABLE 1

APPENDIX TO DIAMOND ANNOUNCEMENT – 15 JUNE 2015.

Section 1 sampling techniques and data.

Criteria	Explanation	Mustang Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down-hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<p>A number of (industry standard) issues peculiar to alluvial diamond sampling have been identified, which impact directly on the number and size of the samples and the complexity of Resource estimations.</p> <p>Depositional environments Alluvial streams are highly transient environments. The braided channels are unstable through time and gravel bars are formed and destroyed continuously. Shifting bars and channels cause wide variations in local flow conditions resulting in varied depositional assemblages. Common features in braided stream deposits include irregular bed thicknesses, restricted lateral and vertical variations within the sediments, and abundant evidence of erosion and re-deposition. On a broad scale, most deposits are complex with units of no great lateral extent. Locally, bedrock features play an important role in diamond concentration of the alluvial deposits, with diamonds occurring preferentially in natural traps such as gullies, potholes and gravel bars and, typically, reworked through one or more post-depositional colluvial or eluvial.</p> <p>Low grades The grade of a diamond deposit is the estimated number of carats contained in one hundred tonnes (cpht) or one hundred cubic metres (ct/100m³) of gravel and, typically, averages are in parts per million (ppm) or even parts per billion (ppb).</p> <p>Grade variation In a single gravel unit (even within a few metres), diamond grades may vary from barren to over 100cpht, due to the development of localized trap-sites under favourable bedrock conditions, or hydraulic fractionation within a channel or bar. Consequently, the diamond distribution pattern (grade) of alluvial deposits is such that there is no repeatability of small sample results, even from adjacent samples.</p> <p>Large individual diamond size Diamonds constitute discrete units of varying size (weight). Consequently, they form discrete particle deposits as opposed to disseminated particle deposits. Often the size and value distribution from stone to stone is erratic and it is possible that the majority of the value of a parcel is attributed to a single stone.</p> <p>Low homogeneity of diamond distribution Individual diamonds are not evenly or uniformly distributed throughout an alluvial deposit; neither are they randomly distributed. Rather, their distribution has been described as a random distribution of clusters of points, where the clusters are both randomly distributed in space, and the point density of each cluster is also random.</p> <p>Lack of associated minerals or geochemical signature In contrast to kimberlite deposits, alluvial diamond deposits are not characterized by any standard (or deposit-specific) satellite/indicator mineral assemblage that may occur in higher, more easily measureable, concentrations than the diamonds. Neither do the deposits have any associated geochemical signatures that can vary according to diamond grade (or any other geological characteristic).</p> <p>In order to account for all of these issues and ensure representivity, alluvial diamond deposits can only be sampled through bulk-samples comprising tens-hundreds of thousands of cubic metres of gravel. Diamond deposits, especially alluvial deposits, cannot be sampled by means of drilling. Drilling is used for stratigraphic information and to estimate thickness of overburden, gravel and the depth and nature of the bedrock.</p> <p>Bulk-sampling is completed in much the same manner as the production mining would be, except on a smaller scale. With positive results, bulk-sampling naturally progresses to trial-mining (and advanced technical studies), during which all of the modifying parameters are determined to allow a decision of whether to proceed to full production.</p>

Criteria	Explanation	Mustang Commentary
		Diamond recovery is dependent on mechanical recovery through the application of physical properties of both diamond and gravel – density and size variation (to concentrate the heavy mineral portion from the bulk gravel) and fluorescence and wettable properties of the diamond during final recovery. The processing and recovery plants are affected by various issues such as the nature and amount of calcrete in the gravels as well as the amount of sand in the matrix.
	<ul style="list-style-type: none"> • Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.). 	<p>No drilling results are reported in this document.</p> <p>Stratigraphic information has been obtained from limited pitting by hydraulic excavator.</p> <p>The pits are excavated from surface down to a hard calcrete layer (some 3-4m below surface), which cannot be penetrated by the equipment currently on site. The objective, however, is to pit from surface to bedrock.</p>
Drill sample recovery	<ul style="list-style-type: none"> • Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<p>Drill recovery data is not applicable at this stage.</p> <p>Stratigraphic pitting does not entail sampling at all.</p> <p>Details regarding bulk-sampling is presented in section 5.</p>
Logging	<ul style="list-style-type: none"> • Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. 	<p>All excavated faces of the pits (stratigraphic pits and sample trenches) are logged and photographed.</p> <p>Logging is semi-quantitative with stratigraphic and lithological units described and thicknesses noted.</p>
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/ second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled. 	<p>The bulk-sampling programme is industry standard for low-grade alluvial deposits.</p> <p>As a result of the generally low grades associated with (braided) alluvial systems, representative bulk-sample sizes have to be large – in the range of tens- to hundreds of thousands of cubic metres.</p> <p>As at 11 June 2015, total bulk-sample size is less than 5,000m³ (individual sample sizes range from 173m³ to 1,271m³). These size samples are not considered sufficient to estimate Mineral Resources, but are appropriate as Exploration Results, simply to identify the presence of diamonds.</p>

SAVE RIVER DIAMOND PROJECT

Jorc Table 1

Criteria	Explanation	Mustang Commentary
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<p>Due to the nature of alluvial diamond deposits, samples are not taken for assay as would be normal for precious or base metal prospects. Consequently, no samples are dispatched to any analytical or testing laboratories. Further, sample splitting and reduction methods were not employed.</p> <p>All of the gravel bulk-samples are processed through a 16-foot rotary pan plant on the concession. Since the samples were processed through the Company plant, Mustang personnel were involved from the excavation of the gravels through to the final recovery of the diamonds.</p> <p>The rotary pan plant and the Bushman Jig efficiencies are monitored using industry standard tracer tests.</p>
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<p>The diamond distribution pattern (grade) of alluvial deposits is such that there is limited repeatability of bulk-sample results, even from adjacent samples of tens of thousand cubic metres in size. Consequently "check-samples" such as are standard in the precious and base-metal industries, are not possible.</p> <p>All exploration data is entered into a sampling database which is QA/QC'd by the Project Geologist (the database is currently GIS based). Data is stored both on-site as well as at the Company's office in Pretoria, RSA.</p>
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<p>Bulk-sample sites were located using a hand held Garmin GPS (GPSMap64S). These handsets have an inherent accuracy variance of 7m in the X and Y dimension. The vertical/elevation dimension (Z) of handheld instruments is not reliable and is hence not reported.</p> <p>The grid currently in use is the Geographic system (degrees, minutes and seconds). However, the Company is in the process of converting everything to UTM WGS 84 – Zone 36s.</p> <p>Currently, topographic control is based on available 1:250,000 topographic maps. Since the landscape is relatively flat, this is sufficient for the initial exploration program. As the programme progresses, elevation data will be provided by professional survey.</p>
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<p>Bulk-samples are not taken along a systematic grid, neither are they sited so as to intersect specific areas of high or low grade. The key reasons for this are:</p> <ul style="list-style-type: none"> The large size of the individual samples. The anticipated mining plan for the gravels is based on high volumes and, therefore, the samples have to address average recoveries. Consequently, samples are not sited so as to intersect areas of anticipated higher (or lower) grade. <p>The bulk-sampling to date are not considered representative of the deposit and significantly more (and larger) samples will need to be taken on all of the identified terraces before a Mineral Resource can be estimated.</p> <p>The reconnaissance bulk-sample results have not been composited, but are presented on a pit by pit basis.</p>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<p>The stratigraphic pitting and mini bulk-samples (along with future drilling) are considered as reconnaissance exploration data which will assist in determining the extent and orientation of the gravel units. However, the target terraces are expected to roughly parallel the present Save channel within the confines of the post-Karoo Save River valley.</p> <p>Insufficient data currently exists to determine whether sample bias is present.</p>

Criteria	Explanation	Mustang Commentary
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<p>Since the grades expected on alluvial diamond deposits are so low and the sampling is all mechanised, it is extremely improbable that diamonds will be picked up during the excavation process or at the plant stockpile. Consequently, no security is employed at the sample pit.</p> <p>At the plant site, security is limited to caging around the processing pans; as the operation progresses and volumes are increased, cages will also be installed around conveyor feeder belts.</p> <p>It is only at the final-recovery sort-house that sample security becomes a significant issue, where operations are monitored by Company security personnel and Closed Circuit Television ("CCTV") monitors.</p>
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<p>The sampling techniques are industry standard for alluvial diamond deposits. During the period 10-13 May 2015, the independent CP, Dr T R Marshall, visited the site in order to review sampling techniques and data.</p>

SECTION 2 REPORTING OF EXPLORATION RESULTS

(Criteria listed in the preceding section also apply to this section)

Criteria	Explanation	Mustang Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<p>Ownership of land and Mineral Rights in Moçambique is vested in the State. Companies may apply for Prospecting and Exploration or Mining Licences from the Minister of Mineral Resources. The issue of any licence is contingent on compliance with environmental regulations and risk management as well as the provision of a socio-economic upliftment programme.</p> <p>Obligations for holders of Prospecting and Exploration Licences include the submission of an annual report, an investment plan, a work plan and a proposed budget.</p> <p>For Prospecting and Exploration Licences, a Performance Bond (in the form of a bank guarantee, which must be equivalent to some 10-20% of the amount defined in the work programme and minimum budget) must be lodged with the Department of Mineral Resources. Further, a surface tax of a fixed amount per hectare of land under the permit is payable to the State. This amount is variable, and increases annually. In addition, upon sale of diamonds for valuation purposes, a production tax of 10% (of diamond income) is payable to the State.</p> <p>The Save River Diamond project area comprises two Prospecting and Exploration Licences; LPP4525 (2,384.23ha) and LPP4969 (21,698.20ha).</p> <p>LPP4525 is valid for the period 22/11/2011 – 22/11/2016</p> <p>LPP4969 is valid for the period: 26/04/2012 – 26/04/2017</p> <p>These licences to the concessions comprising the Save River project have all been awarded in the name of the relevant Mocambican registered companies with which Mustang has legal agreements. All licences are considered in good standing (according to a Legal Due Diligence ("LDD"), completed by BDC (Moçambique) on 13 January, 2015.</p> <p>Exploration Licence allows for the exploration (including bulk-sampling) of mineral resources but not exploitation. Licences are valid for up to five years but can be extended for up to three further years on application to the Minister of Mineral Resources. After eight years (or sooner), the Prospecting and Exploration licence must be converted into a Mining Concession Licence or a new licence must be applied for.</p> <p>In terms of a Legal Opinion provided by BDC (Moçambique) in January 2015, Mustang Resources Ltd (ASX: MUS) is to acquire 74% of Sese Diamonds Pty Ltd (the holder of L4525) and 78% of Save River Diamonds (Pty) Ltd (holder of L4969). The price of this acquisition is USD3.5M, which will be raised by the sale of up to 17.5M shares on the Australian Securities Exchange.</p> <p>The LDD notes that the State is entitled to a participating interest of some 5-20%</p> <p>To the best knowledge of the Company (and confirmed by the Directors of Mustang), there are no known impediments to obtaining/maintaining any licences to operate on the Save River concessions.</p>

SAVE RIVER DIAMOND PROJECT

Jorc Table 1

Criteria	Explanation	Mustang Commentary
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<p>No prior prospecting has been done on the properties by anyone.</p> <p>However, the mouth of the Save River (some 300km downstream) was prospected in 1965 without any tangible results. These results are not considered material to this project, since the local geological conditions and depositional environments differ significantly.</p> <p>During mid-2009, a listed junior exploration company is known to have completed limited reconnaissance prospecting along the lower Save River in Zimbabwe, upstream from the project. While two small diamonds were recovered from terrace gravels, the project never progressed due to non-technical reasons.</p>
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<p>The Save River project is located on the south-eastern edge of the Kaapvaal Craton. To the north and west-southwest of the project area lie the Proterozoic Zambesi (Irumide) and Limpopo Mobile Belts, respectively. The Save-Limpopo dyke swarms strike 70° and comprises both Proterozoic and Jurassic age dolerite dykes.</p> <p>The regional bedrock consists of the post-Karoo (Jurassic?) sediments, consisting of calcareous sandstones and carbonates, overlain by continental sandstones, gritstones, pebbly gritstones and conglomerates of Late Cretaceous age and younger (mid-Tertiary to Quaternary) sediments flanking the river.</p> <p>The current exploration target is based on the precept that diamonds from kimberlites in Zimbabwe may have washed down the Runde and Save Rivers and become entrained in the Cainozoic sediments of the palaeo Save River downstream of the escarpment.</p> <p>It is proposed that the alluvial diamonds would be associated with coarse gravel bars within ancient braidplains (and/or fluvial fans) that flank the current river.</p>
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth Hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<p>No drilling is reported in this document. Only stratigraphic information is obtained from prospecting pits.</p> <p>No details are provided for the pits as they have not been used for the purposes of volume estimation. At this stage, the pits have been excavated simply as a means of understanding the local geology.</p> <p>All pitting to date has been located on the A (high) terrace.</p>

Criteria	Explanation	Mustang Commentary
Data aggregation methods	<ul style="list-style-type: none"> <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</i> <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<p>Data aggregation methods are not, typically, applicable to alluvial diamond deposits. All results are shown as obtained.</p> <p>Insufficient data has been obtained to estimate grade and/or diamond value at even a conceptual level.</p>
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill-hole angle is known, its nature should be reported.</i> <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i> 	<p>Drilling/pitting results are used, primarily, to define the presence of gravel units and to estimate their thicknesses, which data will, eventually, be used in the estimation of Resource volumes. The pits are all vertical and the gravel deposits are horizontal (since they are very young, geologically, and are not affected by large scale tectono-structural upheavals). Therefore, the gravel thicknesses (as determined from drilling/pitting) are true thicknesses.</p>
Diagrams	<ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<p>Appropriate scale map and plans with scale and north points are included in the announcement.</p>
Balanced reporting	<ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> 	<p>All available exploration results have been reported.</p>

SAVE RIVER DIAMOND PROJECT

Jorc Table 1

Criteria	Explanation	Mustang Commentary
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<p>To date, four main terraces have been identified from field mapping, viz. the Plateau Beds; the 230m (meters above mean sea level) terrace; 180m terrace; and the 160m. All mapping completed in the area has been based on surface characteristics and a few prospect pits (stratigraphic) with a maximum depth of 3.5 m.</p> <p>Geophysical and geochemical surveys are not appropriate to alluvial diamond deposits.</p> <p>Bulk-sampling is described below in Section 5.</p>
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<p>The results to date simply identify the presence of commercially sized (macro) diamonds in alluvial gravel deposits on the Save River concession.</p> <p>A prospecting programme is being drawn up, which is planned to culminate in the estimation of Mineral Resources present on the property. The programme is planned to include both drilling and representative bulk-sampling.</p> <p>Drilling Currently, phase 1 comprises plans for some 1,000m of reverse circulation ("RC") drilling to identify bedrock variation, gravel distribution and Resource estimation.</p> <p>Bulk-sampling By 11 June 2015, five sample pits have been excavated to identify the presence of diamonds. The initial samples have only sampled colluvial and hanging gravels (hard calcrete has, thus, far, prevented the excavation and sampling of basal gravels).</p> <p>Additional sampling (including sampling of basal gravels) will be conducted to obtain representative grade and diamond value data. The locations of these bulk-sample areas will be identified from the results of the drilling programme.</p> <p>Further, the gravel from the pits will be characterised to determine what additional exploration techniques might be applied.</p>

SECTION 3: ESTIMATION AND REPORTING OF DIAMONDS AND OTHER GEMSTONES

Criteria	Explanation	Mustang Commentary
Indicator minerals	<i>Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.</i>	Indicator minerals have not been sampled for and no reports have been prepared as such minerals are not applicable to alluvial diamond deposits
Source of diamonds	<i>Details of the form, shape, size and colour of the diamonds and the nature of the source of diamonds (primary or secondary) including the rock type and geological environment.</i>	<p>Since only 16 stones (9.68ct) have been recovered to date, no diamond studies have been undertaken.</p> <p>The diamonds have been recovered from a (palaeo) braided river environment. The gravel profile comprises two distinct stratigraphic units – a primary fluvial-alluvial gravel unit overlain by a colluvial/eluvial deflated gravel, locally known as “Rooikoppie” gravel. The fluvial-alluvial unit, which is variably calcreted, can be further subdivided into a hanging gravel and a basal gravel.</p> <p>The current (conceptual) geological model anticipates that the primary source to the diamonds will be kimberlites located in the headwaters of the Save and Runde Rivers in Zimbabwe. The nature and exact location of the primary source(s) of the alluvial diamonds is not entirely germane to the project and will not form a significant part of current investigations.</p>
Sample collection	<ul style="list-style-type: none"> <i>Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (e.g. large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).</i> <i>Sample size, distribution and representivity.</i> 	<p>The reconnaissance samples have been mini bulk-samples designed simply to establish the presence of diamonds in the different gravel units. These will be expanded (in size and number) in order to estimate grade, value and stone size distribution and relevant confidence levels.</p> <p>As of 11 June 2015, only five samples (total of 4,732m³) have been excavated from Terrace A and, as such, the results are not considered representative, either of the specific terrace, or of the project as a whole.</p> <p>Further, only the colluvial and very limited amounts of hanging gravel layer have been sampled. The basal gravels have not yet been sampled, so the results to date cannot even be considered representative of the known stratigraphic profile.</p>

SAVE RIVER DIAMOND PROJECT

Jorc Table 1

Criteria	Explanation	Mustang Commentary
Sample treatment	<ul style="list-style-type: none"> • <i>Type of facility, treatment rate, and accreditation.</i> • <i>Sample size reduction. Bottom screen size, top screen size and re-crush.</i> • <i>Processes (dense media separation, grease, X-ray, hand-sorting, etc.).</i> • <i>Process efficiency, tailings</i> • <i>auditing and granulometry.</i> <p><i>Laboratory used, type of process for micro diamonds and accreditation.</i></p>	<p>Gravel samples have been recovered from five separate pits, namely Pits 001, 002, 003, 004 and 005. These samples have all been derived from the A terrace.</p> <p>Bulk samples cannot be processed at a laboratory – but are processed on site, through the Mustang plant, by Mustang personnel.</p> <p>The gravel is excavated using a hydraulic excavator (20T Hitachi) and transported to site by Bell articulated dump trucks (“ADT”). Sample area visually inspected and all gravels are excavated to bedrock (where the bedrock is friable, the sample includes some 10-15cm of bedrock to ensure collection of gravel and diamonds that may have penetrated the bedrock).</p> <p>Sample pits are measured (with measuring tape by the geological staff) to estimate volumes.</p> <p>The material is then fed into a 4m barrel-screen that screens out the +25mm oversize as well as remnant vegetation. The -25mm fraction is then fed into a 16-foot rotary plant by means of a conveyor belt (the 16-foot plant has a throughput capacity of some 60 tonnes per hour). The rotary plant works on the two complimentary principles of gravitational settling and centrifugal force. In this manner, the heavier concentrate is forced downwards and outwards towards an extraction point on the outer side of the pan, whereas the lighter, waste material remains suspended and flows over an outlet weir in the centre of the pan.</p> <p>The pan concentrate is tapped off into mobile concentrate bins and then towed to the final-recovery site. The concentrate bins are attached to the Bushman Jig’s locking device so that concentrate transfer is secure. The action of the Bushman Jig results in the lighter material being suspended and the denser material settling into the centre of the jig sieves. The sieve fractions are +14mm, -14+10mm, -10+8mm, -8+6mm, -6+4mm, -4+2mm. Each sieve is hand-sorted separately by two sorters in the presence of a security guard.</p> <p>The entire gravel sample (-25+2mm fraction) is processed. Diamonds smaller than 2mm have very little commercial potential and their loss is not at issue. Diamonds greater than 25mm (+100ct) are not expected to occur in this environment.</p> <p>Mustang currently has the following plant & equipment on site: Earth-moving Fleet: 2 x Bell B20 dump trucks, 1 x Hitachi 210 Excavator 20 ton, 1 x Komatsu front-end loader 1 x Caterpillar TLB 1 x Massey Ferguson 399</p> <p>Processing Plant: 1 x barrel screen (25mm screen) 1 x 16-foot rotary-pan plant which has a design throughput of 60 tph 2 x Bushman Jigs (processing up to 3 tons a day)</p> <p>Microdiamonds are not applicable to alluvial deposits and, therefore, are not considered.</p>

Criteria	Explanation	Mustang Commentary
Carat	<i>One fifth (0.2) of a gram (often defined as a metric carat or MC).</i>	Metric carats ("ct") have been used throughout this document
Sample grade	<ul style="list-style-type: none"> <i>Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.</i> <i>The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.</i> <p><i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).</i></p>	Insufficient data has been recovered to estimate sample grades or diamond size frequency distribution, as yet.
Reporting of Exploration Results	<ul style="list-style-type: none"> <i>Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.</i> <i>Sample density determination.</i> <i>Per cent concentrate and undersize per sample.</i> <i>Sample grade with change in bottom cut-off screen size.</i> <i>Adjustments made to size distribution for sample plant performance and performance on a commercial scale.</i> <i>If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples.</i> <p><i>The weight of diamonds may only be omitted from the report when the diamonds are considered too small to be of commercial significance. This lower cut-off size should be stated.</i></p>	<p>As of 11 June, 2015 (Table 1), 16 stones with a total weight of 9.68ct have been recovered (with a bottom cut-off size of 2mm). All of the diamonds have, thus far, been recovered from the colluvial ("Rooikoppie") gravel unit.</p> <p>The current sample is considered too small to complete any sort of analysis. This will be reported when an appropriate size diamond sample has been recovered.</p>

SAVE RIVER DIAMOND PROJECT

Jorc Table 1

Criteria	Explanation	Mustang Commentary
Grade estimation for reporting Mineral Resources and Ore Reserves	<ul style="list-style-type: none"> • <i>Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.</i> • <i>The sample crush size and its relationship to that achievable in a commercial treatment plant.</i> • <i>Total number of diamonds greater than the specified and reported lower cut-off sieve size.</i> • <i>Total weight of diamonds greater than the specified and reported lower cut-off sieve size.</i> <p><i>The sample grade above the specified lower cut-off sieve size.</i></p>	Mineral Resources and/or Ore Reserves have not yet been estimated for this project.
Value estimation	<ul style="list-style-type: none"> • <i>Valuations should not be reported for samples of diamonds processed using total liberation method, which is commonly used for processing exploration samples.</i> • <i>To the extent that such information is not deemed commercially sensitive, Public Reports should include:</i> <ul style="list-style-type: none"> ○ <i>diamonds quantities by appropriate screen size per facies or depth.</i> ○ <i>details of parcel valued.</i> ○ <i>number of stones, carats, lower size cut-off per facies or depth.</i> • <i>The average \$/carat and \$/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.</i> • <i>The basis for the price (e.g. dealer buying price, dealer selling price, etc.).</i> <p><i>An assessment of diamond breakage.</i></p>	The diamond sample recovered to date is considered too small to be representative in terms of value and no such valuations have yet been undertaken.

Criteria	Explanation	Mustang Commentary
Security and integrity	<ul style="list-style-type: none"> • Accredited process audit. • Whether samples were sealed after excavation. • Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones. • Core samples washed prior to treatment for micro diamonds. • Audit samples treated at alternative facility. • Results of tailings checks. • Recovery of tracer monitors used in sampling and treatment. • Geophysical (logged) density and particle density. • Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor. 	<p>All diamonds are weighed, sealed and stored in a Category 4 safe on site. As yet, diamonds have not been transferred from site to valuer location.</p> <p>Bulk-samples are not processed at an alternative facility. No audit of tailings has yet taken place – concentrated tailings are currently stockpiled until a FlowSort X-ray recovery system has been obtained.</p> <p>The rotary pan plant and the Bushman Jig efficiencies are monitored using industry standard tracer tests.</p>
Classification	<p><i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.</i></p>	<p>The uncertainty of the project is such that only Exploration Results are presented as conceptual Exploration Targets.</p> <p>The results to date simply identify the presence of commercially sized (macro) diamonds in alluvial gravel deposits on the Save River concession. The limited information gathered thus far does not allow for the identification of Mineral Resources.</p>

BALAMA GRAPHITE PROJECT

Jorc Table 1

JORC CODE, 2012 EDITION - TABLE1

APPENDIX TO GRAPHITE ANNOUNCEMENT – 10 JUNE 2015.

Section 1 sampling techniques and data.

Criteria	JORC Code Explanation	Mustang Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<p>Sampling undertaken as part of the initial exploration program included rock chip sampling from graphitic bearing surface outcrop within exploration licenses 4661L and 4662L. Three representative rock chip samples were collected from two outcrop locations and were submitted to SGS Laboratories and Set Point laboratories in Johannesburg for Cg % analysis (LECO), as well as XRF (major elements) and petrographic description by optical microscopy.</p> <p>Two test RC holes were drilled within prospecting licenses 6527L and 5873L to test prospective stratigraphy for the presence of graphite mineralisation. The drillhole locations were generated based on results from the initial ground EM survey and airborne magnetic data. A total of 13 drillhole intervals were selected for sampling based on geological logging and only zones logged as graphitic rich were submitted to the laboratory for analysis.</p> <p>Reverse circulation drilling was used to collect 1 m samples (roughly 35 kg) via an air cyclone which was reduced to a 3 kg sample by riffing. The bagged 3kg samples were submitted to SGS Laboratories and Set Point laboratories in Johannesburg for Cg % analysis (LECO), as well as XRF (major elements) and petrographic description by optical microscopy.</p> <p>A total of eleven intervals from hole RC001 were selected for sampling;</p> <p>5 – 6 m 9 – 10 m 22 – 23 m 32 – 33 m 37 – 38 m 42 – 43 m 43 – 44 m 47 – 48 m 50 – 51 m 51 – 52 m 57 – 58 m</p> <p>Two intervals from hole RC002 were selected for sampling; 5 – 6 m, 17 – 18 m.</p> <p>The initial exploration program was undertaken in order to confirm the presence of graphite mineralisation and results are not intended to be used for resource determination. Mustang is of the opinion that these assay results confirms the presence of graphite mineralisation in the MUS prospecting licences.</p>
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<p>Reverse circulation drilling was used to drill two 5.5 inch diameter holes.</p> <p>RC drill chips were collected via an air cyclone at 1 m intervals for logging and sampling. Approximately 35 kg per metre was collected and reduced to a 3 kg sample by riffing.</p>

Criteria	JORC Code Explanation	Mustang Commentary
Drill sample recovery	<ul style="list-style-type: none"> • Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<p>The condition and qualitative estimates of RC sample recovery were determined through visual inspection of the 1m sample bags and recorded at the time of sampling. A hard copy and digital copy of the sampling log is maintained for data verification.</p> <p>The samples obtained are considered to be representative of the drilled intervals and no preferential loss or gain of fine or coarse material was identified during the initial exploration program.</p> <p>Due to the early stage of exploration works at the project, no relationship between sample recovery and grade is known to exist at this point.</p>
Logging	<ul style="list-style-type: none"> • Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. 	<p>RC drillchip samples were geologically logged by trained geologists. The drillholes are considered by MUS to be 'scout test drill holes' are were not drilled for the purpose of Mineral Resource estimation.</p> <p>Logging of RC drill holes includes recording of lithology, mineralogy, mineralisation, weathering, colour and other features of the samples. RC Chip trays are photographed. Geological descriptions of the mineral volume abundances and assemblages are semi-quantitative.</p> <p>The drillholes were logged in full.</p>
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/ second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled. 	<p>RC samples are collected on the rig using riffle splitters to reduce the sample mass from 35 kg to 3 kg. Sample preparation of the RC chip samples follows industry best practice in sample preparation involving oven drying (105°C), split (300g) and pulverising to a grind size of 85% passing 75 micron. The sample preparation for RC samples follows industry best practice.</p> <p>The majority of samples were dry, with some wet samples at depth in RC002.</p> <p>No field QC procedures were adopted (i.e. no certified standards or blanks were inserted and no field duplicates were collected).</p> <p>Due to the early nature of the project, nominal 1m composite sampling has been undertaken for this phase of the exploration program,</p>

BALAMA GRAPHITE PROJECT

Jorc Table 1

Criteria	JORC Code Explanation	Mustang Commentary
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<p>Fourteen samples were analysed by SGS Laboratories in South Africa for Graphitic Carbon and Total Carbon on a Leco Combustion Infrared Detection instrument. In addition, these samples were analysed for multi element abundances (including V_2O_5) by XRF and underwent petrographic thin section analysis to determine graphitic carbon flake size distribution.</p> <p>Two samples were submitted to Set Point Laboratories for analysis of Graphitic Carbon and Total Carbon on a Leco Combustion Infrared Detection instrument, and vanadium by SD/ICP. Samples were also subjected to a size fraction distribution analysis.</p> <p>Detection limits for these analyses are considered appropriate for the reported assay grades and adequate for the phase of the exploration program.</p> <p>No geophysical tools were used to determine any element concentrations.</p> <p>No QC procedures were adopted (i.e. no certified standards or blanks were inserted and no field duplicates were collected).</p> <p>Both SGS and Set Point carried out sample preparation checks for fineness as part of their internal procedures to ensure the grind size of 85% passing 75 micron was being attained. Laboratory QAQC involves the use of internal lab standards using certified reference material, blanks, and repeats as part of their in house procedures.</p>
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<p>Mr. Johan Erasmus, an independent geologist, has visually verified the geological observations reported in the RC drillholes.</p> <p>No twin holes have been drilled to date.</p> <p>Sample information is recorded at the time of sampling in electronic and hard copy form.</p> <p>Data is documented by Mr. Johan Erasmus and primary data is kept in a Microsoft Access database. Assay data is received from the laboratory in electronic form and compiled into the Company's digital database. A copy of the data is stored in Mr. Erasmus' office as well as in Mustang's office in Pretoria, RSA.</p> <p>Assay data is reported as received from the laboratory. No adjustments or calibrations have been made to any assay data.</p>
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<p>Collar locations and rockchip sample locations were surveyed with a Garmin 62/64 GPS Device. The Garmin devices typically have an error of +/- 7m.</p> <p>No downhole survey measurements were taken.</p> <p>All spatial data was collected in WGS 84 and the datum used is UTM Zone 37 South.</p> <p>No topographic surfaces have been generated to date. The generation of a topographic surface DTM, most likely via an aerial survey, is planned for the drilling phases of exploration.</p>
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<p>Due to the early stage of the exploration program, there is no nominal sample spacing. Two scout test RC drillholes have been drilled to date in prospecting licenses 6527L and 5873L and three rock chip samples have been collected from surface outcrops in exploration licences 4661L and 4662L.</p> <p>Drilling data is at the exploration level and data is not considered to be sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure.</p> <p>Drillhole collar information is tabulated in Appendix 2.</p> <p>No sample compositing has been applied.</p>

Criteria	JORC Code Explanation	Mustang Commentary
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<p>RC drillholes were inclined at -60° orientated on a bearing of 120° (measured clockwise with North at 0°).</p> <p>The orientation of the RC holes was designed based on regional geology interpretations and designed to test the broad stratigraphy.</p> <p>No sampling bias is considered to have been introduced at this early stage of the project.</p>
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<p>Samples were kept in a locked room after collection, and shipped in sealed containers by Mustang to SGS and Set Point laboratories in South Africa.</p> <p>Sample residue will be retained by SGS and Set Point for safekeeping until further analysis is needed.</p>
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	No external audits have been undertaken for this stage of work.

SECTION 2 REPORTING OF EXPLORATION RESULTS

Criteria	Explanation	Mustang Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/ number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<p>Mustang's Balama Graphite Project area consists of 6 exploration licences covering an area of 666.64 km² that have been acquired by Mustang through an agreement with Balama Resources Pty Ltd.</p> <p>Refer to Table in Appendix 1 and ASX announcement dated 20 October 2014 for full details regarding ownership and earn in rights.</p> <p>All statutory requirements were acquired prior to exploration work. All licences have been awarded and issued</p> <p>The Company is not aware of any impediments relating to the licences or the area.</p>
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	No prior exploration work done by other parties on the license areas except for the 1:250,000 geological maps generated by the Government of Mozambique and country wide airborne magnetics and radiometric geophysical surveys flown over the region by the Government of Mozambique.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<p>The area is predominantly underlain by Proterozoic rocks that form a number of gneiss complexes that range from Palaeo to Neoproterozoic in age (Boyd et al., 2010). The Mustang project area is underlain by metamorphic rocks of the Neoproterozoic Lurio Group within the Xixano Complex (Brice, 2012) in north-eastern Mozambique. The Xixano complex is composed dominantly of mafic to intermediate orthogneiss with intercalations of paragneiss, meta-arkose, quartzite, tremolite-rich marble and graphitic schist. Graphite rich units are comprised of sequences of metamorphosed carbonaceous pelitic and psammitic (sandstone) sediments within the Proterozoic Mozambique Belt (Brice, 2012). Metamorphic grade is typically amphibolite facies.</p>

BALAMA GRAPHITE PROJECT

Jorc Table 1

Criteria	Explanation	Mustang Commentary
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	Refer to Appendix 2 – Drillhole Summary Table.
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	No weighting averaging techniques have been applied.
	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<p>No relationship between mineralisation widths and intercept lengths is known at this stage.</p> <p>Assay grades have been reported and tabulated by sample interval.</p>
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	Appropriate plans and maps are included in the body of the announcement.

Criteria	Explanation	Mustang Commentary
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	All sample results have been tabulated in Appendix 4.
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	All the data acquired to date has been reported.
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<p>Airborne electromagnetic survey is planned for Q2-2015 over the P3Xqm geological units of exploration licences 6527L, 5873L, 6678L, 4661L, 4662L & 6636L to delineate conductive graphitic horizons to aid in the planning of a resource drilling program in the dry season.</p> <p>Further announcements will be made regarding planned drillhole locations once airborne geophysical surveys have been completed and the data has been processed.</p>

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