MUSTANG
RESOURCES LTD

ABN 34 090 074 785

Full Year Statutory Accounts
30 June 2016

CORPORATE DIRECTORY

DIRECTORS	Ian Daymond (Non-Executive Chairman) Christiaan Jordaan (Managing Director) Cobus van Wyk (Non-Executive Director) Frank Petruzzelli (Non-Executive Director)
SECRETARY	Robert Marusco
REGISTERED OFFICE	Level 3, Suite 5, 9 Bowman Street South Perth, Western Australia, 6151 Telephone: +61 8 9217 2400 Facsimile: +61 8 9217 2401 Email: info@mustangresources.com.au Website: www.mustangresources.com.au
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PRETORIA OFFICE	Mustang Diamonds (Pty) Ltd Office at Nature Block A3 500 Botterklapper Street Die Wilgers 0081
MAPUTO OFFICE	Mustang Diamonds Limitada Avenida Martires da Machava Nº 1569, 2º andar, Esq, Maputo
SOLICITORS	Steinepreis Paganin Level 4, 16 Milligan Street, Perth, WA 6000
AUDITORS	PricewaterhouseCoopers Brookfield Place, 125 St Georges Terrace Perth, Western Australia 6000
SHARE REGISTRY	Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace Perth, Western Australia 6000 Phone: 1300 850 505 (within Australia) +61 3 9415 4000 (outside Australia) Facsimile: +61 3 9473 2500
AUSTRALIAN SECURITIES EXCHANGE CODE	MUS (Ordinary Shares)

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Dear valued Shareholder,

It has been a highly productive and transformative year for your Company, Mustang Resources Limited.

Montepuez Ruby Project

Over the course of financial year 2015/16, the Board meticulously continued to assess a number of development pathways in order to extract the maximum value from our Mozambique assets for our Shareholders. As part of this strategy, the Board made the decision to acquire 75% of the issued capital of Montepuez Minerals Pty Limited, which has provided Mustang the opportunity to create significant underlying value from the exciting Montepuez Ruby Project.

Since the acquisition, the Company has focused the majority of its resources towards the development of the Montepuez Ruby Project, which lies adjacent to one of the largest known ruby deposits in the world operated by Gemfields PLC. One of the deciding factors behind the acquisition was that it represented a very compelling opportunity to generate significant near-term value for our shareholders.

After completing a thorough due diligence process over the entire Montepuez Project area, the Board is confident that the Montepuez licenses form part of a much larger geologically unique occurrence, which to date remains largely untouched.

Importantly, the Montepuez Project will provide Mustang's shareholders with exposure to what is a rapidly growing ruby market led by increased demand from the United States, Europe, India, Thailand and China. The global polished ruby market is estimated at circa US$2 billion p.a. (2014), with growth largely driven by the excellent supply and marketing channels established by our neighbour, Gemfields.

To provide some further perspective on the global ruby market, the prices of rubies are estimated to have increased by 63% in the last 8 years, with premium-quality Mozambique alluvial (rough/uncut) rubies selling for over US$680 per carat on average. As the global market evolves, we believe that Mozambique, and in particular the Montepuez region, will play a key role in supplying high-quality rubies on a global scale.

Our exploration team is very encouraged by the recent recovery of 29 high quality rubies across our licenses from reconnaissance exploration activities completed to date. This has strengthened our belief that Montepuez has the potential to mirror the success of the neighbouring Gemfields deposit, by generating near-term cash flows from low-cost, bulk sample mining operations.

Balama Graphite Project

Although Montepuez has become the priority focus for Mustang this year, we still strongly believe that our Balama Graphite Project also has the potential to add considerable value in the near-term. Like Montepuez, Balama is also located in a world-class mining region and is positioned along strike from graphite deposits held by Syrah Resources, Triton Minerals and Metals of Africa. Following the initial drilling program and highly encouraging sample assay results, a resource definition drilling program has been planned for Balama, aimed at delineating a maiden JORC compliant resource during the 2016/17 financial year.

Save River Diamond Project

Having focused on the near-term development of Montepuez and Balama, the Board prudently decided in early 2016 to scale back expenditure and activities at the Save River Diamond Project. Although our exploration team recovered a number of gem-quality diamonds from the project, the Board considered that continuing to deploy precious capital at Save River would only inhibit our ability to unlock substantial value from our ruby and graphite assets.

Appointment of Managing Director

During the year, the Company also moved to strengthen its leadership base by the appointment of Christiaan Jordaan as Managing Director in February 2016. Christiaan is a highly experienced mining executive and has thoroughly committed himself to his tasks, including making many investor presentations and playing a key role in raising essential equity capital. He has been a driving force behind our rapid progress at Montepuez.

Acknowledgements

I would like to thank former Executive Director Andrew Law for his contribution to the Board during the year and finally I would like to thank all our shareholders including new shareholders for their ongoing support. Thanks also to Mustang's management team and exploration staff in Mozambique who have worked tirelessly over the past 12 months to achieve key milestones on corporate and operational levels. The key contributions from our professional and technical advisers are also greatly acknowledged.

The Future

Looking ahead, Mustang is entering an exciting period of growth and transformation which could see the Company evolve into a profitable gemstone producer during the next 12 months. We look forward to delivering further positive outcomes for Shareholders in the coming year.

Yours faithfully

Ian C Daymond

Chairman

Review of Operations

FY2016 Operational Highlights

- **Acquisition of 75% of the issued capital in Montepuez Minerals Pty Ltd concluded in February 2016**
- **Montepuez Ruby Project is located in a proven ruby producing jurisdiction and is located adjacent to Gemfields PLC's world-class deposit**
- **Mustang reported the recovery of 29 rubies (5.79 cts) and the discovery of a secondary deposit which will be the focus of a 1,300tpd bulk sampling program in Q4-2016**
- **Bulk sampling program has the potential to generate near-term cash flows**
- **Drilling program at the Balama Graphite Project confirmed the presence of shallow graphite mineralisation across the Balama project area**
- **Exceptional laboratory results from RC drilling program confirmed wide, high grade intervals of up to 22% Total Graphitic Carbon (TGC)**
- **Resource definition work program scheduled for Balama targeting the delineation of a maiden JORC Indicated and Inferred Resource**
- **Save River Diamond Project placed on care and maintenance following a strategic review**

Montepuez Ruby Project, Mozambique

Strategic Acquisition of World-Class Ruby Assets in Mozambique

In February 2016, Mustang acquired majority interests (52% to 60% net economic interest) in three highly prospective ruby prospecting and exploration licenses located in the world-class Montepuez region in Northern Mozambique, known as the Montepuez Ruby Project.

The strategic acquisition of 75% of the shares in Montepuez Minerals Pty Ltd, a private Australian company majority owned by Regius Resources Group Ltd, has provided Mustang with the capacity to generate near-term cash flows, whilst outlaying minimal capital expenditure.

The Montepuez Ruby Project covers approximately 15,800 hectares, and is located in a proven ruby producing jurisdiction, in close proximity to one of the largest known ruby deposits in the world owned by AIM-listed Gemfields PLC ("Gemfields") (market capitalisation of circa A$380 million).

Montepuez Geology

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 licenses are near to and in the same geology as the Gemfields operations which reportedly hosts the world's single largest known ruby deposit discovered in 2012.

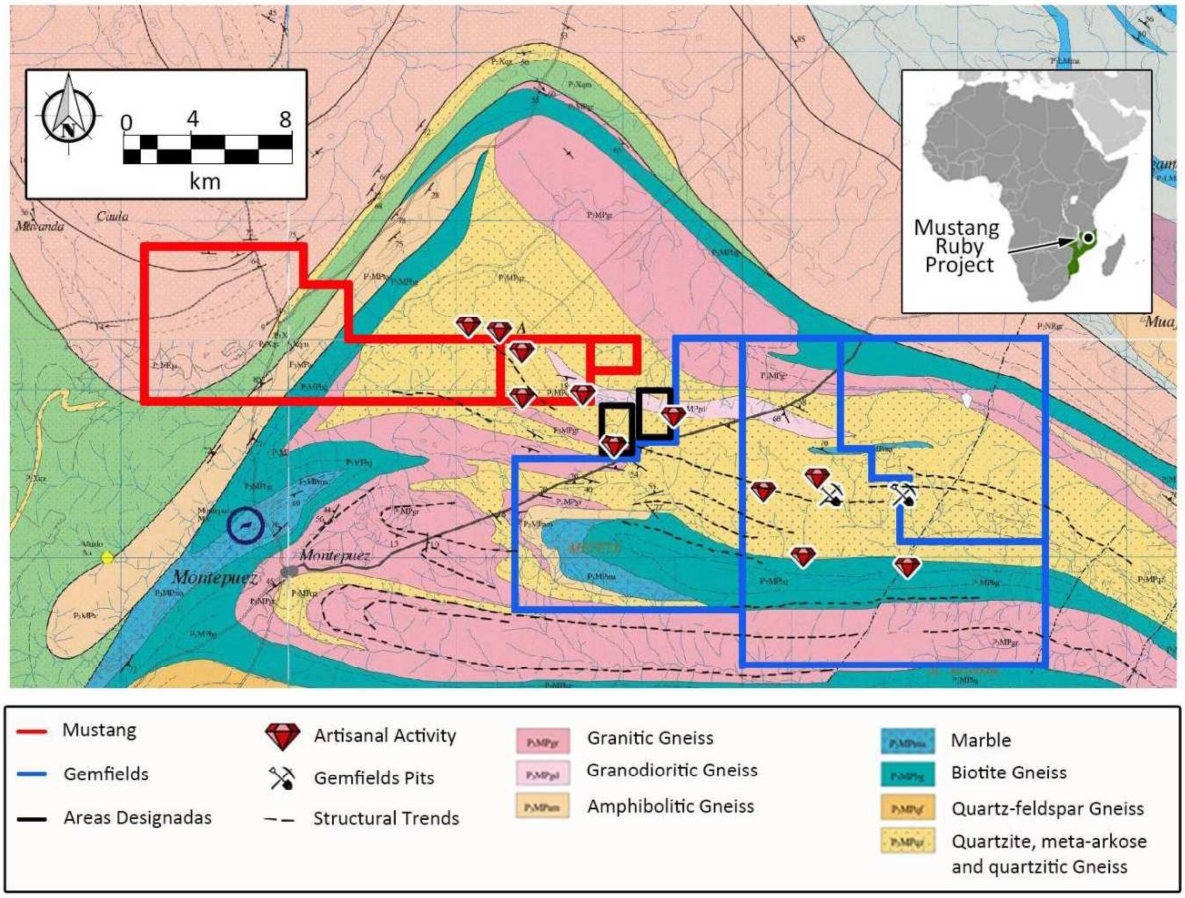

Figure 1: Geological map of Montepuez Ruby Project

Mozambique Ruby Production Background

A September 2015 Independent Geological Report by Mr. Paul Allan, an experienced ruby and diamond geologist who managed Gemfield's exploration activities from 2012 to 2014, concluded that the potential for significant ruby mineralisation across Licenses 4143L, 4258L and 5030L was high. Furthermore, lithology found at these licenses is the same as that of the nearby world-class Gemfields deposit and that encouragingly the Montepuez Minerals' licenses occur along the same geological strike as the Gemfields ruby occurrence.

FY2016 Montepuez Project Operational Overview

Mustang made significant progress at the Montepuez Project during FY2016, culminating in the recovery of Mustang's first high quality rubies from a newly discovered deposit on License 4143L (Mustang 60% interest). After year end, Mustang was pleased to report that a total of 29 rubies (5.79 cts) had been recovered from reconnaissance pitting across five pits in this area (11 tonnes processed with a Bushman jig) as seen in Figure 2 below.

Importantly, the strategic reconnaissance program completed in August 2016 confirmed the existence of a secondary ruby deposit and identified the gravel beds which will be the focus of initial bulk sampling operations. The initial rubies recovered from Mustang's Montepuez Project have also been confirmed as high-quality rubies, similar in quality to those being recovered by Gemfields at its neighbouring world-class deposit (refer to ASX release dated 27 July 2016).

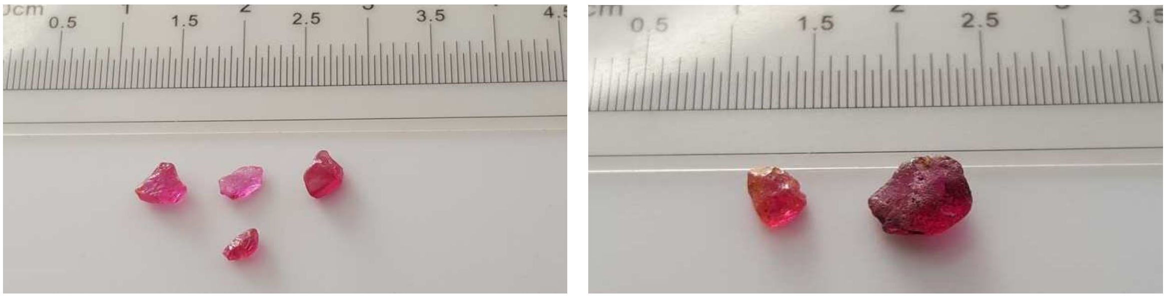

Figure 2: Gem-quality rubies from license 4143L

Montepuez Two-Phase Exploration Work Program

The exploration work program undertaken during FY2016 (refer to ASX release dated 3 April 2016) was intended to gather specific geological data regarding the project area including stratigraphy, refining of target regions followed by a full bulk sampling program with the goal of recovering rubies for sale as soon as marketable parcels are available. The data gathered during this program will also be utilised to complete a JORC Compliant Resource Statement and feasibility study for full scale commercial mining.

Importantly, the alluvial material in which the higher quality rubies are thought to be hosted is shallow, with low-cost extraction techniques able to be implemented at the project.

PHASE 2 OF EXPLORATION WORK PROGRAM:

Trenching, Pitting & Drilling

A preliminary grid of sampling pits was identified and has been set out in Figure 3 below. The targets identified were developed and planned based on Phase 1 work, including geological research, artisanal diggings, similarities identified between the Company's licenses and that of known ruby mineralisation and the regional drainages.

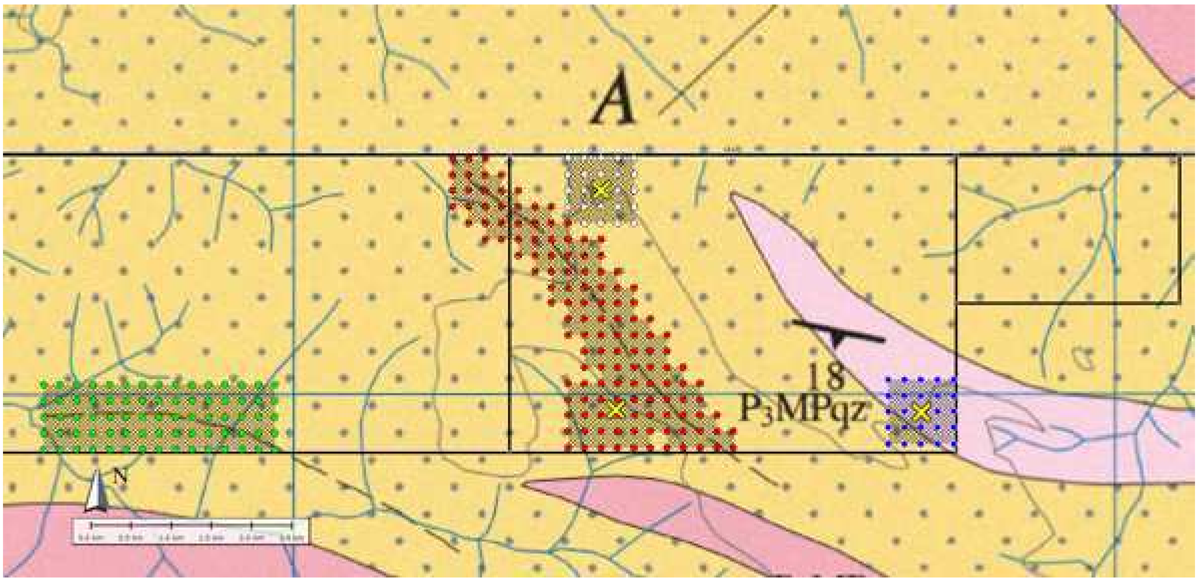

Figure 3: Preliminary grid for sampling pits, trenches and auger drill hole collars on Montepuez Ruby Project

Bulk Sampling Program

The Board of Mustang resolved to proceed with the bulk sampling mining program with the plant scheduled for commissioning in September 2016. Both of the Company's rotary pans will be commissioned simultaneously providing higher volume processing capacity from the outset.

The bulk sampling mining plant will be operated at a rate of approximately 1,300 tonnes per day (feed rate) with the 2X 16 foot rotary pans estimated to process approximately 800 tonnes per day.

Figure 4: Montepuez Ruby Project Bulk Sampling Mining Site 9 August 2016

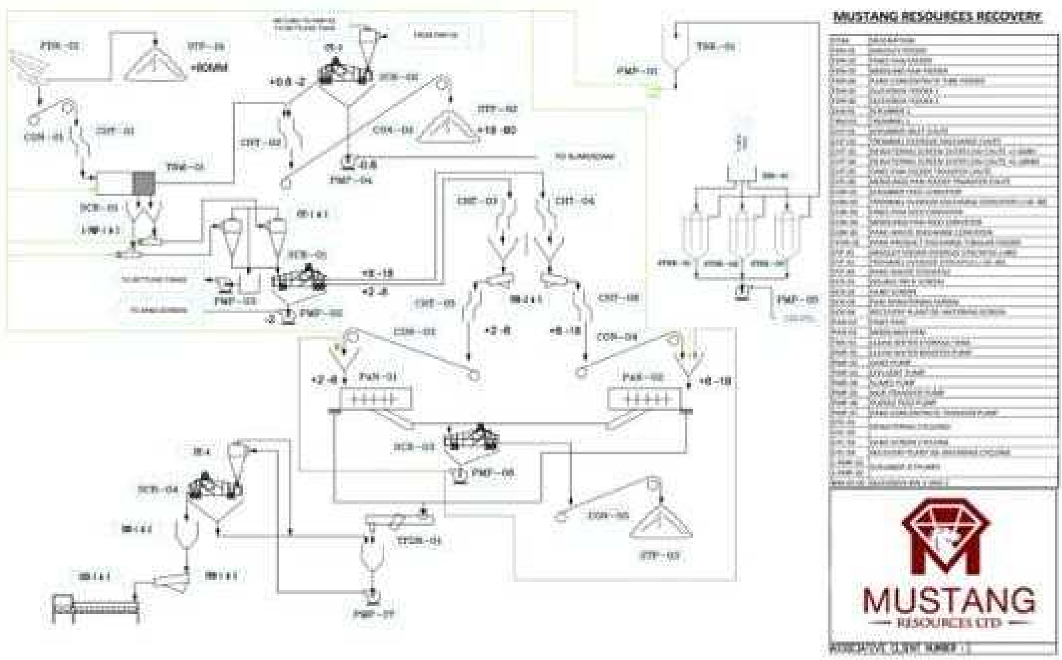

Figure 5: Bulk Sampling Mining Plant Flowsheet

Tayana Mozambique S.A was appointed as mining contractor to provide 1X 30 tonne excavator, 2X 30 tonne articulated dump trucks, 1X 3-cube front end loader, 1X TLB and 1X dozer. The estimated bulk sampling mining cost is US$8 per tonne.

Sale of Marketable Ruby Parcels

Subject to the success of the Phase 2B bulk sampling operation, the Company intends to sell an initial parcel of representative rubies as soon as reasonably possible in order to gather important information on the market value of its rubies for inclusion in its JORC Resource Statement (Phase 2D).

Mustang is considering its options in respect to the marketing of its rubies. Sales will typically be done through a tender/auction process which will see Mustang retain ownership of the rubies under an agreement which will incorporate a fee for the access to the auction sale process and for other services including heat treatment, grading, and insurance.

Maiden JORC Resource Statement

The planned bulk sampling program together with supporting auger drilling campaign will put the Company in a position to issue a maiden JORC Compliant Resource Statement in 2017 (subject to the successful recovery of sufficient rubies from the Mustang licenses in the bulk sampling program).

Initiation of Full Scale Mining

Subject to the positive outcome of Phases 2B to D, the Company will scale up its bulk sampling activities to that of a full-scale commercial gemstone mine. Current planning will see the Company in a position to make an investment decision on scaled up mining by late 2017. In the period leading up to this point the intention would be to continue bulk sampling activities in order to continue generating revenues and gain additional understanding of the resource.

Balama Graphite Project, Mozambique

The Balama graphite project consists of eight highly prospective tenements in the Balama graphite province of Cabo Delgado, Mozambique. The licenses collectively make up over 66,670ha (667km²) and are all underlain by the locally graphite bearing schists. Importantly, all tenements are all along geological strike of two significant deposits held by Syrah Resources (ASX:SYR), Triton Minerals (ASX:TON) and Metals of Africa (ASX:MTA).

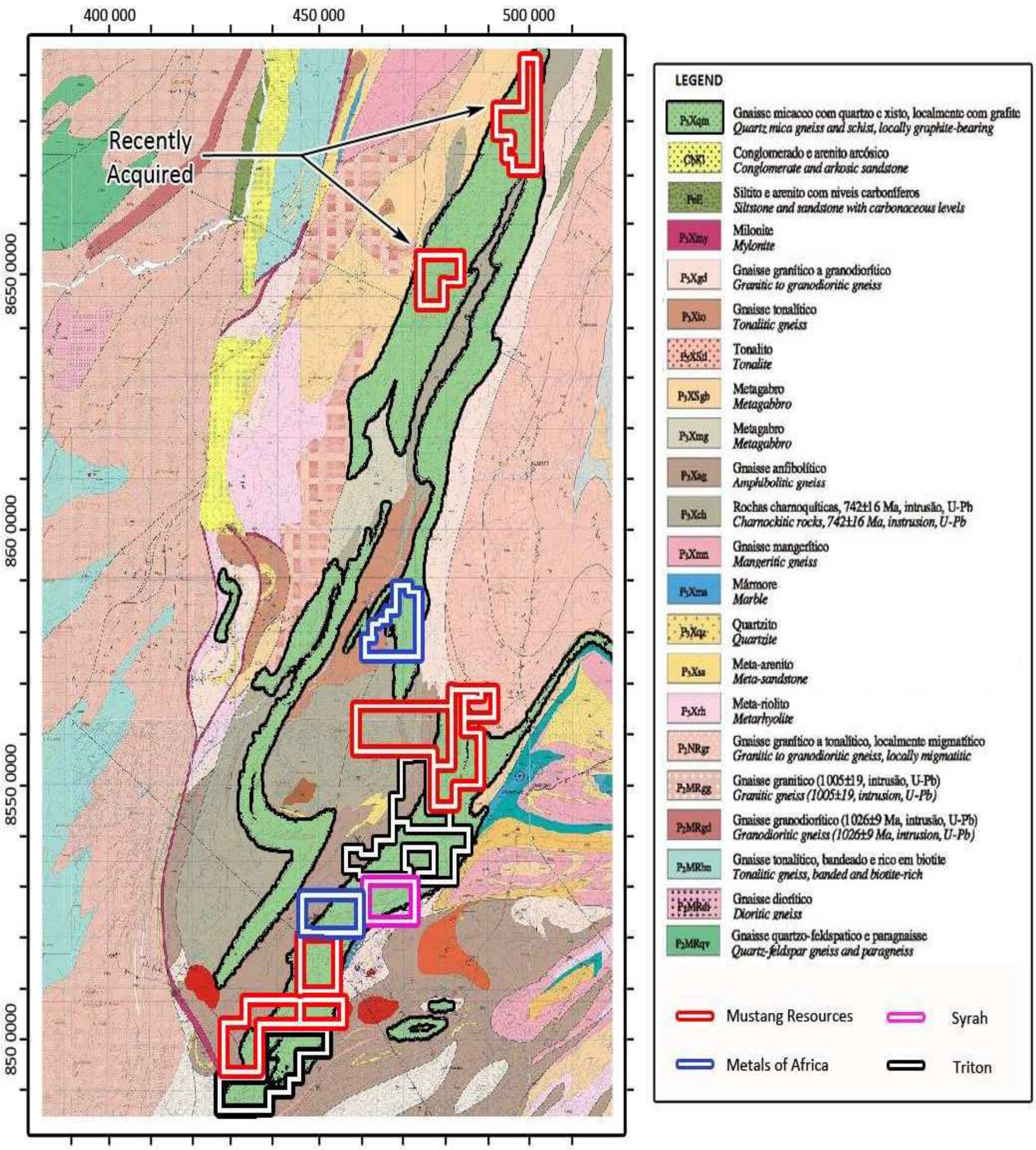

Figure 6: Mustang graphite licenses

In June 2016, Mustang advised shareholders that it would target the delineation of a high-grade, near surface JORC Compliant Resource at the Balama project in the 2017 financial year. The resource definition work will be undertaken on a small scale budget, and will include engaging with market participants to gauge interest around the formation of future supply agreements (refer to ASX release dated 27 June 2016).

Mustang's 2015 drill program was designed to test the most promising EM anomalies along strike from the nearby world-class graphite deposits held by Syrah Resources, Triton Minerals and Metals of Africa. Identification of graphite mineralisation was assisted by the systematic rock chip sampling in 1 metre composite samples. Samples from the drilling program at the Balama project were submitted to SGS Laboratories in Johannesburg.

At the end of FY2016, Mustang had received the TGC assay results from the majority of samples, further confirming the existence of large zones of shallow graphitic mineralisation across multiple areas within the Company's concessions. Mustang will shortly make a decision on the most preferred target license for the delineation of a maiden JORC Compliant Resource and initiate the next phase of work.

Balama FY2016 Exploration Overview

In August 2015, Mustang commissioned SkyTEM Australia Pty Ltd (SkyTEM) to complete a highly detailed airborne electromagnetic survey across all six of the Company's graphite prospecting licenses in Northern Mozambique.

The initial 2,400km line survey was focused on the lithology which has been regionally mapped as quartz mica gneiss and schist (P3Xqm) which is known to be graphite bearing. Importantly, the orientation of the line survey was designed perpendicular to the strike of the geology to ensure an accurate collection of the representative data.

The completion of the SkyTEM survey and subsequent analysis of the data will play a critical role in the definition of priority drill targets for Mustang's pending drilling program at Balama. Following the drilling of the priority anomalies and definition of the graphitic mineralisation, the Company will look to advance the project as rapidly as possible.

In early September 2015, Mustang advised that it had entered into a binding term sheet with Regius Resources Group Limited to acquire an option over an additional two graphite licenses in the Cabo Delgado province of Mozambique.

In October 2015, Mustang confirmed that the SkyTEM survey had been successfully completed over the entire Balama graphite project, with a number of priority target anomalies identified for future drilling.

Mustang commenced drilling of 10 RC holes over six concessions, 4661L, 4662L, 5873L, 6526L, 6636L and 6678L in October following the successful SkyTEM survey. The drill program was designed as an initial phase, focusing on testing the largest and strongest 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.

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

Drilling on License 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 metre graphitic zone in License 6678L bordering License 5873L to the North shows a likely >7.5 km strike extension of graphite mineralisation.

License 4662L ("Balama South Project")

Drilling on License 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 (MORC008). Furthermore, analysis of the SkyTEM electromagnetic data for License 4662L shows a 6.4 km strike length on trend with the well advanced Syrah deposit which is scheduled to start mining in 2017.

Refer to ASX Release dated 16 February 2016 for full information.

Save River Diamond Project, Mozambique

The Save River project comprises 24,000 hectares and is downstream from the well-known Murowa and Marange diamond fields in Zimbabwe. Many of the known kimberlite pipes in Zimbabwe have been weathered away and the diamonds from these pipes have been washed down the river systems through the Save River. To date, Mustang has recovered multiple gem-quality diamonds and the Company considers that the Project presents a robust opportunity to establish a large scale alluvial diamond operation.

Mustang reported in December that approximately 26,000m^3 of gravels had been treated from nine pits across the project area, yielding 43.30 carats from 70 diamonds with an average stone size of 0.62 carats. The largest individual diamond recovered was 2.58 carats.

In early 2016, the Board made the decision to place the Save River Diamond Project on care and maintenance due to its strategic focus on deploying capital and human resources towards unlocking the significant potential value from the Company's ruby and graphite assets respectively.

During the June 2016 quarter, Mustang decided to terminate (by mutual consent) the existing agreement between Mustang Resources Ltd, Regius Exploration Pty Ltd and Save River Diamonds Pty Ltd for the development of diamond prospecting and exploration license 4969L.

The diamonds discovered to date by Mustang on the project have all come from License 4525L and results from samples taken on License 4969L have been below expectations. Together with the delay in Mozambique being admitted to the Kimberley Process, as well as the local partner financial requirements for maintaining the interest in License 4969L (a contingent liability for Mustang of between US$1 million and US$1.5 million), the Board has made the prudent decision to focus on the Company's ruby and graphite projects.

Competent Persons' Statement

Information in this report that relates to the Montepuez Ruby Project's Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Paul Allan, 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. Allan is an independent consultant who was engaged by the company to undertake this work. Mr.Allan 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. Mr. Allan consents to the inclusion of the data in the form and context in which it appears.

Information in this report that relates to the Balama Graphite Project's 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. 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.

Corporate

On 3 July 2015, the Company announced it had exited its oil and gas operations in the USA.

On 13 July 2015, Mr Frank Petruzzelli joined the Board as a Non-Executive Director and Mr Andrew Law was appointed to the Board as Technical Director. On the same day Mr Chris Ritchie resigned as director of the Company but continued in his role as Chief Financial Officer and Company Secretary.

On 22 October 2015, the Company announced the acquisition of highly prospective assets in the world class ruby province in Mozambique.

On 10 November 2015, the Company issued an Option Entitlement Prospectus for the issue of 1 Option for every 3 Shares held at an issue price of $0.005 per Option to raise up to $151,131.

On 20 November 2015, all resolutions were approved by a show of hands at the Company's AGM, specifically, the adoption of the FY 2015 Remuneration Report, the election of Messrs Daymond, Law and Petruzzelli as directors of the Company and a special resolution to approve an additional 10% placement capacity to the Directors.

On 23 November 2015, the Company announced a funding package comprising a conditional share subscription agreement with Lanstead Capital of including a Sharing Agreement.

On 10 December 2015, the Company announced the appointment of Mozambican experienced Managing Director Christiaan Jordaan to the Board. At the same time both Mr Cobus van Wyk and Mr Andrew Law became non-executive directors with their revised annual directors' fees reset to $45,000 each.

On 11 December 2015, the Company announced the amendment of agreements in relation to the acquisition of diamond, graphite and ruby assets in Mozambique whereby the overall purchase consideration was reduced by $23.4m in equity value. This amendment included the cancellation of all performance rights and performance cash payments of up to US$1,500,000.

On 26 February 2016, the Company's shareholders at an EGM approved all resolutions by a show of hands and proxies, specifically, approved the acquisition of the Ruby Project, approved the issue shares in consideration for the Ruby Project to both related parties and unrelated vendors, approved the acquisition of the Graphite Project, the approval of the issues of shares in consideration for the cancellation of cash performance payments to both related and unrelated parties, approval for the issue of shares and options to raise up to $4.75m, ratification of the prior issue of shares to Lanstead, approval for the issue of shares and options to Lanstead and approval for the issue of shares and options in lieu of commissions payable on capital raisings.

On 4 March 2016, the Company announced the appointment of Mr Robert Marusco as company secretary following the resignation of Mr Chris Ritchie.

On 8 March 2016, the Company announced that it had exercised an option to acquire two additional exploration licenses from Regius Resources Group Ltd to the north of the Company's existing Balama Graphite Project in Mozambique at a cost of US$50,000.

On 28 April 2016, the Company announced that it had received formal commitments to raise $3.0 million to fund the ongoing development of the Montepuez Ruby Project and the Balama Graphite project. The Company also agreed (subject to shareholder approval which was granted on 14 June 2016) to convert $598,500 in outstanding project acquisition costs to shares in the Company at a 25% premium to the placement price.

Also on 28 April 2016 the Company announced a Share Purchase Plan to raise an amount of up to $15,000 per shareholder at $0.04 per share with oversubscriptions at the discretion of the Board. The Share Purchase plan offer was closed on the 21 June 2016 and successfully raised $1.2m.

On 11 May 2016 the Company announced the execution of binding agreements between the Company and Lanstead Capital LP ("Lanstead") for an equity funding facility pursuant to which Lanstead will subscribe upfront for a total of 21,250,000 ordinary shares at a price of $0.04 per share ($850,000 nominal value at $0.04 per share). In addition, the parties entered into a sharing agreement with funds made available to the Company over an 18 month period, along the lines of the previous arrangement entered into between the parties with a benchmark price of 5.3cents ("Sharing Agreement") (together the "Investment Facility"). The conclusion of the Investment Facility was approved by shareholders at the EGM on 14 June 2016.

Under the terms of the proposed Sharing Agreement with Lanstead, the Company would be able to secure much of the potential upside from any share price appreciation over the next 18 months expected upon delivery of key milestones at the Montepuez Ruby Project and its near term bulk sampling program.

On 27 May 2016, the Company announced the resignation of Executive Director Mr Andrew Law.

On 14 June 2016, the Company's shareholders at an EGM approved all resolutions by a show of hands and proxies, specifically, the ratification of the prior issue of shares, approval to issue placement shares, approval for the issue of advisor options, the approval of the issues of shares to related parties and issue of shares to Lanstead.

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 un 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.

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 2016. The financial report was authorised for issue by the Directors on 5 October 2016. 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 International Base Metals Ltd with substantial copper interests in Namibia and is the former chairman of ElDore 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. 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 Minerals & Energy 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).

Christiaan Jordaan – Managing Director (Appointed 10 December 2015)

Mr Jordaan is the former Chief Executive Officer and Co-Founder of Regius Resources Group Ltd, the Mozambican focused mining and exploration company that has been operating in Mozambique since 2004. Mr Jordaan has extensive experience in managing mining and energy projects in Mozambique, an intimate knowledge of the Mustang projects from their inception, as well as the local operational environment. He is a Member of the Australian Institute of Company Directors, holds a Commercial Law Degree, and prior to co-founding Regius, he was a director of a financial services group in South Africa where he was responsible for risk management. He is based in Mustang's Sydney head office.

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

Cobus van Wyk – Non-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:SGY)

Andrew Law - Executive Director (Appointed 13 July 2015 – Resigned 31 May 2016)
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.

Robert Marusco B.Bus, CPA SA FIN ACSA GradDip ACG Dip FS(FP), Company Secretary (Appointed 4 March 2016)

Mr Marusco has developed experience and competence in equity capital markets, debt advisory and operational knowledge in relation to capital raising support and facilitation, corporate management including company secretarial, governance and compliance dealing with the ASX, ASIC and other authorities for both ASX listed public and private corporations.

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 (25) 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.

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	500,000	-	33,333	-	30/06/2017	$0.25
Christiaan Jordaan	24,825,308	6,860,000	-	-	-	-
Cobus van Wyk	24,825,308	6,860,000	-	-	-	-
Frank Petruzzelli	26,855,962	4,200,000	-	1,205,597	21/05/2017	$0.21
Frank Petruzzelli	-	-	5,403,867	-	30/06/2017	$0.25

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
Christiaan Jordaan	3	3
Cobus van Wyk	8	8
Frank Petruzzelli	7	7
Andrew Law	7	7
Chris Ritchie	1	1

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 continued with development of its new assets, being diamond and graphite exploration projects in Mozambique. It also acquired Montepuez Minerals Pty Ltd which holds a number of ruby exploration licenses together known as the Montepuez Ruby Project.

Significant capital raisings have allowed the Company to acquire the new ruby assets and further strengthen its Balance Sheet.

Operations

The Save River Diamond Project exploration program was placed on care and maintenance following a strategic review by the Company.

Early exploration success in relation to the Montepuez Ruby Project has seen the Company moving through the planning, procurement and mobilisation stages of the bulk sample mining program. Early success has encouraged the Company to move to 1,300 per tonne per day sampling program in the fourth quarter of 2016, which necessitated additional capital expenditure, but with rubies already having been discovered in the shallow gravels, the Company is confident of a successful project.

The Company is also committed to additional resource definition work on the graphite licenses targeting the delineation of a maiden JORC Indicated and inferred Resource.

Financial

The consolidated net loss for the economic entity for the year ended 30 June 2016 was $10,282,313 (2015: $6,620,704).

Total assets increased from $27,483,393 in 2015 to $30,469,168 an increase of 10% as a result of acquiring tenements during the year and additional expenditure but offset by impairment on relinquishment of licences, and net assets increased from $24,098,054 to net assets of $29,131,005 an increase of 21%.

The Company's working capital changed from $2,578,603 in 2015 to working capital of $2,131,764 a reduction of 17% resulting from new capital raised by the Company less exploration expenditure during the course of the 2016 financial year.

During the year the Company raised $5,805,212 (prior to costs) and convertible notes and securities were converted decreasing debt and increasing equity by $15,864,219.

Strategy and investments for future performance

The Company's primary focus is the development of the Montepuez Ruby Project moving into a full bulk sampling program. It also intends to complete some additional resource delineation work on the graphite licenses 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 ruby, diamond and graphite exploration in Mozambique.

4. RESULTS

The net loss after income tax of the Consolidated Entity for the financial year ended 30 June 2016 totalled $10,282,313 (2015: $6,620,704).

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 2016 was 8.33 (2015: 10.48) cents per share from continuing operations.

8. EMPLOYEES

At the end of the year, the Company had nine (9) full time employees (2015: thirty-five (35)).

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
31,24,181	Listed	$0.25	30/06/2017
149,253	Unlisted	$0.2412	10/11/2017
2,238,806	Unlisted	$0.21	22/05/2017
500,000	Unlisted	$0.20	31/10/2016
1,500,000	Unlisted	$0.20	01/12/2016
8,750,000	Unlisted	$0.25	30/06/2017
8,000,000	Unlisted	$0.15	21/06/2019
2,000,000	Unlisted	$0.15	31/12/2017
1,000,000	Unlisted	$0.06	31/12/2017
2,000,000	Unlisted	$0.09	31/12/2017
19,000,000	Unlisted	$0.075	21/06/2017

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
E	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
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 licenses 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, 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:

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 are currently no variable short term incentives provided to management in the form of an 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 interests 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 2016 after income tax amounted to $10,282,313 (2015: $6,620,704).

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 96% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2015. 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.

	2016	2015	2014	2013	2012
Product sales revenue	-	481,753	2,948,648	3,491,266	3,696,947
Net loss attributable to members of Mustang Resources Limited	10,282,313	6,620,704	23,444,116	5,528,461	4,766,272
Basic EPS (cents)	(8.33)	(29.20)	(832.59)	(4.60)	(6.50)
Closing share price as at 30 June	$0.041	$0.22	$0.03	$0.001	$0.012

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

Directors

Ian Daymond	- Non-Executive Director (appointed 30 July 2014)
Christiaan Jordaan	- Managing Director (appointed 1 February 2016)
Frank Petruzzelli	- Non-Executive Director (appointed 13 July 2015)
Cobus van Wyk	- Non-Executive Director (appointed 10 June 2015 as executive director & changed to non-executive director 10 December 2015)
Andrew Law	- Non-Executive Director (resigned 27 May 2016)
Chris Ritchie	- Executive Director (resigned as a director 13 July 2015 & resigned as company secretary 11 March 2016)

Details of executives

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

Christiaan Jordaan, Managing Director (appointed 1 February 2016)

- Managing Director fees of $104,939 were paid or payable during the financial year (2015: $Nil).
- The Company entered into an executive service agreement with Mr Jordaan commencing 1 February 2016.
- Starting gross salary of $230,000 p.a plus statutory superannuation.
- Salary will increase to $275,000 p.a plus statutory superannuation when market capitalisation of $45m is achieved and maintained for at least 3 months.
- Salary may increase to $300,000 p.a plus statutory superannuation when market capitalisation of $85m is achieved and maintained for at least 3 months.

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 $	Termin-ation payments $	Share- based payments $	Total $	Options as % of Total
Key Management Personnel – Directors and Executives								
Current Directors								
Ian Daymond, Non-Executive Chairman (i)								
2016	22,500	-	17,500	2,375	-	20,000	62,375	-
2015	55,323	-	15,000	5,256	-	-	75,579	-
Christiaan Jordaan, Managing Director(ii)								
2016	95,835			9,104	-	153,125	258,064	
2015	-	-	-	-	-	-	-	-
Cobus van Wyk, Non-Executive Director (iii)								
2016	116,250	-	-	-	-	153,125	269,375	-
2015	164,070	-	-	-	-	78,000	242,070	-
Frank Petruzzelli, Non-Executive Director(iv)								
2016	60,000	-	-	-	-	377,808	437,808	
2015	-	-	-	-	-	-	-	-
Previous Directors								
Andrew Law (v)								
2016	149,785	-	-	-	-	45,000	194,784	
2015	-	-	-	-	-	-	-	-
Chris Ritchie, Executive Director, Chief Financial Officer & Company Secretary (vi)								
2016	123,068	-	-	21,002	-	-	144,070	
2015	189,926	6,954	-	16,792	-	-	213,672	-
Mark Freeman, Non-Executive Director								
2016	-	-	-	-	-	-	-	-
2015	33,000	-	25,000	-	-	-	58,000	-
Christopher Porter, Non-Executive Director								
2016	-	-	-	-	-	-	-	-
2015	4,566	-	-	434	-	-	5,000	-

	Salary , fees & short term compensated absences $	Short-term non monetary benefits $	Additional fees $	Post employment super-annuation $	Termin-ation payments $	Share- based payments $	Total $	Options as % of Total
Key Management Personnel – Directors and Executives (continued)								
Robert Oliver, Non-Executive Director								
2016	-	-	-	-	-	-	-	-
2015	5,000	-	-	-	-	-	5,000	-
Total 2016	**567,438**	**-**	**17,500**	**32,481**	**-**	**749,058**	**1,366,477**	
Total 2015	451,885	6,954	40,000	22,482	-	78,000	599,321	-

(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 $17,500 (excluding GST), due to the ongoing project acquisition program and various capital raising processes, this additional amount was paid to Daymond Consultants Pty Ltd. No SGC was paid for April, May and June 2016 as director fees (gross) were paid to Daymond Consultants Pty Ltd. An amount of $20,000 of the total director's fees of $60,000 were settled by way issue of 400,000 shares approved by shareholders on 14 June 2016.

(ii) Mr Christiaan Jordaan was appointed as managing director on the 1 February 2016 by way of an executive services agreement.

In addition he is a minority shareholder & former director of Regius Resources Group Limited which held various Performance Rights in the Company. Shares to the value of $306,250 were issued to Regius Resources Group Limited in exchange for the cancellation of cash Performance Rights (of up to US$1,500,000) where cancelled. See Note 21.

(iii) Mr Cobus van Wyk commenced on a consulting basis commencing in December 2014. He was appointed as a director on 10 June 2015. His services are provided through Regius Resources Group Limited. An amount of $18,750 (which was discounted to $15,000) of director's fees were settled by way issue of 300,000 shares approved by shareholders on 14 June 2016. The balance owing was paid in cash.

In addition he is a director of Regius Resources Group Limited which held various Performance Rights in the Company. Shares to the value of $306,250 were issued to Regius Resources Group Limited in exchange for the cancellation of cash Performance Rights (of up to US$1,500,000) where cancelled. See Note 21.

(iv) Mr Frank Petruzzelli was appointed a non-executive director on the 13 July 2015. His services are provided to the Company by MBD Taxation & Business Advisors Pty Ltd of which Mr Petruzzelli is a director and shareholder.

An amount of $18,750 (which was discounted to $15,000) of director's fees were settled by way issue of 300,000 shares approved by shareholders on 14 June 2016. The balance owing was paid in cash.

In addition to his services as a non-executive director, MBD Taxation & Business Advisors Pty Ltd also provided serviced offices, accounting and administration assistance to the company until these services where terminated in April 2016. Mr Frank Petruzzelli is the sole director and shareholder of MBD Taxation & Business Advisors Pty Ltd. An amount of $171,558 was settled by way issue of 3,431,160 shares approved by shareholders on 14 June 2016.

In addition he is a director and shareholder of Elba Investments Pty Ltd which held various Performance Rights in the Company. Shares to the value of $206,250 were issued to Elba Investments Pty Ltd in exchange for the cancellation of cash Performance Rights (of up to US$1,500,000) where cancelled. See Note 21.

(v) Mr Andrew Law was appointed as executive director on the 13 July 2015 and resigned 27 May 2016. His services were provided to the Company by Fusion (WA) Pty Ltd.

An amount of $45,000 being part of director's fees owing to Mr Law were settled by way issue of 900,000 shares approved by shareholders on 14 June 2016. The balance owing was paid in cash.

(vi) Mr Chris Ritchie resigned as a director on 13 July 2015 and following that resigned as Chief Financial Officer and Company Secretary on 11 March 2016. Mr Ritchie's salary package included director's fees, CFO and company secretarial fees.

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 2016.

(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.

2016	Held at 1 July 2015	Granted	Expired	Exercised/ Sold	Other Changes	Held at 30 June 2016	Exercisable/ Vested
Key Management Personnel							
Mr I Daymond	-	33,333	-	-	-	33,333	-
Mr C Jordaan	-	-	-	-	-	-	-
Mr C van Wyk	-	-	-	-	-	-	-
Mr Frank Petruzzelli	1,205,597	5,403,867	-	-	-	6,609,464	-
Mr A Law	-	-	-	-	-	-	-
Mr C Ritchie	-	-	-	-	-	-	-
Total	**1,205,597**	**5,437,200**	**-**	**-**	**-**	**6,642,797**	**-**

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:

2016	Held at 1 July 2015	On Exercise of Options	Other changes	Held at 30 June 2016
Key Management Personnel				
Mr I Daymond	100,000	-	400,000	500,000
Mr C Jordaan (i)	4,900,000	-	24,825,308	29,725,308
Mr C van Wyk (i)	4,900,000	-	24,825,308	29,725,308
Mr F Petruzzelli (ii)	16,106,607	-	10,749,355	26,855,962
Mr A Law (resigned 27 May 2016)	-		-	-
Mr C Ritchie (resigned 11 March 2016)	125,000	-	125,000	250,000
Total	**26,131,607**	**-**	**60,924,971**	**87,056,578**

(i) Acquired as part of the consideration paid by the Company for acquiring Save River Diamonds Pty Ltd, Sese Diamonds Pty Ltd, Balama Resources Pty Ltd and Montepuez Minerals Pty Ltd to Regius Resources Group Limited of which Mr Jordaan and Mr van Wyk are shareholders

(ii) Acquired as part of the consideration paid by the Company for acquiring Save River Diamonds Pty Ltd, Sese Diamonds Pty Ltd, Balama Resources Pty Ltd and Montepuez Minerals Pty Ltd to Elba Investments Pty Ltd of which Mr Petruzzelli is a director and shareholder.

(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:

2016	Held at 1 July 2015	Other changes	Held at 30 June 2016
Key Management Personnel			
Mr I Daymond	-	-	-
Mr C Jordaan (i)	20,580,000	(13,720,000)	6,860,000
Mr C van Wyk (i)	20,580,000	(13,720,000)	6,860,000
Mr F Petruzzelli (ii)	16,216,792	(12,016,792)	4,200,000
Total	**57,376,792**	**(39,456,792)**	**17,920,000**

(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 Jordaan and Mr van Wyk are shareholders.

(ii) Acquired as part of the consideration paid by the Company for acquiring Save River Diamonds Pty Ltd, Sese Diamonds Pty Ltd, Balama Resources Pty Ltd and Montepuez Minerals Pty Ltd to Elba Investments Pty Ltd on Mr Petruzzelli is the sole director and shareholder.

(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	2016 $	2015 $
Directors & Executives		
Mr I Daymond (i)	2,456	1,786
Mr C Jordaan (ii) & (iii)	337,640	-
Mr C van Wyk (iii)	302,564	319,132
Mr F Petruzzelli (iv)	171,558	-
Mr A Law	-	-
Mr C Ritchie (v)	-	18,376
Total	**814,218**	**339,294**

(i) During the 2016, Mr Daymond was reimbursed travel, accommodation and meal expenses, and was not owed any funds at year end.

(ii) During the 2016, Mr Jordaan was reimbursed travel, accommodation and meal expenses of $35,076, and was not owed any funds at year end. He was also reimbursed relocation expenses in moving from Johannesburg to Sydney. In addition, an amount of $302,564 owing to Regius Resources Group Ltd being outstanding consideration for assets acquisitions and consulting fees (of which both Mr Jordaan and Mr van Wyk are shareholders & Mr van Wyk is a director) were settled by way of issue of 6,051,280 shares approved by shareholders on 14 June 2016.

(iii) An amount of $302,564 owing to Regius Resources Group Ltd being outstanding consideration for assets acquisitions and consulting fees (of which both Mr Jordaan and Mr van Wyk are shareholders & Mr van Wyk is a director) were settled by way of issue of 6,051,280 shares approved by shareholders on 14 June 2016.

(iv) An amount of $171,558 owing to MDB Taxation & Business Advisors Pty Ltd being outstanding for the provision of professional services, accounting, taxation and office facilities (of which Mr Petruzzelli is the sole director and shareholder) were settled by way of issue of 3,431,160 shares approved by shareholders on 14 June 2016.

(v) During the 2015, Mr Ritchie was reimbursed travel, accommodation and meal expenses, and was not owed any funds at year end.

11. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In line with the Board's decision earlier this year to place the Save River Diamond Project on care and maintenance for the next 12-18 months, the Company has decided to terminate (by mutual consent) the existing agreement between Mustang Resources Ltd, Regius Exploration Pty Ltd and Save River Diamonds Pty Ltd for the development of diamond prospecting and exploration license 4969L. The Company still maintains its interest in license 4525L which is the license on which diamonds were discovered during the financial year.

12. SIGNIFICANT EVENTS AFTER BALANCE DATE

On the 5 August 2016 the Company announced that it had raised $1,000,000 before cost from professional and sophisticated investors.

On the 11 August 2016 the Company announced the discovery of a secondary (alluvial/elluvial) ruby deposit on license 4143L (Mustang net interest 60%) & the recovery of 29 rubies from initial reconnaissance pitting at the Montepuez Ruby Project.

On the 18 August 2016 the Company completed the appointment of PwC as new auditors replacing Grant Thornton.

On the 30 August 2016 the Company announced and commenced an Unmarketable Parcel Program Facility. As at the date of the announcement the Company had approximately 4,400 unmarketable parcels from its total shareholder base of approximately 5,300.

On the 19 September 2016 the Company announced that construction of the bulk sampling plant at the Montepuez Ruby Project was well advanced with commissioning expected by the end of September 2016.

In September 2016 the Company notified the license holder of graphite license 5873L that it elected not to proceed with the acquisition as defined in the agreement between the parties. Subsequently to this notice, the license holder notified the Company of its interest to re-negotiate different terms for the continued development of license 5873L. At the time of the FY-2016 annual report these negotiations have not been finalised.

13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 28 and forms part of the directors' report for financial year ended 30 June 2016.

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 previous auditor, Grant Thornton, or the current auditor PwC 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	
	2016	2015
	$	$
Corporate Advisory		
PricewaterhouseCoopers (appointed 18 August 2016)	-	-
Grant Thornton Audit Pty Ltd (resigned 18 August 2016)	-	-

15. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company is focussing its future development on ruby and graphite exploration & mining in southern Africa and is currently progressing with a ruby bulk sampling program and further resource delineation of 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 ruby, diamond and graphite mining 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 $31,116 (2015: $7,915) 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.

Christiaan Jordaan
Managing Director
Mustang Resources Limited

Sydney, 5 October 2016

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.

DIRECTORS' DECLARATION

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 2016 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 issued by the International Accounting Standards Boardas 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 2016.

On behalf of the board

Christiaan Jordaan
Managing Director

5 October 2016
Sydney, Australia

Auditor's Independence Declaration

As lead auditor for the audit of Mustang Resources Limited for the year ended 30 June 2016, 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.

This declaration is in respect of Mustang Resources Limited and the entities it controlled during the period.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
5 October 2016

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MUSTANG RESOURCES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
	Notes	2016	2015
		$	$
Interest income		731	2,672
Impairment of exploration and evaluation	8	(4,784,279)	-
Administration costs	2(a)	(3,708,395)	(1,685,763)
Relisting & restructure costs		-	(636,432)
Fair value loss on financial asset held at fair value through profit or loss		(1,692,847)	-
Depreciation		(104,341)	(1,326)
(Loss)/Profit on sale of assets		(108,130)	40,682
Foreign exchange gain		17,919	105,994
Gain on extinguishment of liability		292,692	-
Exploration expenditure		(154,306)	-
Finance costs	2(b)	(41,357)	(201,967)
Loss from continuing operations before income tax expense		**(10,282,313)**	**(2,376,140)**
Income tax (expense) / benefit	3	-	-
Loss from continuing operations		**(10,282,313)**	**(2,376,140)**
Loss from discontinued operations	27	**-**	**(4,244,564)**
Net loss for the period		**(10,282,313)**	**(6,620,704)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation (loss)/gain		(1,372,837)	5,013,596
Other comprehensive (loss)/gain for the period net of tax		(1,372,837)	5,013,596
Total comprehensive loss for the period		**(11,655,150)**	**(1,607,108)**
Loss for the period attributable to:			
Non-controlling interest		(149,616)	(999)
Owners of the parent		(10,132,697)	(6,619,705)
		(10,282,313)	**(6,620,704)**
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		(149,616)	(999)
Owners of the parent		(11,505,534)	(1,606,109)
		(11,655,150)	**(1,607,108)**

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

MUSTANG RESOURCES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
	Notes	2016	2015
Loss per share			
Continuing operations			
Basic loss per share (cents per share)	13	(8.33)	(10.48)
Diluted loss per share (cents per share)	13	(8.33)	(10.48)
Discontinued operations			
Basic gain / (loss) per share (cents per share)	13	-	(18.72)
Diluted gain / (loss) per share (cents per share)	13	-	(18.72)
Total			
Basic loss per share (cents per share)	13	(8.33)	(29.20)
Diluted loss per share (cents per share)	13	(8.33)	(29.20)

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

MUSTANG RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		Consolidated	
	Notes	2016	2015
		$	$
Current assets			
Cash and cash equivalents	15(b)	2,173,329	3,711,787
Trade and other receivables	4	652,060	670,702
Financial assets held at fair value	9, 24(e)	611,041	-
Prepayments	5	33,497	116,609
Total current assets		**3,469,927**	**4,499,098**
Non-current assets			
Trade and other receivables	4	5,088	1,014
Property, plant and equipment	7	719,971	1,676,172
Exploration and evaluation assets	8	28,107,516	21,307,109
Total non-current assets		**28,832,575**	**22,984,295**
Total assets		**32,302,502**	**27,483,393**
Current liabilities			
Trade and other payables	10(a)	1,222,226	1,783,718
Provisions	11	115,937	136,777
Total current liabilities		**1,338,163**	**1,920,495**
Non-current liabilities			
Other payables	10 (c)	-	1,464,844
Total non-current liabilities		**-**	**1,464,844**
Total liabilities		**1,338,163**	**3,385,339**
Net assets		**30,964,339**	**24,098,054**
Equity			
Contributed equity	12	146,056,472	129,920,396
Reserves	14	11,421,686	12,242,498
Accumulated losses		(130,056,614)	(119,923,917)
Parent interests		**27,421,544**	**22,238,977**
Non-controlling interests		3,542,795	1,859,077
Total equity		**30,964,339**	**24,098,054**

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

MUSTANG RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
		2016	2015
	Notes	$	$
Cash flows from operating activities			
Receipts from customers		-	440,618
Payments to suppliers and employees		(2,915,534)	(3,709,809)
Interest received		731	2,672
Interest paid		(25,168)	(28,615)
Net cash flows used in operating activities	**15(a)**	**(2,939,971)**	**(3,295,134)**
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(3,513,926)	(2,699,334)
Payments for plant & equipment		(336,821)	(1,210,900)
Proceeds from sale of plant & equipment		482,226	-
Payments for oil & gas properties		-	(108,131)
Proceeds from sale of controlled entity		-	616,293
Proceeds from sale of prospects		-	803,293
Net cash flows (used in)/from investing activities		**(3,368,521)**	**(2,598,779)**
Cash flows from financing activities			
Proceeds from the issue of shares and options		4,345,350	3,500,000
Proceeds from the issue of convertible loans		642,500	5,774,001
Proceeds from Lanstead		817,362	-
Share issue costs		(449,714)	(900,805)
Loans from other entities		-	39,315
Redemption of convertible notes & securities		-	(580,000)
Net cash from financing activities		**5,355,498**	**7,832,511**
Net (decrease)/increase in cash and cash equivalents		(952,994)	1,938,598
Cash and cash equivalents at 1 July		3,711,787	1,477,814
Effect of exchange rate changes on cash and cash equivalents		(585,464)	295,375
Cash and cash equivalents at 30 June	**15(b)**	**2,173,329**	**3,711,787**

Non-cash investing and financing activities are disclosed in Note 15(c).

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

MUSTANG RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

Consolidated Entity	Contributed Equity	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	**113,350,904**	**(113,304,212)**	**4,029,740**	**-**	**(4,756,950)**	**1,369,193**	**688,675**	**-**	**688,675**
Loss for the period	-	(6,619,705)	-	-	-	-	(6,619,705)	(999)	(6,620,704)
Other comprehensive gain	-	-	-	-	5,013,596	-	5,013,596	-	5,013,596
Total comprehensive (loss) / gain for the period	-	(6,619,705)	-	-	5,013,596	-	(1,606,109)	(999)	(1,607,108)
Non-controlling interest of subsidiaries acquired	-	-	-	-	-	-	-	1,860,076	1,860,076
Reversal of prior years convertible notes reserve	1,369,193	-	-	-	-	(1,369,193)	-	-	-
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)	15,200,299	-	-	-	-	-	15,200,299	-	15,200,299
Balance at 30 June 2015	**129,920,396**	**(119,923,917)**	**4,476,897**	**7,508,955**	**256,646**	**-**	**22,238,977**	**1,859,077**	**24,098,054**
At 1 July 2015	**129,920,396**	**(119,923,917)**	**4,476,897**	**7,508,955**	**256,646**	**-**	**22,238,977**	**1,859,077**	**24,098,054**
Loss for the period	-	(10,132,697)	-	-	-	-	(10,132,697)	(149,616)	(10,282,313)
Other comprehensive loss	-	-	-	-	(1,372,837)	-	(1,372,837)	-	(1,372,837)
Total comprehensive gain / (loss) for the period	-	(10,132,697)	-	-	(1,372,837)	-	(11,505,534)	(149,616)	(11,655,150)
Non-controlling interest of subsidiaries acquired	-	-	-	-	-	-	-	1,833,334	1,833,334
Issue of options	-	-	552,025	-	-	-	552,025	-	552,025
Issue of share capital (net of issue costs)	16,136,076	-	-	-	-	-	16,136,076	-	16,136,076
Balance at 30 June 2016	**146,056,472**	**(130,056,614)**	**5,028,922**	**7,508,955**	**(1,116,191)**	**-**	**27,421,544**	**3,542,795**	**30,964,339**

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

1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Mustang Resources Limited and its subsidiaries ("the company" or "the Consolidated Entity") for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 5 October 2016. 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 is Level 3, Suite 5, 9 Bowman Street South Perth Western Australia 6151 and its principal place of business is Level 10, 20 Martin Place, Sydney, New South Wales, 2000. The principal activity of Mustang Resources Limited during the financial year was the exploration of rubies, diamonds and graphite in Mozambique.

(a) Significant accounting policies

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

• available-for-sale financial assets, financial assets and liabilities (including derivative instruments) certain classes of property, plant and equipment – measured at fair value.

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

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The impact is not expected to be material on the Company's financial statements.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and introduces a new framework for accounting for revenue and will replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The new standard is based on the principle that revenue is recognised when control over goods and services transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards. The Company will assess the impact of the new standard closer to the effective date.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and introduces a new framework for accounting for leases and will replace AASB 117 *Leases.* The new standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on a balance sheet. The standard removes the current distinction between operating and financing leases and requires the recognition of an asset and a financial liability to pay rentals for almost all lease contracts. The Company will assess the impact of the new standard closer to the effective date.

(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 on a going concern basis which contemplates the continuity of normal business activities, including the realisation of assets and settlement of liabilities in the normal course of business.

The consolidated entity incurred a net loss after tax of $10,282,313 (2015: $6,620,704) and had net cash outflows from operations of $2,939,971 (2015: $3,295,134) for the year ended 30 June 2016. At 30 June 2016 the consolidated entity had cash at bank totaling $2,173,329 and working capital surplus of $2,131,764 (2015: surplus of $2,578,603).

The consolidated entity has significant capital commitments in the next financial year principally related to the development of the Montepuez Ruby Project and exploration of Balama and Save River Diamond Projects. The Company has prepared cash flow forecasts which demonstrate the need for additional funding to provide the necessary development capital for the Montepuez Ruby Project and exploration of Balama and Save River Diamond Projects and working capital for the Company to continue to provide corporate services to the consolidated entity. There is uncertainty whether revenue forecast to be generated from the trial mining program at the Montepuez Ruby project will be sufficient to fund these commitments in the required timeframe as these revenues will only be able to be generated from the sale of gemstones at auctions when sufficient volumes of saleable material is available through bulk sampling/trial mining. The Company will, therefore also seek to raise additional capital to ensure the ongoing development of the Company's projects and to provide the necessary working capital until such time as the projects are self-funding.

The consolidated entity's ability to continue as a going concern is dependent upon the generation of sufficient revenue from the Montepuez Ruby project as well as its ability to raise additional capital. While the directors will be expending their best efforts, the generation of sufficient revenue and the raising of additional capital cannot be assured. The directors are confident that the Montepuez Ruby project development will proceed to plan as well as in their ability to raise additional capital due to the Company successfully raising capital in the past and the market's appetite for future capital raisings.

As a result of the above uncertain events, there exists a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors are of the opinion that, as at the date of these consolidated financial statements, the consolidated entity is a going concern and, as a result, the financial report for the year ended 30 June 2016 does not include any adjustments relating to the recoverability and classification of the recorded amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(d) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016 (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% per annum
- Motor vehicles 25% per annum
- Office equipment 10% to 25% per annum

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 of disposal 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.

De-recognition
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 assessment 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 of disposal 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. 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 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 initially recognised at fair value and carried at amortised cost 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) Financial assets at fair value through profit or loss

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses).

(l) Trade and other payables

Trade payables and other payables are initially carried at fair value and subsequently at amortised cost 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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 defined 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.

(q) 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 relevant 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 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.

(r) 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.

(s) 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. Other borrowing costs are expenses as incurred.

(t) 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.

(u) 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.

(v) Foreign currency translation

Both the functional and presentation currency of Mustang Resources Limited is Australian Dollars ($). The Australian subsidiary company's functional currency is United States Dollars (US$). 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 Meticais (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 translation 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.

(w) 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).

(x) 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.

(y) 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 it 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.

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.

(z) 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”.

(aa) Comparative figures

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

(ab) 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 which incorporates critical estimates such as the volatility of share price and life of the options.

(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.

Financial assets at fair value through profit or loss

The Consolidated Entity's accounting policy for financial assets at fair value through profit or loss is set out at Note 1(k). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the future share price of the company compared to the benchmark price in the sharing agreement. Any such estimates and assumptions may change as new information becomes available.

2. EXPENSES AND LOSSES/GAINS

	2016	2015
	$	$
(a) Administration costs		
Employee/consulting fees	940,738	677,311
Defined contribution superannuation	27,697	22,516
Employee benefit / consulting fees expense	968,435	699,827
Compliance costs	676,395	131,998
Accounting & Audit	221,973	60,000
Legal	157,575	294,802
Travel	296,535	161,971
Rent	102,766	82,652
Marketing	198,636	29,544
Insurance	92,146	58,831
Share based payments	678,125	-
Other	315,809	166,138
	3,708,395	**1,685,763**
(b) Finance expense		
Interest expense	41,357	201,967
	41,357	**201,967**

3. INCOME TAX

The major components of income tax expenses are:

	Consolidated	
	2016 $	2015 $
Statement of comprehensive income		
Current income tax		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous years		
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,713,818)	(2,544,326)
Increase in deferred tax asset	1,713,818	2,544,326
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	**-**	**-**

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:

	Consolidated	
	2016 $	2015 $
Accounting loss	(10,282,313)	(6,620,704)
Prima facie tax (receivable)/payable at 30% (2015:30%)	(3,084,694)	(1,986,211)
Tax effect of:		
Non-deductible expenses	34,940	-
Non-deductible share based payments	203,438	-
Fair value loss on financial assets held at fair value	507,854	-
Tax effect on temporary differences	1,713,818	-
Deferred tax asset not brought to account	624,644	1,986,211
Income tax expense / (benefit) on loss	-	-

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Consolidated	
	2016	2015
	$	$
Deferred tax assets and (liabilities)		
Exploration expenses and Property, Plant & Equipment	(8,432,255)	(6,818,275)
Provisions	(115,937)	(41,033)
Prepayments	10,049	34,983
Deferred tax assets - carried forward losses	8,538,143	6,824,325
	-	-

No deferred tax assets have been recognised in excess of deferred tax liabilities in the statement of financial position in respect of previous loses.

Mustang Resources Limited and its 100% owned Australian subsidiary have not formed a tax consolidated group for the year ended 30 June 2016.

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 the income tax laws relevant to an entity within the consolidated group;
- conditions for the deductibility imposed by the laws are complied with; and no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

4. TRADE & OTHER RECEIVABLES

	Consolidated	
	2016	2015
	$	$
Current		
Trade debtors [1]	-	189,819
	-	189,819
Other receivables [2]	127,890	216,495
GST/VAT Receivable	136,484	-
Related parties receivable [3]	109,336	-
Security deposits	278,350	264,388
	652,060	**670,702**

	Consolidated	
	2016	**2015**
	$	**$**
Non-current		
Other debtors	5,088	1,014
	5,088	**1,014**

Terms and conditions relating to the above financial instruments;

1 Trade debtors are non-interest bearing and generally on 60 day terms. The amount includes $100,000 owning to the Company by an unrelated party for shares issued as part of general capital raising but not yet paid. These shares are subject to a trading lock until payment in full is made to the Company.

2 Other receivables are non-interest bearing and have repayment terms of between 30 and 90 days.

3 Related parties receivable are amounts owing from Regius.

5. PREPAYMENTS

	Consolidated	
	2016	**2015**
	$	**$**
Prepayments	33,497	116,609

6. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Percentage of equity Interest held by the consolidated entity	
		2016	**2015**
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
Yarras Texas, LLC	USA	100	100
Save River Diamonds Pty Ltd	AUS	78	78
Sese Diamonds Pty Ltd	AUS	74	74
Balama Resources Pty Ltd	AUS	100	100
Montepeuz Minerals Pty Ltd	AUS	75	-
Mustang Diamonds (Pty) Ltd	SA	100	100
Mustang Graphite (Pty) Ltd	SA	100	100
Mustang Diamonds Lda	MZ	100	100
Mustang Graphite Lda	MZ	100	100
Mozvest Mining Lda	MZ	53	53

7. PROPERTY, PLANT & EQUIPMENT

a) Office Equipment

	Consolidated	
	2016	**2015**
	$	**$**
Office equipment at cost	15,908	24,068
Accumulated depreciation	(2,652)	(737)
Total office equipment	**13,256**	**23,331**

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

	Consolidated	
	2016	**2015**
	$	**$**
Office equipment at cost		
Balance at start of year	23,331	6,282
Additions	-	24,068
Movement in carrying value as a result of foreign currency valuations	(8,559)	711
Depreciation	(1,516)	(7,730)
Balance at end of year	**13,256**	**23,331**

b) Plant & equipment

	Consolidated	
	2016	**2015**
	$	**$**
Plant & equipment	1,145,296	1,760,543
Accumulated depreciation	(438,581)	(107,702)
Total plant & equipment	**706,715**	**1,652,841**

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

	Consolidated	
	2016	**2015**
	$	**$**
Plant & equipment		
Balance at start of year	1,652,841	-
Additions	336,821	1,760,543
Disposals	(590,356)	-
Movement in carrying value as a result of foreign currency valuations	(197,743)	-
Depreciation capitalised to exploration & evaluation expenditure	(392,023)	-
Depreciation expense	(102,825)	(107,702)
Balance at end of year	**706,715**	**1,652,841**

c) Total Property, plant & equipment

	Consolidated	
	2016	**2015**
	$	**$**
Total property, plant & equipment	1,161,204	1,784,611
Accumulated depreciation	(441,233)	(108,439)
Total plant & equipment	**719,971**	**1,676,172**

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

	Consolidated	
	2016	**2015**
	$	**$**
Plant & equipment		
Balance at start of year	1,676,172	6,282
Additions	336,821	1,784,611
Disposals	(590,356)	-
Movement in carrying value as a result of foreign currency valuations	(206,302)	711
Depreciation transferred to exploration & evaluation expenditure	(392,023)	-
Depreciation expense	(104,341)	(115,432)
Balance at end of year	**719,971**	**1,676,172**

8. EXPLORATION AND EVALUATION ASSETS

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

	Consolidated	
	2016	**2015**
	$	**$**
Exploration and evaluation - at cost	26,274,182	21,307,109

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 ruby, diamond and graphite interests.

b) Reconciliation:

	Consolidated	
	2016	**2015**
	$	**$**
Carrying amount at beginning of period	21,307,109	-
Movement in carrying value as a result of foreign currency variations	(293,152)	211,922
Additions – acquisition exploration and evaluation assets	6,138,555	15,957,549
Additions – capitalised exploration & evaluation costs	3,905,949	3,277,562
Non-controlling interest	1,833,334	1,860,076
Impairment expense (2)	(4,784,279)	-
Carrying amount at end of period	**28,107,516**	**21,307,109**

1) On 20 October 2014, the Company acquired all the issued capital of Balama Resources Pty Ltd, Mustang Diamonds Pty Ltd, Mustang Graphite Pty Ltd, Mustang Diamonds Lda, Mustang Graphite Lda as well as controlling interests in Save River Diamonds Pty Ltd (75% of issued capital), Sese Diamonds Pty Lt (74% of issued capital) and Mozvest Mining Lda (53% of issued capital).
   Consideration paid:
   Issue of shares: 10,000,000 ordinary shares valued at $7,469,776
   Issue of Performance Rights: 42,000,000 Performance Rights A, B, C valued at $7,891,229
   Issue of options: $277,092

   Note that the Performance Rights A, B and C where cancelled for zero consideration & Cash Performance Rights cancelled in exchange for ordinary shares in the Company tabled below, also see note 12

	Number/US$ Value of Performance Rights	Shares issued in exchange for cancellation	Fair value of shares issued $
Performance Rights A	14,000,000	-	-
Performance Rights B	14,000,000	-	-
Performance Rights C	14,000,000	-	-
Cash Performance Rights B	$1,500,000	3,125,000	625,000

   These acquisition terms were subject to an Independent Expert Reports & Shareholder approval as required by the Corporations Act and the ASX Listing Rules.

   In February 2016, the Company acquired 80% of the issued capital of Montepuez Minerals Pty Ltd for consideration of $6,111,112 recognising an asset of $7,368,890 and NCI of $1,527,778. As part of this same transaction, but completed in June 2016, the Company sold 5% of its interest to Lanstead Partners Limited for consideration of $305,556 which equated to the carrying value of the 5% interest and as such there was no gain or loss on disposal upon transfer of this interest to NCI.

   In March 2016, the Company acquired two additional graphite licences in the Cabo Delgado province of Mozambique for consideration of $333,000.

2) Also during the quarter ended June 2016, the Company decided to terminate the existing agreement by mutual consent for the development of diamond prospecting and exploration license 4969L. In addition it has placed exploration license 4525L on care and maintenance. The capitalised exploration and evaluation costs allocated to licence 4969L was $4,672,739 which was expensed in the income statement during the year.

9. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	2016 $	2015 $
Financial asset - current	611,041	-
	611,041	**-**

Overview:

During the course of the year the Company entered into a series of agreements with Lanstead Capital LP (Lanstead) to provide ongoing funding. The details of these agreements are set out below.

On 20 November 2015, the Company entered into agreements for a subscription for shares in the Company and Sharing Agreements that linked the amount that would be received for those shares to the Company's average share price for 5 days prior to the end of the month in each of the 18 months following the issuance, less a discount of approximately 4 cents per share. The shares would be issued in two tranches of 12,500,000 shares. In exchange for signing the agreements and in lieu of fees payable on the transaction the Company agreed to issue Lanstead 1,250,000 shares, 8,750,000 options with a strike price of 25 cents each and transfer 5% of its 80% equity interest in Montepuez Minerals Pty Ltd that the Company was in the process of acquiring. The Subscription Agreement and linked Sharing Agreement is a financial instrument with an embedded derivative linked to the Company's share price. Management has determined that the entire contract will be accounted for at fair value, with movements recognised through the statement of profit or loss.

Tranche A of the Subscription Agreement was completed on 20 November 2015, with the Company receiving an initial lump sum payment of $375,000 in exchange for 3,125,000 shares in the Company. In accordance with the Tranche A Sharing Agreement the Company issued a further 9,375,000 shares into escrow, to be released to Lanstead evenly over the following 18 months. The initial fair value of Tranche A (including the initial lump sum payment) was calculated as $1,659,998.

Tranche B of the agreements completed on 2 March 2016 following shareholder approval of the issuance of capital. Under Tranche B of the Subscription Agreement the Company again received an initial lump sum of $375,000 in exchange for 3,125,000 shares in the Company and issued a further 9,375,000 shares into escrow to be released over the following 18 months. The initial fair value (including the initial lump sum payment) was calculated as $831,839.

Under the terms of the Sharing Agreement, if there were any issuances of capital at less than 20 cents within 90 days of the issuance then the amounts payable under the Sharing Agreement would be adjusted downwards. Such an issuance occurred after the Tranche B issuance, leading to the future value of both Tranches reducing to $nil. After negotiation with Lanstead, the Agreements were subsequently revised on 12 August 2016 to reset the benchmark price back to the original contract amount. The shortfall of $157,000 arising in May and June will be deducted before any further amounts are receivable under this agreement. Based on the share price at 30 June 2016, no additional amounts would be receivable under the contract and the fair value of Tranche A and Tranche B has been determined to be $nil under both the original contract terms and the renegotiated terms.

During the year ended 30 June 2016, the Company received variable payments of $67,362 under the Sharing Agreements for Tranche A and B in addition to the $750,000 initial lump sum payments.

On 11 May 2016, the Company entered into a further Subscription Agreement and a Sharing Agreement Transaction, termed Tranche C. Under this agreement, the Company received an initial lump sum payment of $127,500 in exchange for 5,312,500 shares and issued a further 15,937,500 shares into escrow, to be released to Lanstead evenly over the following 18 months.

The terms of this agreement were similar to the original agreements, other than the discount applied to the share price is 0.8 cents per share. The initial fair value (including the initial lump sum payment) was calculated as $629,412. The fair value of Tranche C at 30 June 2016 has been calculated to be $611,041.

A summary of movements in the balance for the year ended 30 June 2016 is summarised below.

	Tranche A	Tranche B	Tranche C	Total
	$	$	$	$
At 1 July 2015	-	-	-	-
Initial recognition	1,659,998	831,839	629,412	**3,121,250**
Cash payments received	(442,362)	(375,000)	-	**(817,362)**
Changes in fair value	(1,217,636)	(456,839)	(18,371)	**(1,692,847)**
At 30 June 2016	**-**	**-**	**611,041**	**611,041**

A calculation of the sensitivity of this financial asset to changes in the Company's share price is included in Note 24(e).

10. FINANCIAL LIABILITIES

a) Trade creditors

	Consolidated	
	2016 $	2015 $
Current		
Trade creditors [1]	820,487	1,439,024
Other creditors [2]	401,739	344,694
Total	**1,222,226**	**1,783,718**

Aggregate amount payable to related parties included in the above:
Directors and director related entities:
- director related entity 132,642 235,209

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.

b) Interest bearing loans and borrowings

	Consolidated	
	2016 $	2015 $
Opening balance	**-**	**-**
Issue of convertible notes	642,500	2,086,000
Conversion for cash	-	(580,000)
Conversion to shares	(642,500)	(1,506,000)
Closing balance	-	-

During the financial year the Company issued $642,500 interest bearing convertible notes and security in cash and they converted the convertible notes and interest to the value of $658,689. The number of shares issued on conversion is shown in Note 12(b).

c) Other payables

	Consolidated	
	2016 $	2015 $
Non-current		
Other payables [1]	-	1,464,844
	-	**1,464,844**

1) During December 2015 the Company agreed with related party Regius Resources Group Ltd to cancel all cash performance payments related to the acquisition of Balama Resources Pty Ltd in lieu of the Company issuing Regius Resources Group Ltd shares in the Company. The shares were issued at 5 cents a share when the share price was 4 cents a share which in turn resulted in a gain on settlement of these payables to the Company of $292,962. The amount payable was thereby eliminated.

11. PROVISIONS

	Consolidated	
	2016 $	2015 $
Current		
Employee benefits	7,372	31,592
Restoration costs	108,565	105,185
	115,937	**136,777**
Non-Current		
Restoration costs	-	-
	-	-
Restoration		
Carrying amount at beginning of period	105,185	267,923
Provision reduced in the period	-	(143,309)
Foreign exchange movement on provision	3,380	(19,429)
Carrying amount at end of period	**108,565**	**105,185**

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.

12. CONTRIBUTED EQUITY

(a) Issued and paid up share capital

	Consolidated	
	2016 **$**	**2015** **$**
Ordinary shares fully paid	146,054,615	130,190,396

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

	2016		2015	
	Number of Shares	**$**	**Number of Shares**	**$**
Balance at the beginning of the year	90,679,097	129,920,396	191,938,698	112,248,925
Conversion of convertible notes	-	-	283,616,092	1,075,000
Equity issued not for cash	-	-	8,299,960	27,069
Total prior to 67:1 consolidation	-	-	483,854,750	113,350,904
Total post 67: 1 consolidation	-	-	7,219,110	113,350,904
Conversion of convertible notes	3,293,445	658,689	2,155,000	431,000
Conversion of convertible loans	-	-	28,870,005	5,774,001
Equity issued on settlement of acquisitions	32,220,556	6,444,111	33,780,060	6,606,012
Equity issued in lieu of payment	15,544,315	2,189,622	1,154,922	389,938
Equity issued for financial assets	46,250,000	2,763,007	-	-
Equity issued for cash	107,637,500	4,305,500	17,500,000	3,500,000
Equity issued on cancellation of cash performance rights	3,125,000	625,000	-	-
Reversal of convertible rights reserve	-	-	-	1,369,193
Less transaction costs	-	(849,853)	-	(1,500,652)
Balance at the end of the year	**298,749,913**	**146,056,472**	**90,679,097**	**129,920,396**

Transaction costs during the financial year included the issue of 180,000 shares @ $0.05 cents and the issue of 116,875 shares @ $0.04 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 2016 was based on the loss attributable to ordinary shareholders of $10,282,313 (2015: $6,845,871) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2016 was 90,963,621 (2015 22,676,454), calculated as follows:

	Consolidated	Consolidated
	2016	**2015**
	$	**$**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	90,679,097	2,864,757
Effect of shares issued during the period	32,795,679	19,811,697
Weighted average number of ordinary shares at 30 June	123,474,776	22,676,454
Loss attributable to ordinary shareholders	(10,282,313)	(6,620,704
Loss per share (cents) overall	**(8.33)**	**(29.20)**

Potential ordinary shares are not considered dilutive and accordingly diluted earnings per share are the same as basic earnings per share.

14. RESERVES

	Consolidated	
	2016	**2015**
	$	**$**
Option reserve	5,028,922	4,476,897
Foreign exchange translation reserve	(1,116,191)	256,646
Performance rights reserve	7,508,955	7,508,955
Balance at end of the year	**11,421,686**	**12,242,498**

(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	
	2016	**2015**
	$	**$**
Balance at the beginning of the year	4,476,897	4,029,740
Issue of options	552,205	447,157
Balance at end of the year	**5,028,922**	**4,476,897**

(iii) Movements in options on issue

2016	Number	Exercise Price	Expiry Date	Fair Value at Grant Date $
Unquoted options				
Balance at the beginning of the year	149,254	$0.2412	10-Nov-17	107
	2,238,806	$0.2100	22-May-17	1,302
	1,500,000	$0.2000	01-Dec-16	560
	500,000	$0.2000	31-Oct-16	167
Issue of unquoted options to Lanstead as part of funding agreement	8,750,000	$0.25	30-Jun-17	100,173
Issue of unquoted options to advisors for capital raising	8,000,000	$0.15	21-Jun-19	74,527
Issue of unquoted options to advisors for capital raising	2,000,000	$0.15	31-Dec-17	8,028
Issue of unquoted options to advisors for capital raising	1,000,000	$0.06	31-Dec-17	9,688
Issue of unquoted options to advisors for capital raising	2,000,000	$0.09	31-Dec-17	13,751
Issue of unquoted options to advisors for capital raising	19,000,000	$0.075	21-Jun-19	253,041
Total unquoted options at the end of the year	**45,138,060**			**461,347**
Quoted options				
Balance at the beginning of the year	-	-	-	
Issue of options				
Issue of options by Options Prospectus (1)	31,324,181	$0.25	30-Jun-17	
Total quoted options at the end of the year	**31,324,181**			

1. The Company issued an Options Prospectus in November 2015 and in return for the issue of options it raised $151,131.

2015	Number	Exercise Price	Expiry Date
Unquoted 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	(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 unquoted options at the end of the year	**4,388,060**		

2015	Number	Exercise Price	Expiry Date
Quoted 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 quoted options at the end of the year	-		

(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	
	2016 $	**2015 $**
Balance at the beginning of the year	256,646	(4,756,950)
Recycled on disposal of foreign operation	-	4,693,054
Currency translation differences	(1,372,837)	320,542
Balance at end of the year	**(1,116,191)**	**256,646**

(c) 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	
	2016 $	**2015 $**
Balance at the beginning of the year	7,508,955	-
Performance rights issued	-	7,508,955
Balance at end of the year	**7,508,955**	**7,508,955**

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

Class	Non-vesting Condition for conversion to ordinary shares
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 licenses on or before 31 December 2019.

All performance rights where cancelled other than Performance Rights Class E in exchange for shares in the Company and approved by shareholders at a general meeting. See Note 8 and 12.

15. STATEMENT OF CASH FLOWS

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

	Consolidated	
	2016 $	**2015 $**
Net loss after tax for the period	**(10,282,313)**	**(6,620,871)**
Add/(less) non-cash items:		
Allowance for impairment in exploration & development assets	4,784,279	20,443
Amortisation of production and exploration assets	-	40,707
Realisation of foreign currency reserve	-	4,418,782
Bad Debt	-	13,605
Accrued interest expense	-	4,852
Fair value loss on financial asset held at fair value through profit or loss	1,692,847	-
Share based payments	700,697	-
Shares issued in lieu of payment	631,122	-
Gain on cancellation of loan	(292,692)	-
Interest expense paid in shares	16,189	168,500
Foreign currency gains	(17,919)	(9,570)
Fair value of options issued as part of legal settlement	-	68,209
Losss/(profit) on sale of assets	108,130	(54,629)
Other non-cash items	-	6,026
Depreciation	104,341	1,326
Net cash used in operating activities before change in assets and liabilities	**(2,555,319)**	**(1,942,453)**
Decrease/(increase) in receivables	118,642	570,126
Decrease/(increase) in prepayments	83,112	(18,423)
Decrease/(increase) in other receivables	(4,074)	
Increase/(decrease) in provisions	(20,840)	(145,262)
Increase/(Decrease) in payables	(561,492)	(1,759,122)
Net cash flow used in operating activities	**(2,939,971)**	**(3,295,134)**

(b) Reconciliation of cash and cash equivalents

Cash balance comprises:		
Cash at bank		
Held in AUD funds	1,917,427	841,257
Held in USD funds	85,574	1,778,484
Held in ZAR funds	131,670	982,750
Held in MZN funds	38,658	109,296
Total cash and cash equivalents	2,173,329	3,711,787

(c) Non-cash investing and financing activities

	Consolidated	
	2016 $	2015 $
Shares issued in settlement of interest on convertible notes	25,168	24,497
Shares issued in settlement of interest on convertible loans	-	123,310
Shares issued on conversion of convertible notes	642,500	1,506,000
Shares issued on acquisition of Diamond & Graphite projects	333,000	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 on acquisition of Montepuez Minerals Pty Ltd	6,111,111	-
Shares issued to directors and consultants in lieu of payment	707,297	-
Shares issued to Lanstead	2,783,270	-
Shares issued on cancellation of cash performance rights	625,000	-
Options issued to brokers in lieu of payment	359,036	-
Options issued to Lanstead	27,037	-
Total	**11,613,419**	**15,977,281**

16. INTEREST IN EXPLORATION & PROSPECTING LICENSES

At 30 June 2016 the Consolidated Entity was a participant in the following exploration & prospecting licenses:

	Consolidated	
	2016 Interest %	2015 Interest %
Diamond Licenses		
4525L Save River Diamond Project	51.8%	51.8%
4969L Save River Diamond Project	0%	50.7%
Graphite Licenses		
4661L Balama Graphite Project	60.0%	60.0%
4662L Balama Graphite Project	60.0%	60.0%
5873L Balama Graphite Project*	75.0%	75.0%
6527L Balama Graphite Project	75.0%	75.0%
6636L Balama Graphite Project	75.0%	75.0%
6678L Balama Graphite Project	80.0%	80.0%
Ruby Licenses		
4143L Montepuez Ruby Project	60.0%	0%
4258L Montepuez Ruby Project**	52.5%	0%
5030L Montepuez Ruby Project	52.5%	0%

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

4969L The Company owned 78% of Save River Diamonds Pty Ltd, which had the rights to acquire a 65% interest in license 4969L however after further exploration and bulk sampling work the Company decided to relinquish 4969L by mutual agreement between relevant parties. This resulted in an impairment to capitalised exploration & evaluation of $4,672,739 (Note 8)

4143L The Company owns 75% of Montepuez Minerals Pty Ltd, which owns 80% of the shares in Ibra Moz S.A. Ibra Moz S.A is the holder of license 4143L

4258L The Company owns 75% of Montepuez Minerals Pty Ltd, which holds rights to 70% in license 4258L in the process of being transferred to Rubies Company S.A a company in which Montepuez Minerals Pty Ltd owns 70% of the shares.

5030L The Company owns 75% of Montepuez Minerals Pty Ltd, which holds rights to 70% in license 5030L in the process of being transferred to Rubies Resources S.A a company in which Montepuez Minerals Pty Ltd owns 70% of the shares.

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

The Company owns 75% of Montepuez Minerals Pty Ltd. The Company is a party to the agreements with existing license holders covering the three licenses. The Company's right to acquire an interest in each license is shown in the above table.

*5873L: In September 2016 the Company notified the license holder that it elected not to proceed with the acquisition, subsequently the license holder notified the Company of its interest to re-negotiate different terms for the continued development of license 5873L. At the time of the FY-2016 annual report these negotiations have not been finalised.

**4258L: Montepuez Minerals Pty Ltd has a call option to acquire an additional 10% in 4258L Mozambican SPV upon conclusion of the bulk sampling program for US$1 million.

17. COMMITMENTS

Exploration and Evaluation Commitments

	Consolidated	
	2016 $	2015 $
Less than one year	-	911,458
Between one and five years [1]	2,015,885	5,989,583
More than five years	-	-
Total	**2,015,885**	**6,901,041**

1) As part of the acquisition of Montepuez Minerals Pty Ltd, the Company assumed contingent acquisition payments for License 5030L to the local partner of US$750,000 6 months after bulk sampling startup and US$750,000 12 months after bulk sampling startup. Payment is contingent on license being transferred to Mozambican SPV (In process) and the time period only starts upon bulk sampling activities starting on the particular license area (current bulk sampling focused on deposit on license 4143L, bulk sampling has not started on 5030L).

As part of the acquisition of Balama Resources Pty Ltd, the Company assumed all obligations under the agreements with the existing license holders. In regard to the agreement concerning the Company's 75% majority interest in graphite license 5873L, a total acquisition price of US$4,000,000 was payable should the Company have elected to further develop the license. The Company previously paid an exclusivity fee of US$200,000 to allow the Company to conduct an evaluation of the license. In September 2016 the Company notified the license holder that it elected not to proceed with the acquisition, subsequently the license holder notified the Company of its interest to re-negotiate different terms for the continued development of license 5873L. At the time of the FY-2016 annual report these negotiations have not been finalised.

In line with the Board's decision earlier this year to place the Save River Diamond Project on care and maintenance for the next 12-18 months, the Company has decided to terminate (by mutual consent) the existing agreement between Mustang Resources Ltd, Regius Exploration Pty Ltd and Save River Diamonds Pty Ltd for the development of diamond prospecting and exploration license 4969L. In September 2016 the Company notified the license holder that it elected not to proceed with the acquisition, however immediately following issuance of this notice the Company entered into negotiations with Cosec Lda to continue the development of this license. At the time of the FY-2016 annual report these negotiations were still underway.

The diamonds discovered to date by Mustang on the Project have all come from license 4525L and results from samples taken on license 4969L have been disappointing. That, together with the delay in Mozambique being admitted to the Kimberley Process as well as the onerous local partner financial requirements for maintaining the interest in license 4969L (a contingent liability for Mustang of between US$1 million and US$1.5 million) has resulted in the Board making this decision together with the other parties to the agreement.

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

Non-cancellable lease rentals are payable as follows:

	Consolidated	
	2016 $	2015 $
Less than one year	-	35,156
Between one and five years	-	-
More than five years	-	-
Total	**-**	**35,156**

The lease of the office in Maputo, Mozambique is on a monthly tenancy basis.

18. CONTINGENT LIABILITIES

Other than those events disclosed in Note 17 there are no other contingent liabilities (2015: $nil).

19. AUDITORS' REMUNERATION

Amounts received or due and receivable by the Company's Statutory Auditor for:

	Consolidated	
	2016 $	2015 $
Audit or review of the financial reports of the company		
Audit Services - PricewaterhouseCoopers	60,000	-
Audit Services – Grant Thornton	55,073	73,000
Total	**115,073**	**73,000**
Auditors of Mustang Group Limited – PricewaterhouseCoopers in 2016 and Grant Thornton in 2015		

20. KEY MANAGEMENT PERSONNEL

Directors and Executives

	Consolidated	
	2016 $	2015 $
DISCLOSURES		
Short term	567,438	451,885
Short term non-monetary	-	6,954
Additional fees paid to non-executive directors	17,500	40,000
Share based payment options	749,058	78,000
Post-employment	32,481	22,482
Total	**1,366,477**	**599,321**

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.

Mr I Daymond

Directors fees totalling $62,375 were paid to Mr Daymond or to his related entity, Daymond Consultants Pty Ltd. Of this amount $20,000 was paid by way of issue of 400,000 fully paid ordinary shares to Mr Daymond personally, approved by shareholders.

Mr C Jordaan

Share based payment of $306,250 was made to Regius Resources Group Limited in exchange for the cancellation of cash Performance Rights. Both Mr Jordaan and Mr van Wyk are shareholders of Regius Resources Group Limited & Mr van Wyk is a director. The value of this share based payment is represented equally between Mr Jordaan and Mr van Wyk in the remuneration report.

Mr C van Wyk

Share based payment of $306,250 was made to Regius Resources Group Limited in exchange for the cancellation of cash Performance Rights. Both Mr Jordaan and Mr van Wyk are shareholders of Regius Resources Group Limited & Mr van Wyk is a director. The value of this share based payment is represented equally between Mr Jordaan and Mr van Wyk in the remuneration report.

Mr F Petruzzelli

Share based payment of $171,558 was made to MBD Taxation & Business Advisors Pty Ltd for the provision of serviced offices, accounting and administration assistance to the company until these services where terminated in April 2016. Mr Frank Petruzzelli is the sole director and shareholder of MBD Taxation & Business Advisors Pty Ltd. In addition, he is a director and shareholder of Elba Investments Pty Ltd which held various Performance Rights in the Company. Shares to the value of $206,250 were issued to Elba Investments Pty Ltd in exchange for the cancellation of cash Performance Rights where cancelled.

Transaction	2016 $	2015 $
Directors & Executives		
Mr I Daymond	-	1,786
Mr C Jordaan (i) & (ii)	337,640	-
Mr C van Wyk (ii)	302,564	319,132
Mr F Petruzzelli (iii)	171,558	-
Mr A Law	-	-
Mr C Ritchie	-	18,376

(i) During 2016, Mr Jordaan was reimbursed travel, accommodation, meal and relocation expenses of $35,076 plus a party to the payment to Regius Resources Group Ltd as noted in (ii), and was not owed any funds at year end.

(ii) During the year the Company paid an amount of $302,564 to Regius Resources Group Limited for outstanding acquisition costs for graphite and ruby assets in Mozambique. This amount was settled by way issue of 6,051,280 shares approved by shareholders on 14 June 2016. Both Mr Jordaan and Mr van Wyk are shareholders of Regius Resources Group Limited & Mr van Wyk is a director.

(iii) During the year the Company paid an amount of $171,588 to MDB Taxation and Business Advisors Pty Ltd for the provision of professional services, accounting, taxation, consulting and serviced office. This amount was settled by way issue of 3,431,160 shares approved by shareholders on 14 June 2016. Mr Petruzzelli is a director and shareholder of MDB Taxation and Business Advisors Pty Ltd.

21. SHARE BASED PAYMENTS

(a) Recognised share based payments

	Consolidated	
	2016 **$**	**2015** **$**
Shares issued on acquisition of Diamond & Graphite projects	-	6,454,072
Shares issued in consideration for cancellation of cash performance rights	625,000	-
Performance Rights issued on acquisition of Diamond & Graphite projects	-	7,508,954
Options issued on acquisition of Diamond & Graphite projects	-	210,448
Shares issued on acquisition of Ruby & Graphite projects	6,444,111	150,000
Shares issued to settle outstanding directors fees and services	569,122	-
Shares issued to settle various professional services	138,175	-
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 2016

During the year the Company did not issue any incentive options to directors and executives. Unquoted options where issued to advisors and consultants that assisted the Company in raising capital. No options vested during the year.

During the year the Company granted options to:

Quoted Options				
Name	**Amount**	**Expiry Date**	**Exercise Price**	**Vested / Unvested**
Pursuant to Sharing Agreement Facility				
Lanstead Capital LP	4,500,000	30-Jun-2017	$0.25	Vested
Pursuant to acquisition and capital raising				
Various unrelated investors - option prospectus	26,824,181	30-Jun-2017	$0.25	Vested

Unquoted Options					
Name	**Amount**	**Expiry Date**	**Exercise Price**	**Vested / Unvested**	**Fair Value at Grant Date $**
Pursuant to Sharing Agreement Facility					
Lanstead Capital LP	8,750,000	30-Jun-2017	$0.25	Vested	100,173
Pursuant to acquisition and capital raising					
Zenix Nominees Pty Ltd	6,000,000	21-Jun-2019	$0.15	Vested	55,800
MAPD Nominees Pty Ltd	2,000,000	21-Jun-2019	$0.15	Vested	18,600
HFI Limited	2,000,000	31-Dec-2017	$0.15	Vested	8,000
HFI Limited	1,000,000	31-Dec-2017	$0.06	Vested	9,700
HFI Limited	2,000,000	31-Dec-2017	$0.09	Vested	13,800
Zenix Nominees Pty Ltd	14,000,000	21-Jun-2019	$0.075	Vested	186,200
MAPD Nominees Pty Ltd	5,000,000	21-Jun-2019	$0.075	Vested	66,500

Quoted options where issued for cash.
Unquoted options where issued for services and represent fair consideration.

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.

(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:

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Outstanding at the beginning of the year	4,388,060	0.207	4,700,445	0.2130
Granted during the period	-	-	10,000,000	0.0036
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	72,074,181	0.173	4,238,806	0.2050
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the year	**76,462,241**	**0.184**	**4,388,060**	**0.207**
Exercisable at the end of the year	**76,462,241**	**0.184**	**4,388,060**	**0.207**

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2016 is 1.67 years (2015: 1.68 years).

(e) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was $0.06 to $0.25. The exercise price of options outstanding at the end of the previous year was $0.20 to $0.2412 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 was $0.184 (2015: $0.207).

(g) Summary of performance rights granted

During the year the Company did not issue any performance rights. Various performance rights where cancelled as outlined in Note 14.

Details of the non-vesting conditions for the remaining performance rights are stated in Note 14.

22. SUBSEQUENT EVENTS

On the 27 July 2016 the Company announced that it had recovered 10 rubies totalling 2.61 carats from excavation and trenching of alluvial layers at the Montepuez Ruby Project.

On the 11 August 2016 the Company announced it had recovered a further 19 gem quality rubies and also confirmed a secondary ruby deposit hosting gem quality rubies.

On the 5 August 2016 the Company announced that it had raised of $1.0 million through a placement to professional and sophisticated investors of 25 million new fully paid ordinary shares at an issue price of 4 cents per share.

On the 18 August 2016 the Company advised that it had appointed PricewaterhouseCoopers (PwC) as the Company's external auditor. The appointment of PwC replaces Grant Thornton as the Company's external auditor.

On the 30 August 2016 the Company announced that it had established a share sale facility for the holders of unmarketable parcels of the Company's shares. Approximately 4,394 of the Company's 5,285 shareholders hold unmarketable parcels making up approximately 0.74% of the Company's fully paid ordinary shares on issue.

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.

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	Weighted Average Interest rate	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
2016					
Financial assets					
Cash assets *	1.2%	-	2,173,329	-	2,173,329
Trade and other receivables – current *	-	-	-	769,094	769,094
Security deposits *	0.5%	-	5,088	-	5,088
			2,178,417	**769,094**	**2,947,511**
Financial liabilities					
Trade and other payables – current*	-	-	-	1,222,226	1,222,226
			-	**1,222,226**	**1,222,226**

* Maturing in 1 year or less
** Maturing in 1 year or more

Consolidated	Weighted Average Interest rate	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
2015					
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
			-	**3,248,562**	**3,248,562**

* Maturing in 1 year or less

Sensitivity analysis

(a) Interest rate risk

Changes in interest rate have an insignificant effect on the Company's results.

(b) Foreign currency risk

The Company's exploration and evaluation cash costs are principally denominated in South African rand and Mozambican Metical. As a result changes in currency have an insignificant effect on the Company's results. 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.

(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's objectives when managing capital are to safeguard the Consolidated Entity's 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.

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 2016	Carrying amount $	Contractual cash flows $	<3 months $	3-6 mths $	6-24 mths $	>2 years $
Trade and other payables	1,222,226	1,222,226	1,222,226	-	-	-
	1,222,226	**1,222,226**	**1,222,226**	-	-	-

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	-	-	-
	1,412,777	**1,412,777**	**1,412,777**	**-**	**-**	**-**

* 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. The Company has no financial assets where carrying amounts exceed net fair values at balance date.

Cash and cash equivalents

The carrying amount is fair value due to the liquid nature of these assets.

Financial assets held at Fair Value through Profit and Loss

As a result of the embedded derivative within the Subscription Agreement and Sharing Agreement outlined in Note 9, the financial asset held at fair value will increase or decrease based on the Company's share price at the end of each month during the 5 day VWAP calculation period. A sensitivity is provided below:

Consolidated		Effect On:		Effect On:	
Risk variable	Sensitivity*	Profit and Loss 2016	Financial Assets held at fair value 2016	Profit and Loss 2015	Financial Assets held at fair value 2015
Financial assets held at fair value	+0.02	308,702	308,702	-	-
	-0.02	(293,381)	(293,381)	-	-

*Change in Company share price compared to the 30 June 2016 VWAP of $0.0406

This is a level 2 financial instrument as it is not traded in an active market but its fair value is determined through observable market data (the Company's share price).

Available for sale financial assets

The available for sale financial assets have been impaired down to its fair market value therefore there is no difference between the fair value and the carrying value.

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 rubies, 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:

2016	Australia	South Africa	Mozambique	USA
	$	$	$	$
Sales revenue	-	-	-	-
Non-current assets	-	-	26,999,641	-

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

26. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2016, the parent entity of the group was Mustang Resources Limited.

	Parent	
	2016	2015
	$	$
Result of the parent entity		
Profit / (loss) of the parent entity	(11,246,212)	(7,297,521)
Total comprehensive income of the parent entity	**(11,246,212)**	**(7,297,521)**
Financial position of the parent entity at year end		
Current assets	2,596,374	2,272,404
Non-current assets	25,627,135	21,747,217
Total assets	**28,223,509**	**24,019,621**
Current liabilities	801,965	303,445
Non-current liabilities	-	1,464,844
Total liabilities	**801,965**	**1,768,289**
Net assets	27,421,544	22,251,332
Contributed equity	146,054,615	130,190,396
Accumulated losses	(131,171,128)	(119,924,916)
Option reserve	5,029,102	4,476,897
Performance share reserve	7,508,955	7,508,955
Total shareholders' equity	**27,421,544**	**22,251,332**

	2016	2015
	$	$
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

	2016 $	2015 $
Revenue	-	481,753
Cost of sales	-	(287,092)
Gross Margin	-	194,661
Impairment of oil & gas properties	-	(20,443)
Gain on sale of assets	-	274,272
Realisation of foreign currency translation reserve	-	(4,693,054)
Loss from discontinued operations before tax	-	(4,244,564)
Income tax (expense) / benefit	-	-
Loss from discontinued operations	-	(4,244,564)

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

	2016 $	2015 $
Operating activities	-	119,518
Investing activities	-	-
Cash flows from discontinued operations	-	119,518

In December 2014, the Company sold its US based subsidiary Birdwood Louisiana, LLC to Grand Gulf Energy Ltd with the transaction completing in June 2015.

The Company received total consideration of US$467,426 which comprised a net payment in cash after the Company was relieved of its liability to plug and abandon the Fausse Point project of farm in exposure and the accrued net revenue from the operating assets from 1 November 2014 to settlement date.

In addition, on 30 June 2015, the Company concluded negotiations with Texakoma Operating, LP in regard to a US$575,000 disputed debt.

As a result Mustang paid US$150,000 ($187,220) in cash, issued 447,761 fully paid ordinary shares at $0.22 each (valued at $98,508 and assigned the Company's working interest in the Sugar Valley #1 well to Texakoma Operating, LP in full and final settlement of the dispute.

This transaction concluded the Company's oil and gas operations in the USA, other than ongoing monitoring of minor restoration projects which once complete will see the return of $278,350.

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 2016, 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 ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Mustang Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that 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 that we 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.

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 consolidated entity's preparation and fair presentation of the financial report 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 entity'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*.

pwc

Independent auditor's report to the members of Mustang Resources Limited (continued)

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 2016 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 and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to the basis of preparation in Note 1(c) in the financial report, which indicates the need for the consolidated entity to raise additional funding to meet ongoing expenditure and existing commitments. This condition, along with other matters set out in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity 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 pages 18 to 24 of the directors' report for the year ended 30 June 2016. 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

In our opinion, the remuneration report of Mustang Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
5 October 2016

SECURITIES EXCHANGE INFORMATION

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%)

Citicorp Nominees Pty Ltd	9.90%
Mr Cobus van Wyk & Mr Christiaan Jordaan (Regius Resources Group Ltd)	9.15%
Mr Frank Petruzzelli (Elba Investments Pty Ltd)	7.92%

CLASS OF SHARES AND VOTING RIGHTS

At 26 September 2016 there were 5,283 holders of 323,749,913 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:

a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

b) 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

c) 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 SHAREHOLDERS (as at 26 September 2016)

Range	Total Holders	Units	% Issued Capital
1 - 1,000	3,974	497,787	0.15%
1,001 - 5,000	245	529,584	0.16%
5,001 - 10,000	73	612,260	0.19%
10,001 - 100,000	576	23,214,202	7.17%
100,001 - 9,999,999,999	415	298,896,080	92.32%
Total	**5,283**	**323,749,913**	**100.00%**

There were 4,346 shareholders holding less than a marketable parcel at 26 September 2016.

DISTRIBUTION OF LISTED OPTION HOLDERS (as at 26 September 2016)

Range	Total Holders	Units	% Issued Capital
1 - 1,000	112	19,214	0.15%
1,001 - 5,000	47	144,380	0.16%
5,001 - 10,000	16	128,861	0.19%
10,001 - 100,000	97	3,892,901	7.17%
100,001 - 9,999,999,999	41	27,138,825	92.32%
Total	**313**	**31,324,181**	**100.00%**

There were 280 listed option holders holding less than a marketable parcel at 26 September 2016.

On the 30 August 2016 the Company announced an unmarketable parcel sale facility with the record date set as 25 August 2016 and concluding 11 October 2016.

There is no current on-market buy back taking place.

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.

TWENTY LARGEST SHAREHOLDERS (as at 26 September 2016)

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held
1	Citicorp Nominees Pty Limited	32,047,334	9.90 %
2	Elba Investments Pty Ltd <Elba A/C>	25,642,168	7.92%
3	Regius Resources Group Ltd	23,374,028	7.22%
4	Bnp Paribas Nominees Pty Ltd <Global Prime Omni Drp>	15,440,167	4.77%
5	Alimold Pty Ltd	7,200,000	2.22%
6	Regius Resources Group Ltd	6,351,280	1.96%
7	Alimold Pty Ltd	6,163,195	1.90%
8	Abn Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	4,989,390	1.54%
9	Mr Simon William Tritton <Investment A/C>	2,750,890	0.85%
10	Atop Pacific Limited	2,500,000	0.77%
11	Chifley Portfolios Pty Ltd <David Hannon A/C>	2,500,000	0.77%
12	P G Howarth Pty Ltd	2,200,000	0.68%
13	R W Associates Pty Limited	2,193,888	0.68%
14	Lawnbet Pty Limited <Fmd Superannuation Fund A/C>	2,088,559	0.65%
15	Mr Ben Smith	2,000,000	0.62%
16	Mr Robert George Makara <Rg & Ee Makara A/C>	1,967,750	0.61%
17	Lwp Technologies Ltd <Investment Portfolio A/C>	1,920,000	0.59%
18	1215 Capital Pty Ltd	1,875,000	0.58%
19	Keras Capital Pty Ltd	1,822,925	0.56%
20	Kings Park Superannuation Fund Pty Ltd <Kings Park Super Fund A/C>	1,670,001	0.52%
		146,696,575	**45.31%**

TWENTY LARGEST LISTED OPTION HOLDERS (as at 26 September 2016)

	Name of Listed Option Holder	Number of Options Held	Percentage of Options Held
1	Elba Investments Pty Ltd <Elba A/C>	4,999,271	15.96%
2	Mr Robert George Makara <Rg & Ee Makara A/C>	4,366,863	13.94%
3	Citicorp Nominees Pty Limited	3,000,000	9.58%
4	Bnp Paribas Nominees Pty Ltd <Global Prime Omni Drp>	1,500,000	4.79%
5	M & K Korkidas Pty Ltd <M&K Korkidas P/L S/Fund A/C>	1,242,607	3.97%
6	Filmrim Pty Ltd	1,100,000	3.51%
7	Olive Capital Pty Ltd	1,000,000	3.19%
8	Mr Mark Andrew Ruwold	680,000	2.17%
9	Mr Simon William Tritton <Investment A/C>	508,630	1.62%
10	Mr Bernard Friend	500,000	1.60%
11	Lwp Technologies Ltd <Investment Portfolio A/C>	500,000	1.60%
12	Mr Christopher Stewart Macdonald + Mrs Kylie Jane Macdonald <Macdonald Family S/F A/C>	500,000	1.60%

13	Martin Place Securities Staff Superannuation Fund Pty Ltd <Mpssf Investment A/C>	500,000	1.60%
14	Mr Grant Rohan Williams	474,874	1.52%
15	Pegari Pty Limited	435,854	1.39%
16	J W Douglass Superannuation Pty Ltd	357,922	1.14%
17	Dottie Investments Pty Ltd	333,333	1.06%
18	Gorann Pty Ltd <Anne Gordon Super Fund A/C>	333,333	1.06%
19	Willow Bend Station Pty Ltd	320,000	1.02%
20	R W Associates Pty Limited <Rw & Associates S/F A/C>	316,666	1.01%
		22,969,353	**73.33%**

Unlisted Options

Number Issued	Exercise Price	Expiry Date	Number of Holders	Holders in excess of 20%
2,000,000	$0.06	31/12/2017	1	HFI Limited
2,000,000	$0.15	31/12/2017	1	HFI Limited
524,445	$0.0275	06/09/2016	1	Australian Special Opportunities Fund
149,253	$0.2412	10/11/2017	1	Australian Special Opportunities Fund
1,205,597	$0.21	21/05/2017	3	Elba Investments Pty Ltd
833,955	$0.21	21/05/2017	3	Alimold Pty Ltd
250,000	$0.20	31/10/2016	3	Capital Group Pty Ltd
125,000	$0.20	31/10/2016	3	Place Holding Barton
125,000	$0.20	31/10/2016	3	David Cassidy
1,500,000	$0.20	01/10/2016	1	Merino Pty Ltd
8,750,000	$0.25	30/06/2017	1	Bnp Paribas Nominees Pty Ltd <Global Prime Omni Drp>
6,000,000	$0.15	21/06/2019	2	Zenix Nominees Pty Ltd
2,000,000	$0.15	21/06/2019	2	MAPD Nominees Pty Ltd
14,000,000	$0.075	21/06/2019	2	Zenix Nominees Pty Ltd
5,000,000	$0.075	21/06/2019	2	MAPD Nominees Pty Ltd
1,000,000	$0.06	31/12/2017	1	HFI Limited

Unlisted Performance Rights

Description	On Issue	No of Holders	
Class E	14,000,000	4	Regius Resources Group Ltd 49% Elba Investments Pty Ltd 30%

Corporate Governance Statement

The Company's 2016 Corporate Governance Statement has been released as a separate document and is located on our website.

Tenement Summary

Tenement	Interest	Effective Net Interest
Save River Diamonds Project		
4525L	51.8%	51.8%
4969L	0%	0%
Balama Graphite Project		
4661L – JV with license holder	60%	60%

4662L – JV with license holder	60%	60%
5873L – JV with license holder	75%	75%
6527L – JV with license holder	75%	75%
6636L – JV with license holder	75%	75%
6678L – JV with license holder	80%	80%
Ruby Licenses		
4143L Montepuez Ruby Project	60.0%	60.0%
4258L Montepuez Ruby Project	52.5%	52.5%
5030L Montepuez Ruby Project	52.5%	52.5%