MUSTANG

RESOURCES LTD

ABN 34 090 074 785

Interim Financial Report for the Half-Year Ended
31 December 2015

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CORPORATE DIRECTORY

This half-year report covers the consolidated entity consisting of Mustang Resources Limited ("the Company" or "Mustang") and the entities it controlled during the half-year ended 31 December 2015 ("Consolidated Entity" or "Group"). The Group's presentation currency is Australian Dollars.

OFFICERS

Ian Daymond (Non-executive Director, Chairman)
Christiaan Jordaan (Managing Director)
Andrew Law (Non-executive Director)
Cobus van Wyk (Non-executive Director)
Frank Petruzzelli (Non-executive Director)

Robert Marusco (Company Secretary)
Chris Ritchie (Company Secretary)

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SHARE REGISTRY

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ASX CODE

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Directors' report

Your Directors submit this report for the half year ended 31 December 2015.

Directors

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

Ian Daymond – Non-executive Director, Chairman
Christiaan Jordaan – Managing Director, appointed 1 February 2016
Andrew Law – Non-executive Director, appointed 13 July 2016
Cobus van Wyk – Non-executive Director
Frank Petruzzelli – Non-executive Director
Chris Ritchie - Resigned as a Director 13 July 2015

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

Review of operations

Operating results

The consolidated net loss for the economic entity for the half year was $1,551,033 (2014: net loss of $1,464,633).

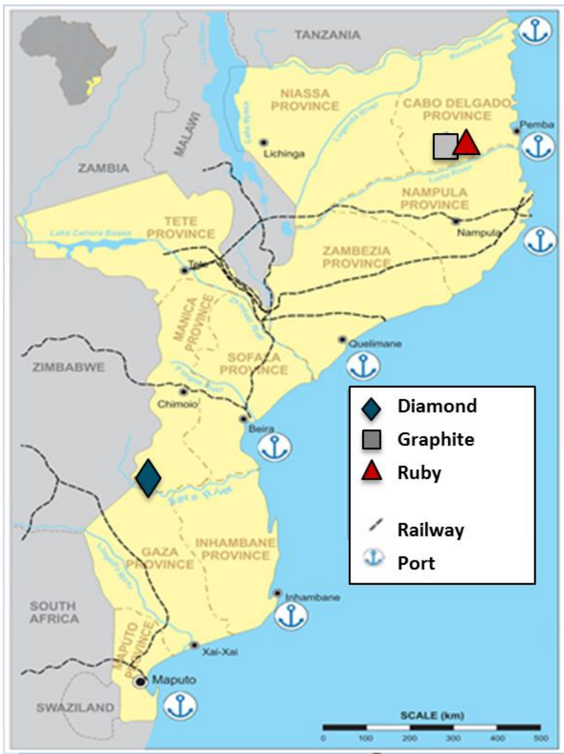

Figure 1: Mustang's projects in Mozambique

Save River Diamonds Project

As of 19 December 2015, approximately 26,000 m^3 of gravels have been treated from nine pits across the project. This bulk sampling program has yielded 43.30 carats from 70 diamonds with an average stone size of 0.62 carats. The largest individual diamond recovered to date is 2.58 carats.

A notable development during the second quarter was the procurement and installation of a Flow Sort optical diamond sorter. This high throughput x-ray plant is a significant advancement in on site processing capacity. The Flow Sort recovers and concentrates diamonds securely, reducing the accumulation of unwanted material and the amount of time required by hands-on sorting.

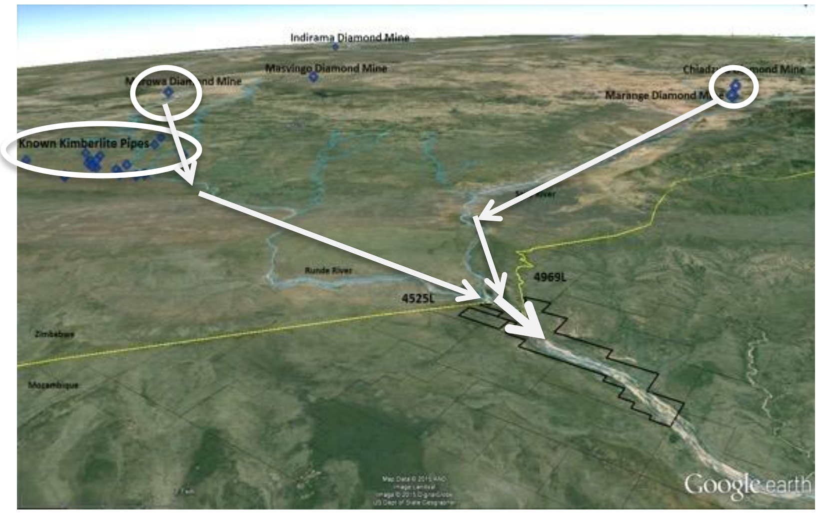

Figure 2: Mustang's Save River Diamonds project relative to known kimberlites upstream

The original plant at the Save River Diamond Project was based on traditional Bushman Jig technology that is known to be less efficient and less reliable than x-ray Flow Sort plant recovery. Not only is the x-ray technology more secure, the Flow Sort allows for greatly increased amounts of material to be processed in a day. The upgraded recovery plant was fully commissioned and operating at around 1,000m^3 per day during the period.

Pit No.	Volume (m^3)	Number of stones	Total Carats (ct)	Average Stone Size (st/st)
001	1,271	3	1.69	0.56
002	592	2	2.59	1.30
003	1,799	5	2.37	0.47
004	12,369	40	25.02	0.63
005	1,187	3	1.67	0.56
007	1,997	1	0.39	0.39
009	1,156	2	0.61	0.31
010	3,420	6	3.6	0.60
011	2,488	7	4.69	0.67
Tailings		1	0.69	0.69
	26,279	70	43.32	0.62

The Company intends to commit minimal expenditure on the Save River Diamond project during the upcoming half year period as it focuses its resources on the newly acquired Montepuez Ruby project. The Company is likely to place the project into care and maintenance for a short period while it awaits Mozambique's admittance to the Kimberley Protocol, however management is actively seeking & engaging parties on potential joint venture opportunities for an expanded project.

Balama Graphite Project

The half year ended 31 December 2015 was a productive one for the Company at its Balama Project, most notably with the commencement of the RC drilling program in the second quarter. Extremely encouraging results from the airborne EM geophysical survey were used to identify a number of priority anomalies within the Balama Project area which formed the basis of the drilling program. The survey was completed over six of the existing graphite tenements (4661L, 4662L, 5873L, 6526L, 6527L, 6636L and 6678L) including two optioned tenements.

In August 2015, Mustang commissioned SkyTEM Australia Pty Ltd (SkyTEM) to complete the airborne electromagnetic (EM) geophysical survey. Processing of data following the airborne EM (electromagnetic) survey was undertaken by ASST Pty Ltd (ASST).

The initial 2,400 km line survey was focused over lithology regionally mapped as quartz mica gneiss and schist (P3Xqm) which is known to be locally graphite-bearing. The orientation of the survey lines was designed perpendicular to the strike of the geology to ensure the collection of representative data. Given the Company's large land holding (666.64 km^2), and limited access to parts of the project areas, Mustang considers that airborne EM geophysical survey methods have enabled the Company to quickly and cost-effectively identify graphite mineralisation target zones.

Results from the airborne EM geophysics survey were extremely encouraging and identified a number of priority anomalies within the Balama Project area which formed the basis of the drilling program. A number of the conductive anomalies across Mustang's tenements coincide with the strike of stratigraphic conductors hosting the mineralisation at both Triton Minerals' (Triton) Nicanda Hill deposit and Syrah Resources' (Syrah) Balama deposits.

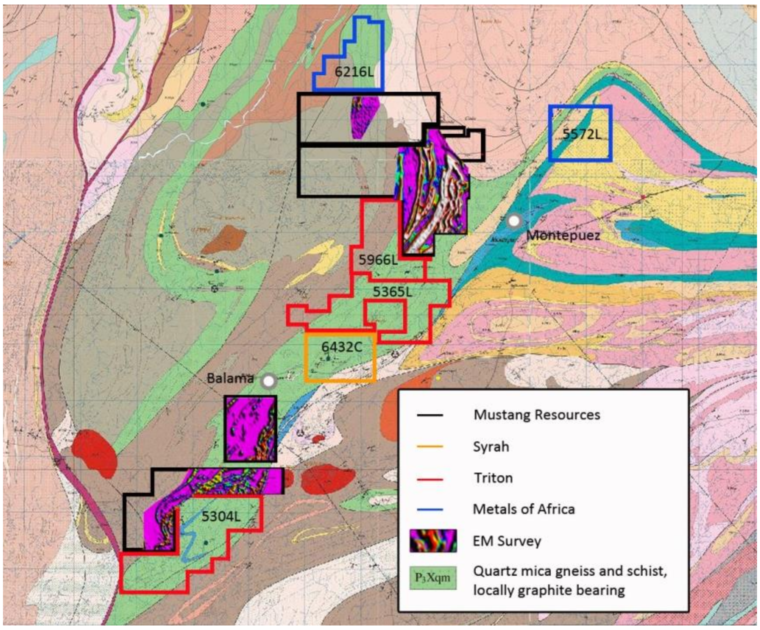

Figure 3: Location of Mustang's concessions with the SkyTEM survey results overlain over the graphitic schists

In September 2015, Mustang advised that it had entered into an agreement with Regius Resources Group Limited, subject to shareholder approval, to acquire an option over an additional two graphite licences in the Cabo Delgado province of Mozambique.

Drilling Program

In October 2015, Mustang began the drilling of 10 RC holes over six concessions, 4661L, 4662L, 5873L, 6526L, 6636L and 6678L. The drill program was designed as an initial phase, focusing on testing the most promising EM anomalies along strike from the world-class graphite deposits. Identification of graphite mineralisation was assisted by the systematic rock chip sampling in 1 metre composite samples.

A total of 788 metres of the drill program was completed with a number of graphitic mineralisation zones being intersected. Field assessment of the graphitic mineralisation has highlighted a number of zones with a (visual) high graphite grade and large flake size; confirmation from an accredited laboratory is expected in early February 2016.

Table 1. Summary of significant logged graphite intercepts. Note: the intervals are based on field geological logging and will be confirmed once sampling and assaying has been completed and results have been received.

BHID	From (metres)	To (metres)	Downhole Interval (metres)
MORC001 (5873L)	9	30	21
	37	39	2
	88	93	5
	100	102	2
MORC002 (5873L)	6	8	2
	10	11	1
	17	19	2
	27	32	5
	37	44	7
	48	50	2
	58	59	1
	66	67	1
MORC003 (5873L)	8	16	8
	17	25	8
	26	27	1
	28	31	3
	37	41	4
	42	48	4
	49	68	19
	69	77	8
MORC004 (6678L)	4	6	2
	10	16	6
	23	24	1
	25	26	1
	28	53	25
	54	57	3
	58	64	6
	67	74	7
	89	90	1

BHID	From (metres)	To (metres)	Downhole Interval (metres)
MORC006 (5873L)	11	15	4
	16	20	4
	32	48	16
	50	60	10
	61	65	4
	72	86	14
	88	90	2
	91	94	3
	97	99	2
	101	103	2
MORC007 (6636L)	0	23	23
	24	27	3
	36	37	1
	40	41	1
MORC008 (4662L)	3	12	9
	13	15	2
	16	17	1
	18	20	2
	21	37	16
	38	42	4
	43	46	4
	48	51	3
	52	71	19

Licences 5873L and 6678L ("Balama North Project")

Drilling on Licence 5873L (adjacent to Triton's Nicanda Hills deposit) intersected 21 metres of graphite from 9 metres to 30 metres depth in the South of the Licence (MORC001), as well as 18 metres of graphite from 8 metres to 25 metres, and 39 metres of graphite from 37 metres to 76 metres in another in the North (MORC003). A 51 metres graphitic zone in Licence 6678L bordering Licence 5873L to the North shows a likely >7.5 km strike extension of graphite mineralisation, as illustrated in Figure 4.

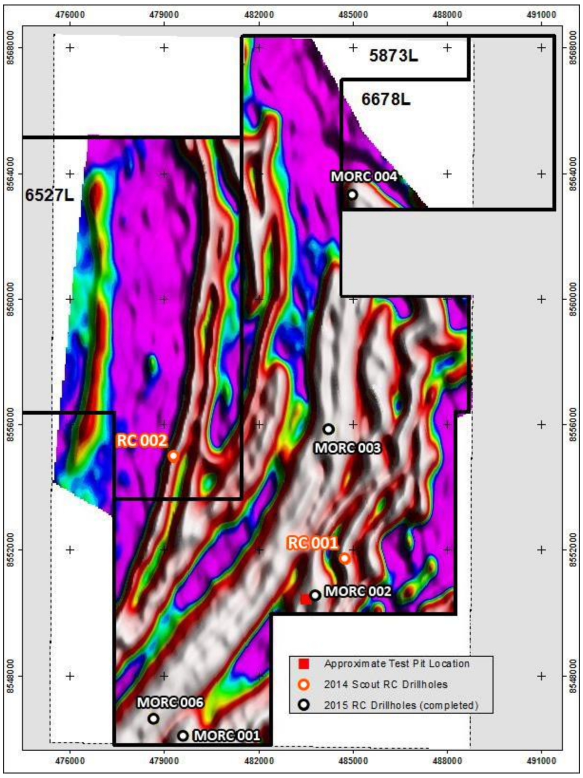

Figure 4: Drill results on Licences 5873L, 6527L and 6678L ("Balama North Project")

Licence 4662L ("Balama South Project")

Drilling on Licence 4662L adjacent and along strike from Syrah's Balama deposit and Metals of Africa's (ASX: MTA) Central graphite project intersected a massive 69 metre shallow graphitic zone from 3 metres to 71 metres[1] (MORC008). Furthermore, analysis of the SkyTEM electromagnetic data for Licence 4662L shows a 6.4 km strike length on trend with the well advanced Syrah deposit which is scheduled to start mining in 2017.

Future Work Program

Having undertaken a systematic drilling and analysis program of the Balama Graphite Project, which resulted in the identification of shallow widespread mineralised zones, the Company will now aim to advance the project from the exploration target stage through the various levels of resource confidence, then to scoping study and feasibility stages.

In relation to the current program, graphite samples are now undergoing processing at the laboratory in order to confirm the size, grade and quality of the mineralisation.

The Company intends continuing to progress the Balama Graphite project towards achieving a JORC resource statement during the upcoming half year period but will focus its resources on the newly acquired Montepuez Ruby project.

[1] Internal intersections of mica and dolomitic marble are typically in the order of 3m in (downhole) thickness.

Montepuez Ruby Project

Mustang was pleased to announce post half-year end that it had acquired the rights to earn majority interests in three highly prospective ruby prospecting and exploration licences located in the world-class Montepuez area in Northern Mozambique.

The strategic acquisition of an effective 75% of the shares and performance rights in Montepuez Minerals Pty Ltd ("MM"), a private Australian company majority owned by Regius Resources Ltd, will provide Mustang with the potential to generate significant near-term cash flows with minimal upfront capital expenditure required.

The MM licence interests are located adjacent to and along extrapolated geological strike from the main licence area currently being mined by Gemfields PLC (AIM:GEM). In the latest full year to date (30 June 2015), Gemfields recovered 8.4 million carats of ruby and corundum at an average grade for the year of 26 ct/ton, mining at a rock handling cash cost of US$6.16 per ton. Gemfields is targeting overall annual production of 20 million carats of ruby and corundum through the upgrade of its plant capacity to 350 tons per hour.

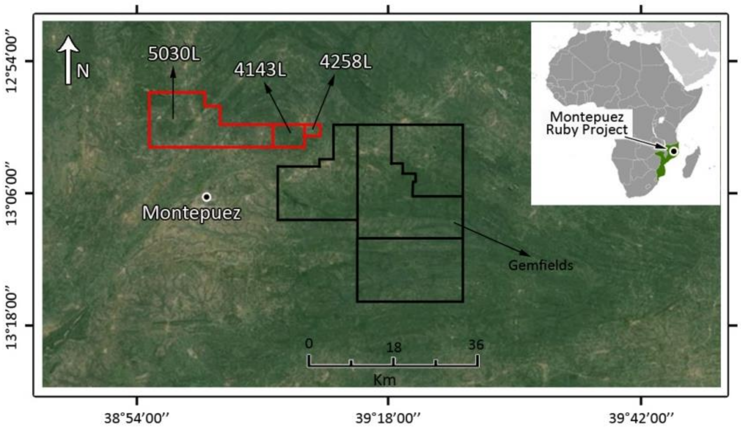

Figure 5: Montepuez Ruby project relative to Gemfields PLC

Mustang Bulk Sampling & Exploration Program

Upon commencement of its intended bulk sampling program, Mustang plans to make use of up to two 16-foot rotary pans with a processing capacity of 182 tons per hour (2,553 tons per day based on a SG of 1.9 recorded by Gemfields).

The rotary pan is the preferred processing system for the sampling (and eventual full scale mining) of rubies due to its robustness, proven high recoveries of gemstones, low operating costs and scalability. Mustang proposes to make use of a closed conveyor and glove box system under high industry standard security for the recovery of all gemstones. Grading and classing of rubies will be done on site.

Mustang intends to procure the necessary equipment and establish a base camp on site in coming months. Further fieldwork will commence immediately with the intention of refining bulk sampling targets, mapping all known "garimpeiro" (unlicensed miners) occurrences and further analysing available geophysical and satellite data. The goal is for bulk sampling to be initiated in the in the second half of this financial year.

Geology of Montepuez Minerals Licences

The project area lies within the structurally deformed and metamorphic terrane known as the Mozambique Belt or East African Orogen (EAO, mountain building event). The licences are situated near to and in the same geology as the Gemfields operations (outlined above), which reportedly hosts the world's single largest known ruby deposit discovered in 2011/2012 (Figure 6).

According to world-renowned gemmologist Dr. Adolf Peretti, Mozambique is the premier jurisdiction for the production of rubies with regard to both quality and size.

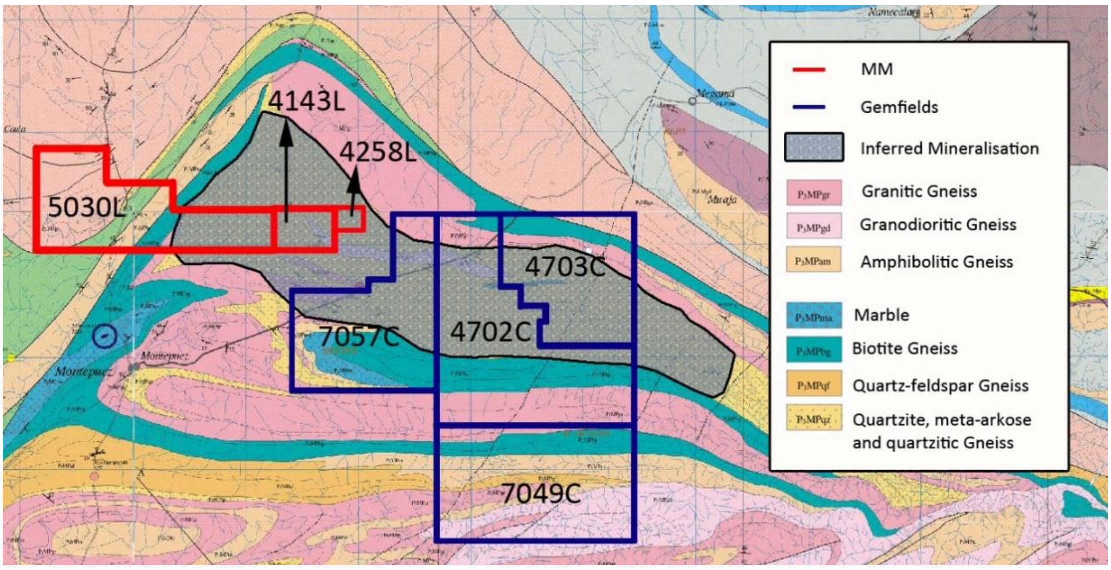

Figure 6: Geological Map of MM Licences 4143L, 4258L & 5030L relative to Gemfields, indicating extensive artisanal activity of ruby mineralisation in the region.

Corporate Activities

During the half year, Mustang was pleased to announce that $750,000 had been committed through convertible loans and a further nominal $5,000,000 had been agreed to be invested by a cornerstone investor over an eighteen month period to advance the development of its graphite, diamond and ruby project portfolio. $750,000 will be received at $0.20 per share with the balance subject to variation depending on the Company's 5 day VWAP at the monthly calculation date compared to a reference share price of $0.267. A key focus for the Company will be on fast tracking the commencement of the bulk sampling program at the Montepuez ruby project in order to increase near term cash flows.

As announced, funds were secured from a range of Institutional and High Net Worth investors including the nominal $5,000,000 investment facility from Lanstead Capital LP (Lanstead), under a sharing agreement, a UK institutional investor that has completed a number of successful and value accretive investments in ASX-listed resources companies over the past 12 months.

In December, the Company appointed Christiaan Jordaan as Managing Director effective 1 February 2016 to lead the development of the graphite, diamond and ruby projects. Furthermore, experienced gemstone geologist Dr. John Bristow was appointed as a specialist advisor to the Board.

Mustang also announced during the second quarter that it has agreed to amend all existing agreements with the vendors of its graphite, diamond and ruby projects – allowing the Company to effectively reduce potential non-vendor shareholder dilution by a nominal value of up to $23.4 million (assuming a share price of $0.20 & 0.72 A$ to US$ conversion). This represented a reduction in potential dilution from 59% to 26% (refer to 11 December 2015 ASX Announcement for full details).

The cancellation of the performance share rights in respect of the acquisition of the diamond project and the original graphite licence interests was subject to compliance with ASX Listing Rules.

On 31 December 2015, the ASX advised that it had rejected Mustang's application for a waiver from Listing Rule 9.7 to issue ordinary shares as consideration for the cancellation of the performance rights.

Subsequent events

On 3 March 2016, that all resolutions put to shareholders at an EGM on Friday 26 February 2016 were passed by a unanimous show of hands and with overwhelming support from proxy voters.

Most notably these included a resolution to approve the acquisition of an 80% interest in Montepuez Minerals Pty Ltd, a private Australian company with the rights to earn 70%-80% in 3 ruby prospecting & exploration licences in the highly prospective Montepuez area of Mozambique. The Company issued 30,555,556 fully paid ordinary shares at a deemed price of $0.20 to the vendors. A condition for the Company to raise additional capital was mutually waived and the Company will reimburse Regius Resources Group Limited US$150,000 in back costs for the ruby project on or before 15 April 2016. Of the fully paid ordinary shares issued, 27,041,668 fully paid ordinary shares are under escrow until 2 March 2017.

In addition to this major milestone being achieved, the Company's shareholders also approved the Tranche B placement of 12,500,000 fully paid ordinary shares. These shares were issued on 2 March 2016, together with 8,750,000 unquoted options with an exercise price of $0.25 and an expiry date of 30 June 2017. The Company received the initial payment on 10 March 2016. 75% of the issued shares in Tranche B are subject to the sharing agreement enabling funding over an eighteen month period.

The Company issued Lanstead with a 5% interest in Montepuez Minerals Pty Ltd on 29 February 2016. Mustang retains a 75% controlling interest in Montepuez Minerals Pty Ltd.

A resolution to approve the acquisition of 2 further graphite licences in graphite prospective areas North of the Company's Balama Graphite project was also passed. On 8 March 2016 the Company advised that it was exercising the option to acquire the 2 further graphite licences, subject to the repayment to Regius Resources Group Limited of US$50,000 in back costs, which payment has been extended to 15 April 2016.

Approval was also granted for the cancellation of all cash performance payments in regard to the Balama Graphite Project to the value of A$2.08 million in return for the issue of 3,125,000 Mustang shares. This represents a nominal saving to the Company of A$1.77 million. These shares were issued on 2 March 2016.

For full details relating the resolutions please refer to the Notice of Meeting released to ASX on 27 January 2016 and the Shareholder Approval announcement & Cleansing Prospectus released on 3 March 2016.

On 4 March 2016 the Company announced the appointment of Mr. Robert Marusco as its new Chief Financial Officer and Company Secretary following the resignation of Mr. Chris Ritchie effective 11 March 2016.

The Company received on 3 March 2016 a waiver from listing rule 9.7 from ASX allowing the cancellation of 34.7 million performance share rights (which represent all performance share rights on issue (except for the 14 million Class E performance share rights in respect of the Balama Graphite Project) for nil consideration in order to simplify its capital structure, subject to the Company providing ASX with copies of new restriction agreements with the holders of Class E performance share rights.

Following the cancellation of the performance share rights, the Company will have the following simplified share structure.

	Number
Shares on issue	155,568,098
Options on issue (volume weighted average exercise price $0.245) +	**39,205,887**
Fully diluted share capital	**194,773,985**
Unquoted Class E Performance Rights*	14,000,000

+ A further 5,256,353 options are able to be issued at the discretion of the directors until 18 March 2016, being the balance of the shortfall of the Options Entitlement Issue Prospectus.

** Vest upon Mustang 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.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under S307C and the Corporations Act 2001 is set out on page 28.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Ian Daymond
Non-executive Chairman

Christiaan Jordaan
Managing Director

11 March 2016
Sydney, Australia

Forward-looking statements

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

Competent Persons' Statements

Information in this report that relates to the Montepuez Ruby Project & Save River Diamond Project t in terms of Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves are based on information compiled by Dr John Bristow, 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 Bristow is an independent consultant who was engaged by the company to undertake this work. Dr Bristow has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bristow consents to the inclusion of the data in the form and context in which it appears.

In this report, the information that relates to the Balama Graphite project's Exploration Targets and Geophysical Exploration Results and analysis, is based on information compiled by Mr Christiaan Mouton, a Competent Person who is a registered member of the Australian Institute of Geoscientists and also a registered member of the South African Council for Natural Scientific Professions (SACNASP), which is an Recognised Professional Organisation (RPO) included in a list posted on the ASX website. Mr Mouton is a consultant with Applied Scientific Services and Technology (ASST) which was engaged by the company to undertake this work.

Mr Mouton has sufficient experience in the application of geophysical methods and techniques that is relevant to the exploration of this 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 Mouton consents to the inclusion of the data in the form and context in which it appears.

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 of Sumsare Consulting, Witbank, South Africa who was engaged to undertake this work. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results. Mr Erasmus consents to the inclusion of the data in the form and context in which it appears.

Directors' declaration

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

In the opinion of the directors:

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

- (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

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

On behalf of the Board

Ian Daymond
Non-executive Chairman

Christiaan Jordaan
Managing Director

11 March 2016
Sydney, Australia

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2015

		Consolidated	
	Note	31 Dec 2015 $	31 Dec 2014 $
Interest revenue		212	7,207
Gain / (loss) on sale of assets		283	3,926
Fair value loss on financial asset held as fair value through profit or loss		(274,316)	-
Administration costs		(1,242,989)	(717,383)
Relisting and restructure costs		-	(421,706)
Interest expense		(9,087)	(127,479)
Realised FX gain /(loss)		49,431	(649)
Loss from continuing operations before income tax expense	3	**(1,476,466)**	**(1,256,084)**
Income tax expense		-	-
Loss from continuing operations		**(1,476,466)**	**(1,256,084)**
Loss from discontinued operations		**(74,567)**	**(208,549)**
Net loss for the period		**(1,551,033)**	**(1,464,633)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation		(769,268)	227,212
Total comprehensive loss for the period		**(2,320,301)**	**(1,237,421)**
Loss for the period attributable to:			
Non-controlling interest		(253,358)	-
Owners of the parent		(1,297,675)	(1,464,633)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		(253,358)	**-**
Owners of the parent		(2,066,943)	(1,237,421)

Loss per share		
Continuing operations		
Basic loss per share (cents per share)	1.58	0.38
Diluted loss per share (cents per share)	1.58	0.38
Discontinued operations		
Basic loss per share (cents per share)	0.08	0.06
Diluted loss per share (cents per share)	0.08	0.06
Total		
Basic loss per share (cents per share)	1.66	0.44
Diluted loss per share (cents per share)	1.66	0.44

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

Consolidated statement of financial position

As at 31 December 2015

	Notes	Consolidated 31 Dec 2015 $	30 June 2015 $
Current assets			
Cash & cash equivalents		499,264	3,711,787
Trade & other receivables		790,574	670,702
Financial assets held at fair value through profit or loss	4	717,497	-
Prepayments		70,033	116,609
Total current assets		**2,077,368**	**4,399,098**
Non-current assets			
Trade and other receivables		6,856	1,014
Financial assets held at fair value through profit or loss	4	333,895	-
Plant and equipment	5	1,399,097	1,676,172
Exploration and evaluation assets	6	23,553,794	21,307,109
Total non-current assets		**25,293,642**	**22,984,295**
Total assets		**27,371,010**	**27,483,393**
Current liabilities			
Trade and other payables		1,245,130	1,783,718
Interest bearing liabilities	7	957,500	-
Provisions		149,603	136,777
		2,352,233	**1,920,495**
Non-current liabilities			
Other payables		1,567,945	1,464,844
Total non-current liabilities		**1,567,945**	**1,464,844**
Total liabilities		**3,920,178**	**3,385,339**
Net assets		**23,450,832**	**24,098,054**
Equity			
Contributed equity	9	130,391,932	128,821,203
Reserves		12,674,773	13,341,691
Accumulated losses		(121,221,592)	(119,923,917)
Parent interests		**21,845,113**	**22,238,977**
Non-controlling interests		1,605,719	1,859,077
Total Equity		**23,450,832**	**24,098,054**

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

Consolidated statement of changes in equity

	Contributed Equity	Accumulated Losses	Option Premium Reserve	Performance Rights Reserves	Foreign Currency Translation Reserve	Convertible Notes Reserve	Owners of The Parent	Non Controlling Interest	Total Equity
Balance 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	-	(1,464,633)	-	-	-	-	(1,464,633)	**-**	(1,464,633)
Other comprehensive income	-	-	-	-	227,212	-	227,212	-	227,212
Total comprehensive income for the half-year	-	(1,464,633)	-	-	227,212	-	(1,237,421)	-	(1,237,421)
Transactions with owners in their capacity as owners									
Shares issued	1,102,069	-	-	-	-	-	1,102,069	-	1,102,069
Transaction costs on shares issued	(144,323)	-	-	-	-	-	**(144,323)**	**-**	**(144,323)**
Balance at 31 December 2014	**113,206,671**	**(114,768,845)**	**4,029,740**	**-**	**(4,529,738)**	**1,369,193**	**(692,979)**	**-**	**(692,979)**

	Contributed Equity	Accumulated Losses	Option Premium Reserves	Performance Rights Reserves	Foreign Currency Translation Reserve	Convertible Notes Reserve	Owners of The Parent	Non Controlling Interest	Total Equity
Balance at 1 July 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**
Loss for the period	-	(1,297,675)	-	-	-	-	(1,297,675)	(253,358)	(1,551,033)
Other comprehensive income	-	-	-	-	(769,268)	-	(769,268)	-	(769,268)
Total comprehensive income for the half-year	-	(1,297,675)	-	-	(769,268)	-	(2,066,943)	(253,358)	**(2,320,301)**
Transactions with owners in their capacity as owners									
Shares issued	1,700,708	-	-	-	-	-	1,700,708	**-**	**1,700,708**
Options granted	-	-	102,350	-	-	-	102,350	**-**	**102,350**
Transaction costs on shares issued	(129,979)	-	-	-	-	-	(129,979)	**-**	**(129,979)**
Balance at 31 December 2015	**130,391,932**	**(121,221,592)**	**4,579,247**	**7,508,955**	**(782,622)**	**1,369,193**	**21,845,113**	**1,605,719**	**23,450,832**

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

Consolidated statement of cash flows

For the half-year ended 31 December 2015

	Consolidated	
	31 Dec 2015	**31 Dec 2014**
	$	**$**
Cash flows from operating activities		
Receipts from customers	-	213,217
Payment to suppliers and employees	(998,995)	(1,869,570)
Interest received	329	1,529
Interest paid	(4,131)	(78,818)
Net cash flows (used in) operating activities	**(1,002,797)**	**(1,733,642)**
Cash flows from investing activities		
Exploration and evaluation costs	(2,402,249)	(70,652)
Payments for plant & equipment	(868,098)	-
Loan to Mozambican projects	(8,818)	(2,005,174)
Proceeds from sale of assets	1,947	3,500
Proceeds from sale of prospects	-	715,970
Net cash flows (used in) investing activities	**(3,277,218)**	**(1,356,356)**
Cash flows from financing activities		
Proceeds from the issue of shares	375,000	-
Proceeds from the granting of options	102,350	-
Proceeds from loans	895,000	5,774,001
Repayment of loans	(124,392)	-
Redemption of convertible notes and security	-	(530,000)
Share issue costs	(19,831)	(15,802)
Net cash flows from financing activities	**1,228,127**	**5,228,199**
Net (decrease) / increase in cash held	**(3,051,888)**	**2,138,201**
Add opening cash brought forward	3,711,787	1,477,814
Effect of exchange rate changes on cash	(160,635)	307,059
Cash and cash equivalents at 31 December	**499,264**	**3,923,074**

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

Notes to the financial statements

1. Basis of preparation and accounting policies

Basis of preparation

This financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by Mustang Resources Limited during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Significant accounting policies

The accounting policies applied by the group in this consolidated half-year financial statements for the six months to 31 December 2015 are the same as those applied by the group in its consolidated financial report as at and for the year ended 30 June 2015.

Estimates

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

Inventory at Save River Diamonds Project
No value has been ascribed to the diamonds recovered from the trial mining program at the Save River Diamond Project. The diamonds are held in a bank in Maputo, Mozambique but are unable to be sold until Mozambique becomes a participant in the Kimberley Process Certification Scheme ("KPCS") which is expected towards the end of 2016. The assets capitalized as exploration assets for the Save River Diamond project is also dependent on further successful exploration of the area and Mozambique's successful entrance into the KPCS,

Financial asset at FVTPL – Lanstead Agreement
The financial asset held at fair value through profit or loss ("FVTPL") has been valued for accounting purposes based on the sum of the present values of expected cash receipts from Lanstead using a 5 day VWAP of the shares as at 31 December 2015.

In preparing these consolidated half-year financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were, other than in the notes are the same as those applied to the consolidated financial report as at and for the year ended 30 June 2015.

Notes to the financial statements

1. Basis of preparation and accounting policies (continued)

Going Concern

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

The Company incurred a net loss of $1,551,033 (2014: 1,464,633). At 31 December 2015 the Company had cash at bank totaling $499,264 and working capital deficiency of $274,866 (June 2015: surplus of $2,578,603).

The Company has significant capital commitments in the next half of the financial year and it is unlikely that revenue generated from the trial mining program at Save River or at Montepuez will be sufficient to fund these commitments in the required timeframe as potential revenues will only be from sale of gemstones at auctions when sufficient volumes of saleable material is available through bulk sampling / trial mining. It is probable that the Company will be able to negotiate with licence holders to extend payment milestones and interest-earning entitlement dates.

The Company will seek to raise additional capital to ensure the ongoing development of the Company's projects until such time as they are self-funding. During the period under review the Company entered into an agreement with Lanstead Capital LP for a nominal $5 million investment in two Tranches of $2,500,000 each, over an eighteen month period, subject to a number of conditions. $750,000 is at a fixed price of $0.20 per share, $4,250,000 is subject to variation based on agreed reference price of $0.267 and the current 5 day VWAP at the calculation date each month. The current carrying value of the ongoing part of the Tranche A financial asset under the agreement based on the share price at 31 December was $1,051,392. The Company also raised $642,500 in convertible loans, these loans converted into equity on 29 February 2016.

The directors are confident in the ability of the Company to raise additional capital. The Tranche B of the Lanstead facility was activated on 26 February 2016 with the initial payment received on 10 March 2016. The Company intends to raise an additional $400,000 in short term funding through an unsecured loan and a convertible note, both with an expiry date of 31 December 2016. The directors also believe that now that the Ruby project has been acquired and the capital structure of the Company simplified additional capital to fund the Ruby project and general working capital will be secured in the short term.

Additionally, the amount shown as other payables in long term liabilities for $1,567,945 has been cancelled with effect from 29 February 2016. The Company issued 3,125,000 fully paid ordinary shares on 29 February 2016 in consideration for the cancellation.

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. Should the Company not be successful in these efforts, then it may not be able to realise its assets and extinguish its liabilities in the ordinary course of for the amounts stated in the financial report.

Notes to the financial statements

2. Operating segments

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

3. Loss for the half-year

Loss for the half-year includes the following items:

Continuing Operations

	31 Dec 2015 $	31 Dec 2014 $
Fair value movement on financial assets held as fair value through profit or loss	(274,316)	-
Office, meeting & travel costs	(423,114)	(283,630)
Relisting & restructure costs	-	(421,706)
Professional fees	(209,016)	(126,010)
Employee costs	(595,277)	(307,744)

Discontinued Operations

	31 Dec 2015 $	31 Dec 2014 $
Revenue from oil and gas sales	-	390,640
Costs of sales	-	(338,556)
Impairment of oil & gas properties	-	(260,633)
Overheads – insurance, accounting & legal fees	(74,567)	-
	(74,567)	(208,549)

4. Financial assets held at fair value through profit or loss

	31 Dec 2015 $	30 Jun 2015 $
Financial asset held at fair value through profit or loss		
Financial asset – current	717,497	-
Financial asset – non-current	333,895	
	1,051,392	-

During the six month period to 31 December 2015, Mustang secured a cornerstone investor, Lanstead Capital LP ("Lanstead"). The Company issued Lanstead 12,500,000 fully paid ordinary shares in the Company. The Company received $375,000 cash plus the rights to receive cash over an eighteen month period based on a variable amount calculated by the Company's five day VWAP share price at the monthly calculation date compared to a reference rate of $0.267. For accounting purposes the Company has recorded the amount receivable as a financial asset held at fair value through profit or loss at the sum of expected present value of future cash flows. These expected cash flows have been calculated based on the 5 day VWAP as at 31 December 2015, $0.161. A value payment in lieu of a cash fee of 1,250,000 new ordinary shares has also been issued to Lanstead for nil consideration.

Notes to the financial statements

As part of the Lanstead facility, Mustang also entered into a sharing agreement arrangement with Lanstead. Each month shares and cash are released over an eighteen month period out of escrow to the benefit of the Company and Lanstead.

The cash to be received by Mustang is determined based on a five day volume weighted average price (VWAP) which is compared to the contractually agreed reference price of $0.2667 and the payment adjusted. The financial asset is held as a financial asset held at fair value through profit or loss derivative. At 31 December 2015, the 5 day VWAP was $0.161 and the Company has reduced the value of the asset by the difference to reference price with the movement recognised as a fair value movement in profit and loss.

On 2 March 2016, the Company issued 12,500,000 fully paid ordinary shares. On 10 March 2016, the Company received $375,000 cash plus the rights to receive cash over an eighteen month period based on a variable amount calculated by the Company's five day VWAP share price at the monthly calculation date compared to a reference rate of $0.267.

5. Plant & equipment

	31 Dec 2015 $	30 Jun 2015 $
Office equipment		
Office Equipment at cost	22,425	24,068
Accumulated depreciation	(2,135)	(737)
	20,290	23,331
Plant & equipment		
Plant & equipment at cost	1,657,537	1,760,543
Accumulated depreciation	(278,730)	(107,702)
	1,378,807	1,652,841
Total plant & equipment	1,399,097	1,676,172

Notes to the financial statements

5. Plant & equipment (continued)

Reconciliation	31 Dec 2015 $	30 Jun 2015 $
Office equipment		
Balance at start of year	23,331	6,282
Additions	2,037	24,068
Sales	-	-
Movement in carrying value as a result of foreign currency valuations	(3,568)	711
Depreciation	(1,510)	(7,730)
	20,290	23,331
Plant & equipment		
Balance at start of year	1,652,841	-
Additions	251,047	1,760,543)
Sales	(32,862)	-
Movements in carrying value as a result of foreign currency valuations	(278,072)	-
Depreciation	(214,147)	(107,702)
	1,378,807	1,652,841
Total plant & equipment	1,399,097	1,676,172

6. Exploration and evaluation assets

	31 Dec 2015 $	30 Jun 2015 $
Exploration and evaluation assets	23,553,794	21,307,109
Reconciliation:		
Carrying amount at beginning of period	21,307,109	-
Movement in carrying value as a result of a foreign currency variations	(404,828)	211,922
Additions – acquisition costs	-	319,389
Issue of share	-	7,469,776
Issue of options	-	277,092
Issue of performance rights	-	7,891,292
Additions – capitalised exploration & evaluation costs	2,651,513	3,277,562
Non-controlling interest	-	1,860,076
Impairment		
Total exploration and evaluation assets	23,553,794	21,307,109

Notes to the financial statements

7. Interest bearing liabilities

	31 Dec 2015 $	30 Jun 2015 $
Current		
Converting loans series 1	642,500	-
Loan from a related party	315,000	-
	957,500	-

The series 1 converting loans have an interest rate of 10% per annum and conversion date of the acquisition of the rubies project. The principal and accrued interest is convertible into shares upon conversion but was redeemable for cash if the ruby transaction had not gone ahead. The loans and accrued interest were converted into fully paid ordinary shares on 29 February 2016.

The short term loan from a related party of the Company has an interest rate of 10% per annum. The loan and accrued interest was repaid on 18 January 2016.

8. Contingent assets & liabilities

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 15 February 2016 and then the final payment of US$3,100,000 on 31 July 2016. These dates are in the process of being extended by mutual agreement until 31 July 2016 and 28 February 2017.

The Company would also be obligated to complete a Joint Ore Reserve Committee ("JORC") Compliant Resource Statement & Scoping Study report by 28 February 2017.

The Company has the ability not to proceed with the acquisition at any time without a termination fee. The Company has negotiated an extension of the US$700,000 payment to 31 July 2016 with the licence holder, and further negotiations are ongoing on the original transaction structure to better align it with current market conditions.

As part of the acquisition of Save River Diamonds Pty Ltd, the Company assumed all obligations under the joint venture agreement for licence 4969L with Mr Renato Manuel Matusse. The Company has processed 100,000 tonnes of the initial trail mining program and is currently in discussions with the licence holder as to future development of the licence. Should the Company elect (after the conclusion of the 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.

Notes to the financial statements

9. Contributed equity

Reconciliation of movement in share capital	31 Dec 2015		31 Dec 2014	
	$	No.	$	No.
On issue at 1 July – fully paid	128,821,203	90,679,097	112,248,925	191,940,064
Issued for redemption of convertible notes	-	-	825,000	200,282,737
Issued for redemption of convertible security	-	-	250,000	83,333,333
Issued in lieu of interest payment	-	-	27,069	8,299,960
Issued for financial asset held for fair value through profit or loss	1,325,708	12,500,000	-	-
Issued in lieu of cash transaction cost	375,000	1,250,000	-	-
Less: Transaction costs	(129,979)	-	(144,323)	-
On issue at 31 December – fully paid	130,391,932	104,429,097	113,206,671	483,856,094

Figure shown for 31 December 2014 are represented prior to a 67:1 consolidation that occurred during February 2015.

As at 31 December 2015 the Company had 33,030,060 fully paid ordinary shares under escrow agreements with the vendors of the Diamond & Graphite projects. 27,380,060 fully paid ordinary shares will come out of escrow on 21 May 2016 and 5,650,000 will come out of escrow on 10 June 2017.

On 10 November 2015 the Company issued an Entitlement Issue Prospectus for a non-renounceable entitlement issue of 1 Options for every 3 shares held by those eligible shareholders registered at the Record Date at an issue price of $0.005 per Options to raise up to $151,131. The Company would issue up to 30,226,366 options. The primary purpose of the offer was not to raise significant funds for the Company but to provide Shareholders with the opportunity to further invest in the future development of the Company by acquiring Options at a minimal price. As at 31 December 2015 a total of 20,470,013 options had been granted under this Prospectus raising a total of $102,350.

At the close of the offer on 18 December 2015, Shareholders had made applications for 20,470,013. The allocation of the shortfall then fell to the directors of Mustang. On 2 March 2016 the directors allocated 4,500,000 shortfall options, raising an additional $22,500. A total of 5,256,353 shortfall options remain to be allocated on or before 18 March 2016. If all options are allocated, the Company will receive a further $26,282.

On 2 March 2016, the Company issued 8,750,000 unquoted options with an expiry date of 30 June 2017 and an exercise price of $0.25 as required under the Lanstead funding arrangements.

Notes to the financial statements

10. Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2015 (2014: Nil).

11. Subsequent Events

On 3 March 2016, that all resolutions put to shareholders at an EGM on Friday 26 February 2016 were passed by a unanimous show of hands and with overwhelming support from proxy voters.

Most notably these included a resolution to approve the acquisition of an 80% interest in Montepuez Minerals Pty Ltd, a private Australian company with the rights to earn 70%-80% in 3 ruby prospecting & exploration licences in the highly prospective Montepuez area of Mozambique. The Company issued 30,555,556 fully paid ordinary shares at a deemed price of $0.20 to the vendors. A condition for the Company to raise additional capital was mutually waived and the Company will reimburse Regius Resources Group Limited US$150,000 in back costs for the ruby project on or before 15 April 2016. Of the fully paid ordinary shares issued, 27,041,668 fully paid ordinary shares are under escrow until 2 March 2017.

Subsequent to the approval of the Ruby project acquisition, the Company has agreed with Regius Resources Group Limited to waive the minimum capital raising requirement of $6.1 million and to extend the payment of the US$150,000 to 15 April 2016.

In addition to this major milestone being achieved, the Company's shareholders also approved the Tranche B placement of 12,500,000 fully paid ordinary shares to Lanstead Capital LP, an UK institutional investor. These shares were issued on 2 March 2016, together with 8,750,000 unquoted options with an exercise price of $0.25 and an expiry date of 30 June 2017. The Company received the initial payment on 10 March 2016. 75% of the issued shares in Tranche B are subject to the sharing agreement enabling funding over an eighteen month period.

The Company issued Lanstead with a 5% interest in Montepuez Minerals Pty Ltd on 29 February 2016. Mustang retains a 75% controlling interest in Montepuez Minerals Pty Ltd.

A resolution to approve the acquisition of 2 further graphite licences in graphite prospective areas North of the Company's Balama Graphite project was also passed. On 8 March 2016 the Company advised that it was exercising the option to acquire the 2 further graphite licences, subject to the repayment to Regius Resources Group Limited of US$50,000 in back costs.

Approval was also granted for the cancellation of all cash performance payments in regard to the Balama Graphite Project to the value of A$2.08 million in return for the issue of 3,125,000 Mustang shares. This represents a nominal saving to the Company of A$1.77 million. These shares were issued on 2 March 2016.

Notes to the financial statements

11. Subsequent Events (continued)

For full details relating the resolutions please refer to the Notice of Meeting released to ASX on 27 January 2016 and the Shareholder Approval announcement & Cleansing Prospectus released on 3 March 2016.

On 4 March 2016 the Company announced the appointment of Mr. Robert Marusco as its new Chief Financial Officer and Company Secretary following the resignation of Mr. Chris Ritchie effective 11 March 2016.

The Company received on 3 March 2016 a waiver from listing rule 9.7 from ASX allowing the cancellation of 34.7 million performance share rights (which represent all performance share rights on issue (except for the 14 million Class E performance share rights in respect of the Balama Graphite Project) for nil consideration in order to simplify its capital structure, subject to the Company providing ASX with copies of new restriction agreements with the holders of Class E performance share rights.

Following the cancellation of the performance share rights, the Company will have the following simplified share structure.

	Number
Shares on issue	155,568,098
Options on issue (volume weighted average exercise price $0.245) +	**39,205,887**
Fully diluted share capital	**194,773,985**
Unquoted Class E Performance Rights*	14,000,000

+ A further 5,256,353 options are able to be issued at the discretion of the directors until 18 March 2016, being the balance of the shortfall of the Options Entitlement Issue Prospectus.
** Vest upon Mustang 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.*

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Mustang Resources Limited for the half-year ended 31 December 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 review; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 11 March 2016

Grant Thornton

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

We have reviewed the accompanying half-year financial report of Mustang Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Mustang Resources Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Mustang Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 1 to the interim financial report which notes that the consolidated entity incurred a loss of $1,551,033 during the six months ended 31 December 2015, and as at that date the consolidated entity had a working capital deficiency of $274,866. This condition along with other matters set forth in Note 1, 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 11 March 2016