



FORMERLY OGI GROUP LTD

ABN 34 090 074 785

**Full Year Statutory Accounts  
30 June 2015**

## CORPORATE DIRECTORY

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### DIRECTORS

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

### SECRETARY

Chris Ritchie

### REGISTERED OFFICE

566 Elizabeth Street  
Melbourne, Victoria, 3000  
Telephone: +61 3 9347 2409  
Facsimile: +61 3 9349 1186  
Email: [info@mustangresources.com.au](mailto:info@mustangresources.com.au)  
Website: [www.mustangresources.com.au](http://www.mustangresources.com.au)

### PRETORIA OFFICE

Mustang Diamonds (Pty) Ltd  
Nature Block A3  
500 Botterklapper Street  
The Willows 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

Grant Thornton Audit Pty Ltd  
525 Collins Street  
Melbourne, Victoria, Australia 3000

### SHARE REGISTRY

Advanced Share Registry Limited  
110 Stirling Highway  
Nedlands, Western Australia 6009  
Phone: +61 8 9389 8033  
Facsimile: +61 8 9262 3723

### AUSTRALIAN SECURITIES EXCHANGE CODE

MUS (Ordinary Shares)

# MUSTANG RESOURCES LIMITED

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# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

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### Review of Operations

#### SAVE RIVER DIAMOND PROJECT

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

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

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

Save River Project Licence details:

Licence #	Area (km <sup>2</sup> )	Status	Issue Date	Valid Until	Net Interest
4525L	23.84	Granted	22/11/2011	22/11/2016	51.8%
4969L	216.60	Granted	26/4/2012	26/4/2017	50.7%

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

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

The crosscutting structure formed a barrier which would have promoted the deposition of sediments and gravels on the west and eastern portion of the feature. In addition, a Ground Penetrating Radar Survey ("GPR") over the concessions was completed by Terravision™ in April 2014. The GPR traverses confirmed the presence of a deep (14m) and wide (1-1.5km) palaeochannel in the western and central portions of the concession. Two GPR lines completed to the south of the concession mapped potential lower gravel terraces which have been affected by faulting and define a sandstone plateau and troughs with visible gravels on the surface.

An initial exploration program was designed to validate the traverses and test for diamonds in all gravel settings. The program involves the collection of a minimum of 50,000 tonnes and a maximum of 100,000 tonnes of material to test for diamonds. A preliminary budget of US\$1.7 million was proposed with works to begin as soon as possible. The gravels exposed during pitting and trenching will be processed for diamonds using rotary pans and Boesman jigs. Diamond size distribution and gravel volume estimates are to be used to determine the grade of diamonds in the areas and the depth continuity of the troughs / grabens will be confirmed during pitting and trenching.

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

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

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

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

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

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

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

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

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

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

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

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

Sample	Volume (m <sup>3</sup> ) est.	# Stones	Total Carats (ct)	Average Stone Size (ct/st)
Pit001	1,271	3	1.68	0.56
Pit002	592	2	2.59	1.30
Pit003	1,799	5	2.37	0.47
Pit004	871	4	1.61	0.40
Pit005	1,187	3	1.67	0.56
Pit006	720	1	2.58	2.58
	<b>6,440</b>	<b>18</b>	<b>12.50</b>	<b>0.69</b>

### BALAMA GRAPHITE PROJECT

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

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

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

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

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

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

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

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

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

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

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

### OIL AND GAS PROJECTS

#### Napoleonville Project

*Dugas & Leblanc #3 well, Assumption Parish, Louisiana, Non-operator, 15%WI*

*Hensarling #1 well, Assumption Parish, Louisiana, Non-operator, 3.99%WI*

*Templet #1 well, Assumption Parish, Louisiana, Non-operator, 3.28% WI*

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

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

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

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

#### Bowtie West Project

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

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

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

The Company exited the Sugar Valley #1 well on 30 June 2015 when it agreed to resolve a dispute with the operator of the well. As part of this settlement, the Company bought out two other parties and assigned the total working interest in the project to the operator.

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### Padre Island Project

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

### Corporate

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

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

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

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

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

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

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

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

On 10 November 2014, the Company announced that \$250,000 of a \$550,000 convertible security issued to the Australian Special Opportunities Fund, LP has been converted into 83,333,333 fully paid ordinary shares.

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

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

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

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

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



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## DIRECTORS' REPORT

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### Corporate (Continued)

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

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

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

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

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

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

### Forward Looking Statements

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

# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

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

### 1. DIRECTORS AND COMPANY SECRETARY

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

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

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

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

#### **Andrew Law - Executive Director (Appointed 13 July 2015)**

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

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

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

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

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

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

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### **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)

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

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

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

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

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

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

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

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

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

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

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

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

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## DIRECTORS' REPORT

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

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

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

### Directors' meetings

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

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

A – Number of meetings attended

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

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

## 2. OPERATING AND FINANCIAL REVIEW

### Overview of the consolidated entity

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

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

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

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### Operations

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

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

### Financial

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

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

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

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

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

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

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

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

### Strategy and investments for future performance

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

### Performance indicators

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## DIRECTORS' REPORT

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### 3. PRINCIPAL ACTIVITIES

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

### 4. RESULTS

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

### 5. DIVIDENDS

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

### 6. CORPORATE STRUCTURE

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

### 7. EARNINGS PER SHARE

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

### 8. EMPLOYEES

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

### 9. SHARE OPTIONS

#### Shares issued as a result of the exercise of options

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

#### Un-issued Shares

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

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

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

# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

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

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

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

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

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

### 10. REMUNERATION REPORT (AUDITED)

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

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

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

#### A. Principles of compensation

The remuneration policy of the company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and directors to run and manage

# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

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the Consolidated Entity. The key management personnel of the Company are the executive and non-executive directors, company secretary and officers of the parent entity. For the purposes of this report, the term 'executive' encompasses the executive directors and officers of the Consolidated Entity. The board's policy for determining the nature and amount of remuneration for board members and key management personnel of the Consolidated Entity is as follows:

### Remuneration structure

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

### Fixed remuneration

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

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

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

### Variable remuneration – short term incentive (STI)

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

### Variable remuneration – long term incentive (LTI)

Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. Currently there are no long term incentives provided to management. The board as a whole agrees upon an appropriate level of remuneration incentive for each director, which then requires shareholder approval, relative to their involvement in the management of the Consolidated Entity. The main performance criteria of the LTI remuneration is increasing shareholder value through aligning the company with high quality exploration assets, which in turn should increase share price. There are no specific performance hurdles attached to options issued to directors, however, the exercise price of options is set at a level that encourages the directors to focus on share price appreciation. The Company believes this policy will be effective in increasing shareholder wealth. On the resignation of directors, the options issued as remuneration are retained by the relevant party for a period of 21 days, following which if they are unexercised the options terminate. For details of directors and key management personnel interests in options at year end, refer section D.

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

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

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

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



# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

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

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

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

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

### Shareholder returns

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

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

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

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

## B. Service arrangements

### Details of key management personnel

#### (i) Directors

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

### Details of executives

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

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

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

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

- Consulting fees of \$164,070 were paid or payable during the financial year (2014: Nil).
- Mr van Wyk's consulting contracts is for an annual amount of US\$216,000.
- Mr van Wyk is entitled to be issued 780,000 options in the Company with an exercise date of three years from the date of his appointment as a director, with an exercise price of 25% premium to the market following the recommencement of trading in the Company's equities following the acquisition of the Save River Diamonds and Balama Graphite projects, based on a 30 day VWAP and subject to shareholder approval.
- Both Mr van Wyk and the Company can terminate the agreement by giving one month's written notice.
- Mr van Wyk is subject to re-election as a director in accordance with the Company's Constitution.

# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

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

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

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

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

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

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

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

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

**Steven Graves, Executive Chairman (resigned 14 November 2013)**

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

**Retirement benefits**

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

# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

### 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 Options \$	Total \$	Options as % of Total
<b>Key Management Personnel – Directors and Executives</b>								
Ian Daymond, Non-Executive Chairman,(i)								
2015	55,323	-	15,000	5,256	-	-	75,579	-
2014	-	-	-	-	-	-	-	-
Cobus van Wyk, Executive Director (iii)								
2015	164,070	-	-	-	-	78,000	242,070	-
2014	-	-	-	-	-	-	-	-
Chris Ritchie, Executive Director, Chief Financial Officer & Company Secretary (iii)								
2015	189,926	6,954	-	16,792	-	-	213,672	-
2014	141,400	5,904	-	12,726	-	-	160,030	-
Mark Freeman, Non-Executive Director (iv)								
2015	33,000	-	25,000	-	-	-	58,000	-
2014	-	-	-	-	-	-	-	-
Christopher Porter, Non-Executive Director (v)								
2015	4,566	-	-	434	-	-	5,000	-
2014	54,920	-	-	5,080	-	-	60,000	-
Robert Oliver, Non-Executive Director (vi)								
2015	5,000	-	-	-	-	-	5,000	-
2014	60,000	-	-	-	-	-	60,000	-
Steve Graves, Executive Chairman (viix)								
2015	-	-	-	-	-	-	-	-
2014	149,639	-	-	-	-	-	149,639	-
<b>Total 2015</b>	<b>451,885</b>	<b>6,954</b>	<b>40,000</b>	<b>22,482</b>	<b>-</b>	<b>78,000</b>	<b>599,321</b>	<b>-</b>
<b>Total 2014</b>	<b>405,959</b>	<b>5,904</b>	<b>-</b>	<b>17,806</b>	<b>-</b>	<b>-</b>	<b>429,669</b>	<b>-</b>

- (i) Mr Ian Daymond commenced as a non-executive director on 30 July 2014. Mr Daymond earned additional consulting fees (in addition to his director's fee) during the year of \$15,000 (excluding GST), due to the relisting process and project acquisitions, this additional amount was paid to Daymond & Associates Pty Ltd.
- (ii) Mr Cobus van Wyk commenced on a consulting basis commencing in December 2014. He was appointed as an executive director on 10 June 2015. His services are provided by Regius Resources Group Limited.
- (iii) Mr Chris Ritchie resigned as a director on 13 July 2015 but remains as Chief Financial Officer and Company Secretary. Mr Ritchie's salary package was voluntarily reduced by 20% during the period 1 July 2013 to 30 June 2014, but was returned to the previous level effective 1 July 2014. Mr Ritchie's remuneration in 2015 includes an increase in annual leave provision of \$13,164.

# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

- (iv) Mr Mark Freeman commenced as a non-executive director on 30 July 2014 and resigned on 10 June 2015. His services are provided by Meccano Pty Ltd. Mr Freeman earned additional consulting fees (in addition to his director's fee) during the year of \$25,000 (excluding GST), due to the relisting process and project acquisitions.
- (v) Mr Christopher Porter resigned on 30 July 2014.
- (vi) Mr Robert Oliver resigned on 30 July 2014. His services were provided by Robert Oliver Consulting Pty Ltd.
- (vii) Mr Stephen Graves resigned on 14 November 2013. Tigre International Inc. provided consulting services of Stephen Graves. Mr Graves' consulting fees were voluntarily reduced by 25% during the period 1 July 2013 to 14 November 2013.

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

### D. Share based compensation

#### (a) Shares issued on exercise of remuneration options

No remuneration options were exercised in the 2015.

#### (b) Option holdings of key management personnel

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

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

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

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

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

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

There are no options granted as remuneration on issue.

# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

### (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:

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

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

### (d) Performance Rights holdings of key management personnel

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

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

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

# MUSTANG RESOURCES LIMITED

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## DIRECTORS' REPORT

### (e) Other transactions and balances with key management personnel

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

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

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

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

## 11. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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

On 11 November 2014, the Company announced that it had reached agreement with the Lind Partners, LLC, manager of the Australian Special Opportunities Fund, LP (together "Lind") to mutually terminate a Funding Agreement signed in March 2013. In exchange for forgoing certain rights in the Funding Agreement, the Company issued Lind with 83,333,333 fully paid ordinary shares and granted 10,000,000 options with an exercise price of \$0.0036 and an expiry date of 10 November 2017, as part of a previously issued conversion notice. All figures expressed in pre 67: 1 consolidation terms.

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## DIRECTORS' REPORT

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Agreement.

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

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

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

### 12. SIGNIFICANT EVENTS AFTER BALANCE DATE

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

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

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

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

### 13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 25 and forms part of the directors' report for financial year ended 30 June 2015.

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## DIRECTORS' REPORT

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### 14. NON-AUDIT SERVICES

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

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

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

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

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

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

### 15. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

### 16. ENVIRONMENTAL REGULATIONS & PERFORMANCE

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

### 17. RISK MANAGEMENT

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

### 18. CORPORATE GOVERNANCE

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



# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## DIRECTORS' REPORT

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### 19. PROCEEDINGS ON BEHALF OF THE COMPANY

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

### 20. INDEMNIFICATION AND INSURANCE OF OFFICERS

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

The insurance premiums relate to:

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

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



**Ian Daymond**  
Chairman  
Mustang Resources Limited

Sydney, 30 September 2015

### FORWARD LOOKING STATEMENTS

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

Any references to dollars, cents or \$ in this report are to Australian dollar currency, unless otherwise stated.

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## DIRECTORS' DECLARATION

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

In the opinion of the directors:

1. The financial statements, comprising the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes of the Consolidated Entity, are in accordance with the Corporations Act 2001; and

- a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the Consolidated Entity; and
- c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the board



Ian Daymond  
Chairman

30 September 2015  
Sydney, Australia

The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000

Correspondence to:  
GPO Box 4736  
Melbourne Victoria 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

### **Auditor's Independence Declaration**

#### **To the Directors of Mustang Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Mustang Resources Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Adrian Nathanielsz  
Partner - Audit & Assurance

Melbourne, 30 September 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

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

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



# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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### 1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Significant accounting policies

##### New and amended accounting policies adopted by the group

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

##### New accounting standards for application in future periods

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

##### *AASB 9 Financial Instruments*

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

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

##### *AASB 15 Revenue from Contracts with Customers*

##### AASB 15:

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

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

#### (b) Statement of compliance

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

---

### FOR THE YEAR ENDED 30 JUNE 2015

#### **(c) Going concern**

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

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

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

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

#### **(d) Basis of consolidation**

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

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

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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

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

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2015

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it

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

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

### (e) Plant and equipment

#### Mining plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items

#### Depreciation

Mining plant and equipment, other than freehold land, are depreciated to their residual values on a straight-line basis to write-off the net cost of each item over their expected useful lives as follows:

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

Currently there are no buildings owned by the Consolidated Entity.

#### Impairment

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

#### Derecognition

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2015

### **(f) Mineral exploration and development costs**

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

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

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

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

### **(g) Impairment of non-financial assets**

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

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2015

### (i) Trade and other receivables

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

### (j) Cash and cash equivalents

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

### (k) Trade and other payables

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

### (l) Provisions

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

### (m) Employee entitlements

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

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

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

#### *Long service leave*

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2015

### **(n) Leases**

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

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

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

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

### **(o) Revenue**

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

#### *Sales revenue*

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

#### *Interest*

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

### **(p) Income tax**

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

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

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

When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2015

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.

#### **(q) Other taxes**

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

When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and Receivables and payables which are stated with the amount of GST included.

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

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

#### **(r) Borrowing costs**

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

#### **(s) Contributed equity**

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2015

### (t) Earnings per share ("EPS")

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

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

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

### (u) Foreign currency translation

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

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

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

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

### (v) Share-based payment transactions

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

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

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

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

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to market conditions not being met.



# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

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

#### **(w) Convertible notes**

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

#### **(x) Interests in joint arrangements**

##### *Joint operation*

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

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

##### *Joint venture*

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

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.

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2015

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

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

#### **(y) Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

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

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

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

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

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

#### **(z) Comparative figures**

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

#### **(aa) Critical accounting estimates, assumptions and judgements**

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

##### ***(i) Critical accounting estimates and assumptions***

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

##### ***Impairment of capitalised exploration and evaluation expenditure***

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2015

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

### *Share-based payment transactions*

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

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

#### *Exploration and evaluation*

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

#### *Restoration provision*

The Consolidated Entity's accounting policy for restoration provisions is set out at Note 1 (h). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular the forecast costs of the restoration and remediation of prospects to their pre-drilling state. Any such estimates and assumptions may change as new information becomes available. Any change in the estimated level of restoration provision will be written off or written back to the Statement of Profit or Loss.

#### *Estimation on valuation of Consideration of Acquisition*

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

# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### REVENUE, EXPENSES AND LOSSES/GAINS

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

# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 3. INCOME TAX

The major components of income tax expenses are:

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

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

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

### Deferred income tax

Deferred income tax at 30 June relates to the following:

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

# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

### Tax losses

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

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

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

The potential deferred tax asset will only be obtained if:

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 4. TRADE & OTHER RECEIVABLES

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

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

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

	Consolidated	
	2015	2014
	\$	\$
<b>Non-current</b>		
Security deposits <sup>4</sup>	-	249,598
Other debtors	1,014	-
	<b>1,014</b>	<b>249,598</b>

Terms and conditions relating to the above financial instruments;

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

# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

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

\* Considered impaired ('CI')

\*\* Past due not impaired ('PDNI')

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

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

### 5. PREPAYMENTS

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

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



# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 6. INVESTMENTS IN CONTROLLED ENTITIES

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

### 7. PROPERT, PLANT & EQUIPMENT

#### a) Office Equipment

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### b) Plant & equipment

	Consolidated	
	2015	2014
	\$	\$
Plant & equipment	1,760,543	-
Accumulated depreciation	(107,702)	-
<b>Total plant &amp; equipment</b>	<b>1,652,841</b>	<b>-</b>

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

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

### c) Total Property, plant & equipment

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

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

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

# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 8. EXPLORATION AND EVALUATION ASSETS

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

	Consolidated	
	2015	2014
	\$	\$
Exploration and evaluation - at cost	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 diamond and graphite interests.

#### b) Reconciliation:

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

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

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

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

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

# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 9. OIL AND GAS PROPERTIES

#### a) Oil and gas properties carried forward

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

#### b) Reconciliation:

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

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

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

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

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

#### *Sensitivity to changes in assumptions*

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

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 10. FINANCIAL LIABILITIES

#### a) Trade creditors

Consolidated		
	2015	2014
	\$	\$
<b>Current</b>		
Trade creditors <sup>1</sup>	1,439,024	1,200,301
Other creditors <sup>2</sup>	344,694	564,124
	<b>1,783,718</b>	<b>1,764,425</b>
Cash call <sup>3</sup>	-	37,028
	<b>1,783,718</b>	<b>1,801,453</b>

Aggregate amount payable to related parties included in the above:

Directors and director related entities:

- director related entity <sup>4</sup> 235,209 37,166

Terms and conditions

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

#### b) Interest bearing loans and borrowings

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### c) Other payables

	Consolidated	
	2015	2014
	\$	\$
<b>Non-current</b>		
Other payables	1,464,844	-
	<b>1,464,844</b>	<b>-</b>

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

### 11. PROVISIONS

	Consolidated	
	2015	2014
	\$	\$
<b>Current</b>		
Employee benefits	31,592	26,351
Restoration costs	105,185	84,926
	<b>136,777</b>	<b>111,277</b>
<b>Non-Current</b>		
Restoration costs	-	182,997
	<b>-</b>	<b>182,997</b>
<b>Restoration</b>		
Carrying amount at beginning of period	267,923	268,548
Additional provisions	-	18,431
Accretion in provisions	-	(14,912)
Provision reversed in the period	(143,309)	-
FX movement on provision	(19,429)	(4,144)
<b>Carrying amount at end of period</b>	<b>105,185</b>	<b>267,923</b>

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.

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 12. CONTRIBUTED EQUITY

#### (a) Issued and paid up share capital

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

#### Ordinary shares

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

#### (b) Movements in ordinary shares

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 13. LOSS PER SHARE

#### Basic loss per share

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

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

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

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

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

### 14. RESERVES

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



# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### (a) Option reserve

##### (i) Nature and purpose of reserve

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

##### (ii) Movements in reserve

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

##### (iii) Movements in options on issue

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

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### FOR THE YEAR ENDED 30 JUNE 2015

	Number	Exercise Price	Expiry Date
<b>2015</b>			
<b>Listed options</b>			
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
<b>Total listed options at the end of the year</b>	-		

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

	Number	Exercise Price	Expiry Date
<b>2014</b>			
<b>Unlisted options</b>			
Balance at the beginning of the year	26,866	\$33.50	19-Mar-16
	5,970	\$4.02	19-Apr-16
	14,925	\$2.01	22-May-16
	6,567	\$2.51	27-Jun-16
Issue of options	8,000	\$2.01	31-Jul-16
	7,828	\$1.84	6-Sep-16
<b>Total unlisted options at the end of the year</b>	<b>70,156</b>		
<b>Listed options</b>			
Balance at the beginning of the year	103,330	\$83.75	31-Dec-14
	385,818	\$33.50	31-Dec-14
<b>Total listed options at the end of the year</b>	<b>489,148</b>		

The figures in the above table have been amended to reflect the 67:1 consolidation that occurred in the 2015 financial 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	
	2015 \$	2014 \$
Balance at the beginning of the year	(4,756,950)	(4,924,244)
Realisation of reserve	4,756,950	-
Currency translation differences	(13,354)	167,294
<b>Balance at end of the year</b>	<b>(13,354)</b>	<b>(4,756,950)</b>

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### (c) Convertible note reserve

#### (i) Nature and purpose of reserve

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

#### (ii) Movements in reserve

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

### (d) Performance rights reserve

#### (i) Nature and purpose of reserve

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

#### (ii) Movements in reserve

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

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

# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 15. STATEMENT OF CASH FLOWS

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

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

#### (b) Reconciliation of cash and cash equivalents

##### Cash balance comprises:

##### Cash at bank

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### (c) Non-cash investing and financial activities

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

# MUSTANG RESOURCES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 16. INTEREST IN JOINT OPERATIONS

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

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

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

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 17.COMMITMENTS

Exploration and Evaluation Commitments

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

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

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

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

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

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

Non-cancellable lease rentals are payable as follows:

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

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

### 18. CONTINGENT LIABILITIES

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



# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 19. AUDITORS' REMUNERATION

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

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

\* Non-audit services refers to corporate advisory fees

### 20. KEY MANAGEMENT PERSONNEL

#### Directors and Executives

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

#### Other transactions and balances with key management personnel

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

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

- (i) During 2015, Mr Daymond was reimbursed travel expense, and was not owed any funds at year end.
- (ii) During 2015, Regius Resources Group Ltd (or its subsidiaries) "Regius", of which Mr van Wyk is a director was reimbursed travel expenses and office rent of \$22,721. Capital raising fees of \$60,132 were also paid. Regius Resources Group Limited was also paid a total of US\$200,000 in accordance with the terms of the acquisition and joint venture agreements.

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

- Prior to the Company establishing bank accounts in Mozambique and South Africa, all funds were distributed through Regius group companies. At year end \$155,055 was payable to Regius.
- (iii) During 2015, Mr Ritchie was reimbursed travel and other costs totalling \$18,736 and was not owed any funds at year end,
  - (iv) During 2015, Mr Freeman was reimbursed travel costs and ASIC lodgement fees of \$7,931. At year end \$3,300 was outstanding.
  - (v) During 2015, Mr Porter was reimbursed travel costs of \$313, and was not owed any funds at year end.

## 21. SHARE BASED PAYMENTS

### (a) Recognised share based payments

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

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

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

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

During the year the Company granted options to:

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

#### (c) Summaries of options granted

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

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

#### (d) Weighted average remaining contractual life

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

#### (e) Range of exercise price

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

#### (f) Weighted average fair value

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

#### (g) Summary of performance rights granted

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2015

### 22. SUBSEQUENT EVENTS

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

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

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

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

### 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2015

### **(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.

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 24. FINANCIAL INSTRUMENTS

#### a. Interest rate risk

##### *Interest rate risk exposures*

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

Consolidated					
	Weighted Average Interest rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>2015</b>					
<b>Financial assets</b>					
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
			<b>3,976,175</b>	<b>406,314</b>	<b>4,382,489</b>
<b>Financial liabilities</b>					
Trade and other payables – current*	-	-	-	1,783,718	1,783,718
Other payables – non-current	-	-	-	1,464,844	1,464,844
Convertible notes *	-	-	-	-	-
Convertible notes *	-	-	-	-	-
			-	<b>3,248,562</b>	<b>3,248,562</b>

\* Maturing in 1 year or less

Consolidated					
	Weighted Average Interest rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>2014</b>					
<b>Financial assets</b>					
Cash assets *	0.1%	-	1,477,814	-	1,477,814
Trade and other receivables - current *	-	-	-	1,231,921	1,231,921
Security deposits **	0.5%	-	249,598	-	249,598
		-	<b>1,727,412</b>	<b>1,231,921</b>	<b>2,959,333</b>
<b>Financial liabilities</b>					
Trade and other payables*	-	-	-	1,764,425	1,764,425
Convertible security **	8.5%	550,000	-	-	550,000
Convertible notes *	10%	1,030,000	-	-	1,030,000
Convertible notes *	11%	506,000	-	-	506,000
		<b>2,086,000</b>	-	<b>1,764,425</b>	<b>3,850,425</b>

\* Maturing in 1 year or less

\*\* Maturing in 1 year or more

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### Sensitivity analysis

#### (a) Interest rate risk

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

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

#### (b) Foreign currency risk

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

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

#### (c) Credit risk

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

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

#### (d) Liquidity risk and capital management

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

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

There were no changes in the Consolidated Entity's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The following are the contractual maturities of financial liabilities:

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

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

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

### (e) Fair values

#### *Methods and assumptions used in determining net fair value*

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



# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 25. SEGMENT INFORMATION

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

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

#### Entity-wide disclosures

##### Geographical information

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

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 26. PARENT ENTITY INFORMATION

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

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

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

# MUSTANG RESOURCES LIMITED

FORMERLY OGI GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 27. DISCONTINUED OPERATIONS

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

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

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

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

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

The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000

Correspondence to:  
GPO Box 4736  
Melbourne Victoria 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **Independent Auditor's Report**

### **To the Members of Mustang Resources Limited**

#### **Report on the financial report**

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

#### **Directors' responsibility for the financial report**

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

#### **Auditor's responsibility**

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

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

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

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

### **Independence**

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

### **Auditor's opinion**

In our opinion:

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

### **Emphasis of matter**

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

**Report on the remuneration report**

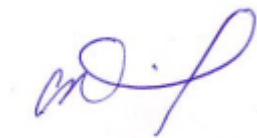
We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to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

**Auditor's opinion on the remuneration report**

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Adrian Nathanielsz  
Partner - Audit & Assurance

Melbourne, 30 September 2015