

MUSTANG GEOTHERMAL CORP  
Form 10-Q  
August 16, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-Q**

[(Mark One)]

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2011**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **000-50191**

**MUSTANG GEOTHERMAL CORP.**

(Exact name of registrant as specified in its charter)

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UREX ENERGY CORP.

(If there is a name change, the Former Name of registrant)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**98-0201259**

(IRS Employer Identification No.)

**10580 N. McCarran Blvd., Building 115 208, Reno, Nevada 89503**

(Address of principal executive offices) (zip code)

**775.747.0667**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  . No  .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  . Accelerated filer  .  
Non-accelerated filer  . (Do not check if a smaller reporting company)  .  
Smaller reporting company  .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  . No  .

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

**54,492,057 common shares issued and outstanding as of June 30, 2011.**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.**

It is the opinion of management that the interim financial statements for the quarter ended June 30, 2011, include all adjustments necessary in order to ensure that the interim financial statements are not misleading.

The interim financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

**MUSTANG GEOTHERMAL CORP**

(Formerly UREX ENERGY CORP)

(An Exploration Stage Company)

**CONSOLIDATED BALANCE SHEETS**

	June 30, 2011 (Unaudited)	March 31, 2011 (Audited)
<b>ASSETS</b>		
Current Assets		
Cash	\$ 16,652	\$ 43,989
Prepays	96,645	211,181
Receivables	1,435	703
Total current assets	114,732	255,873
Geothermal Leases, net	2,800,000	2,877,500
Total Assets	\$ 2,914,732	\$ 3,133,373
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 636,169	\$ 583,345
Due to related party	22,500	22,500

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Line of credit	33,131	33,403
Notes payable to related party	455,550	355,550
Convertible notes payable	100,000	100,000
<b>Total current liabilities</b>	<b>1,247,350</b>	<b>1,094,798</b>
<b>Stockholders' Equity</b>		
Common stock, \$0.001 par value 300,000,000 shares authorized		
33,492,057 shares issued and outstanding,	33,492	33,492
Preferred stock, \$0.001 par value. 10,000,000 shares authorized.		
No shares outstanding and issued.	-	-
Additional paid-in capital	13,781,508	13,781,508
Deficit accumulated during the exploration stage	(12,145,096)	(11,776,425)
Total Comprehensive income	-2,522	-
<b>Total stockholders' equity</b>	<b>1,667,382</b>	<b>2,038,575</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 2,914,732</b>	<b>\$ 3,133,373</b>

See accompanying notes to the financial statements

**MUSTANG GEOTHERMAL CORP**

(Formerly UREX ENERGY CORP)

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

For the three months ended June 30, 2011 and 2010, and

For the period from February 6, 2002 (Date of Inception) to June 30, 2011

	For the three months ended June 30, 2011	For the three months ended Jun 30, 2010	For the Period from February 2, 2002 (inception) to Jun 30, 2011
REVENUES	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Depreciation	-	232	2,787
Depreciation geothermal leases	77,500	25,000	300,000
Management fees	30,776	30,000	636,610
Professional fees	35,344	5,500	472,463
Consulting fees	31,329	-	653,679
Exploration costs	175,018	-	550,105
Interest on loans	7,851	5,073	126,148
Investor relation fees	-	-	415,097
Travel	1,198	20,216	68,196
General and administrative	9,656	6,803	230,250
Recovery of expenses	-	-	(5,575)
Impairment of intangible asset	-	-	7,560,753
Total operating expenses	368,672	92,824	11,010,513
Operating loss	(368,672)	(92,824)	(11,010,513)
OTHER INCOME			
Interest income	-	-	10,127
Total other income	-	-	10,127
Net loss from continuing operations	\$ (368,672)	\$ (92,824)	\$ (11,000,386)

DISCONTINUED OPERATIONS

Gain (Loss) from disposal of subsidiary	-	-	(1,899,991)
Gain from disposal of subsidiary	-	-	755,281
Gain (Loss) on discontinued operations	-	-	(1,144,710)

NET INCOME (LOSS)	\$	(368,672)	\$	(92,824)	\$	(12,145,096)
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Net loss per share for continuing operations basic and diluted	\$	(0.01)	\$	(0.09)
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Net loss per share for discontinued operations basic and diluted	\$	-	\$	(0.09)
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Weighted average common shares outstanding - Basic and diluted	33,492,057	1,022,128
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Comprehensive income (loss) Foreign Currency translation	(2,522)	-	(2,522)
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Comprehensive loss	\$	(371,194)	\$	(92,824)	\$	(12,147,618)
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See accompanying notes to the financial statements

**MUSTANG GEOTHERMAL CORP**

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(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER S EQUITY**

For the period from February 6, 2002 (Date of Inception) to June 30, 2011

	Common Stock 300,000,000 shares authorized		Additional		Deferred	Accumulated	Total
Shares	Par Value \$.001 per share		Paid-In	Accumulated	Consulting	Comprehensive	Shareholders'
Issued			Capital	Deficit	Fees	Losses	Equity
BALANCE, MARCH 31, 2008	422,128	\$ 422	\$ 8,141,578	\$ (7,950,369)	-	\$ (512)	\$ 191,119
Shares issued for services	20,000	\$ 20	\$ 119,980	-	-	-	\$ 120,000
Shares issued for services	5,000	\$ 5	\$ 29,995	-	-	-	\$ 30,000
Shares issued for services	20,000	\$ 20	\$ 119,980	-	-	-	\$ 120,000
Shares issued for services	55,000	\$ 55	\$ 109,945	-	-	-	\$ 110,000
Net loss	-	-	-	\$ (1,404,241)	-	-	\$ (1,404,241)
Deferred consulting fees	-	-	-	-	\$ (106,400)	-	\$ (106,400)
Net change in foreign currency translation	-	-	-	-	-	\$ (24,715)	\$ (24,715)
BALANCE, MARCH 31, 2009	522,128	\$ 522	\$ 8,521,478	\$ (9,354,610)	\$ (106,400)	(25,227)	\$ (964,237)
	500,000	\$ 500	\$ 999,500	-	-	-	\$ 1,000,000



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Shares issued for asset Currency translation expensed upon sale of subsidiary	-	-	-	-	- \$	25,227 \$	25,227
Net income	-	-	- \$	139,492	-	- \$	139,492
Deferred consulting fees	-	-	-	-	106,400	- \$	106,400
Adjustment for reverse stock split	494,929	\$ 495	\$ (495)	-	-	- \$	-
<b>BALANCE, MARCH 31, 2010</b>	<b>1,517,057</b>	<b>\$ 1,517</b>	<b>\$ 9,520,483</b>	<b>\$ (9,215,118)</b>	<b>\$ -</b>	<b>- \$</b>	<b>306,882</b>
Shares issued for asset @ \$0.15	14,000,000	\$ 14,000	\$ 2,086,000	-	-	- \$	2,100,000
Shares issued for services @ \$0.25	100,000	\$ 100	\$ 24,900	-	-	- \$	25,000
Shares issued for services @ \$0.11	2,800,000	\$ 2,800	\$ 305,200	-	-	- \$	308,000
Shares issued for asset @ \$0.12	15,000,000	\$ 15,000	\$ 1,785,000	-	-	- \$	1,800,000
Shares issued for services @ \$0.80	75,000	\$ 75	\$ 59,925	-	-	- \$	60,000
Net income	-	-	- \$	(2,561,307)	-	- \$	(2,561,307)
<b>BALANCE, March 31, 2011</b>	<b>33,492,057</b>	<b>\$ 33,492</b>	<b>\$ 13,781,508</b>	<b>(11,776,425)</b>	<b>\$ -</b>	<b>- \$</b>	<b>2,038,575</b>
Net change in foreign currency translation						(2,522) \$	(2,522)
Net income	-	-	- \$	(368,672)	-	- \$	(368,672)
<b>BALANCE, June 30, 2011</b>	<b>33,492,057</b>	<b>\$ 33,492</b>	<b>\$ 13,781,508</b>	<b>(12,145,096)</b>	<b>\$ -</b>	<b>(2,522) \$</b>	<b>1,667,382</b>

See accompanying notes to the financial statements



**MUSTANG GEOTHERMAL CORP**

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(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

For the three months ended June 30, 2011 and 2010, and

For the period from February 6, 2002 (Date of Inception) to June 30, 2011

	For the three months ended 30-Jun-11	For the three months ended 30-Jun-10	For the Period from February 6, 2002 (inception) to June 30, 2011
Net income (loss)	\$ (368,672)	\$ (92,824)	\$ (12,145,096)
Adjustments to reconcile net income to net cash:			
(Income) loss from discontinued operations	-	-	1,899,991
Depreciation and amortization	-	232	6,682
Depreciation geothermal leases	77,500	25,000	300,000
Impairment of goodwill	-	-	7,539,285
Shares issued for services	-	-	773,000
Deferred consulting fees	-	-	-
Shares issued for assets	-	-	1,000,000
Changes in current assets and current liabilities:			
Accounts receivable	(732)	-	(1,435)
Prepaid expense	114,537	-	(96,645)
Accounts payable	52,824	66,348	636,169
Discontinued operations, net	-	-	(2,281,857)
Net cash used in operating activities	(124,543)	(1,244)	(2,369,906)
Cash Flows From Investing Activities			
(Gain) loss on divestiture of discontinued operations	-	-	(755,281)
Purchase of assets	-	-	(25,000)
Purchase of fixed assets	-	-	(2,788)
Option agreement	-	-	(2,500)
Net cash used in investing activities	-	-	(785,569)
Cash Flows From Financing Activities:			

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Proceeds from purchase of assets	-	-	21,468
Proceeds from the issuance of common stock	-	-	2,542,000
Proceeds from line of credit	-	-	33,403
Proceeds from (repayments of) notes payable	100,000	-	478,050
Proceeds from (repayments of) line of credit	(272)	-	(272)
Convertible notes payable	-	-	100,000
Net cash provided by financing activities	99,728	-	3,174,649
Effect of Exchange Rate Changes on Cash	-	-	-
Cash held in trust	-	-	(1,665,773)
Cash released from trust during current period	-	-	1,665,773
Net cash flows from continued operations	(24,815)	(1,244)	1,156,321
Net cash flows from discontinued operations	-	-	(1,137,147)
Effect of foreign currency exchange	(2,522)		(2,522)
Cash and Cash Equivalents, Beginning of Period	43,989	73,721	-
Cash and Cash Equivalents, End of Period	\$ 16,652	\$ 72,478	\$ 16,652

**Supplemental Disclosure of Noncash Transactions**

Common stock issued for assets	\$ -	\$ -	\$ 4,900,000
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See accompanying notes to the financial statements

**MUSTANG GEOTHERMAL CORP**

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(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

June 30, 2011

Note 1

Summary of Significant Accounting Policies

Interim Reporting

While the information presented in the accompanying interim three months financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the Company's March 31, 2011 annual financial statements. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's March 31, 2011 annual financial statements.

Operating results for the three months ended June 30, 2011 are not necessarily indicative of the results that can be expected for the year ended March 31, 2012.

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of Mustang Geothermal Corp. and Andean Geothermic Energy, S.A.C. All significant intercompany balances and transactions have been eliminated in consolidation.

Note 2

Nature and Continuance of Operations

Mustang Geothermal Corp., formerly Urex Energy Corp (the Company ) was incorporated in the State of Nevada on February 6, 2002 and changed its fiscal year end from September 30 to March 31. In July 2006, the Company changed its name from Lakefield Ventures, Inc. to Urex Energy Corp. Additionally on July 22, 2010 the Company changed its name from Urex Energy Corp to Mustang Geothermal Corp reflecting a change in business. The Company has been in the exploration stage since its formation and has not realized any revenues from its planned operations. The Company is primarily engaged in the acquisition, exploration, and development of geothermal properties. Upon location of a commercial geothermal energy resource, the Company expects to actively prepare the site for the extraction of geothermal energy and the production of renewal electrical power.

The Company entered into an agreement with Enco Explorations Inc. on March 18, 2010 to purchase certain Geothermal Leases in exchange for 100,000,000 shares (500,000 shares post reverse split) of the Company s common stock, which was valued at \$0.01 on the transaction date.

Effective July 22, 2010, the Financial Industry Regulatory Authority, Inc. or FINRA, approved the Company s name change from Urex Energy Corp to Mustang Geothermal Corp. and a reverse stock split of 200 to 1.

On August 26, 2010, the Company entered into agreements with Minera Inc., Dakota Resource Holdings LLC., and Minera Cerro El Diablo Inc. to acquire certain geothermal leases totaling 9800 acres located in the State of Nevada for 14 million shares of the Company s common stock, which was valued at \$0.10 on the transaction date.

On November 5, 2010, the Company completed an agreement to acquire Andean Geothermic Energy S.A.C., a Peruvian Company, from Genoa Energy Resources Inc. for 15 million shares of the Company s common stock, which was valued at \$0.12 on the transaction date and a US\$25,000 cash payment. Andean Geothermic Energy S.A.C. has 4 geothermal applications totaling 3600 hectares (8896 acres) in the provinces of Puno and Arequipa in country of Peru.

Note 3

Going Concern

These financial statements have been prepared assuming the Company will continue as a going concern. The Company has accumulated a deficit of \$12,145,096 since inception and, has yet to achieve profitable operations and further losses are anticipated in the development of its business, which raises substantial doubt about the Company's ability to continue as a going concern. At June 30, 2011, the Company had a working capital deficiency of \$1,132,618. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. The Company anticipates that additional funding will be in the form of equity financing from the sale of common stock and/or commercial borrowing. There can be no assurance that capital will be available, it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company would result in a dilution in the equity interests of its current stockholders. The Company may also seek to obtain short-term loans from the directors of the Company. There are no current arrangements in place for equity funding or short-term loans as of June 30, 2011.

Note 4 Net Loss Per Share

Basic net loss per share ( EPS ) is based on the weighted average number of common shares outstanding and diluted EPS is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net loss (numerator) applicable to common stockholders by the weighted average number of common shares outstanding (denominator) for the period. All EPS presented in the financial statements are basic EPS as defined by Accounting Standards Codification 260, "*Earnings Per Share*". There are no potentially dilutive securities outstanding. All per share and per share information are adjusted retroactively to reflect stock splits and changes in par value. Stock options and warrants have been excluded as common stock equivalents in the diluted loss per share because their effect is anti-dilutive on the computations. Fully diluted shares outstanding were 33,492,057 as of June 30, 2011, and there were no stock options and warrants issued.

Note 5

Recently Issued Accounting Standards

*Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*

In August 2010, the FASB issued Accounting Standard Updates No. 2010-21 (ASU No. 2010-21) Accounting for Technical Amendments to Various SEC Rules and Schedules and No. 2010-22 (ASU No. 2010-22) Accounting for Various Topics Technical Corrections to SEC Paragraphs . ASU No 2010-21 amends various SEC paragraphs pursuant to the issuance of Release no. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. Both ASU No. 2010-21 and ASU No. 2010-22 are effective upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 will not have a material impact on the Company s financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and various regulatory agencies. Because of the tentative and preliminary nature of these proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company s consolidated financial statements.



Note 6

Common Stock

On July 22, 2010, Financial Industry Regulatory Authority (FINRA) approved a 200 to 1 reverse stock split of the Company's common stock, and a name change to Mustang Geothermal Corp. The pre-split shares were 204,425,600 and the post split amount was 1,517,057 shares. There was an adjustment of 494,929 shares for the reverse stock split to adjust holdings so that no shareholders have less than 200 common stock of the Company post-split as a result of the split. As at June 30, 2011, the total issued and outstanding was 33,492,057.

On August 26, 2010, the Company issued 14,000,000 shares at \$0.15 per share in exchange for certain geothermal leases.

On November 5, 2010, the Company entered into an agreement and issued 15,000,000 shares at \$0.12 per share plus \$25,000 to acquire Andean Geothermic Energy SAC.

Non-cash Transactions

On August 26, 2010, the Company issued 14,000,000 common shares at \$0.15 per share totalling \$2,100,000 for the purchase of the geothermal leases. On November 5, 2010, the Company issued 15,000,000 shares for the acquisition of its subsidiary, Andean Geothermic Energy SAC. The Company issued 2,975,000 common shares totaling \$393,000 to consultants for consulting services, which is shown under prepaid expenses.

Note 7

Mineral Properties

In December 2005, the Company acquired 100% interest in the La Jara Mesa Extension uranium property consisting of 137 unpatented mining claims of approximately 2,740 acres through

staking, in the Grants Mining District of Cibola County in New Mexico, USA. The Company plans to commence a drilling exploration program as soon as financing is arranged.

Note 8 Geothermal Leases and Properties

On March 18, 2010, the Company acquired 100% interest of three geothermal leases located in the State of Nevada. These leases were purchased from ENCO Explorations, Inc. in exchange for 100,000,000 shares of Company's common stock, which was valued at \$0.01 on the date of the transaction. The initial lease tenure is 10 years and is renewable up to 40 years, providing that geothermal production has been realized in the initial term. The annual lease payment is \$3/acre for the first 10 years, approximately \$16,386 for the 5462 acres noted here. The Leasing Act states that future electrical production sold from the leases would attract a gross royalty of 1.75% for the first ten years of lease and 3.50% for the remaining term of the lease.

<b>Lease Serial Number</b>	<b>County</b>	<b>Acres</b>
NVN 86858	Pershing	1920
NVN 86933	White Pine	1120
NVN 86930	White Pine	2422
	<b>TOTAL</b>	<b>5462 Acres</b>

On August 26, 2010, the Company acquired 100% interest of three geothermal leases located in the State of Nevada. These leases were purchased from Minera Inc., Minera Cerro El Diablo Inc. and Dakota Resource Holdings LLC in exchange for the Company's common stock valued at \$0.15 per share in the amount of 3,000,000 shares, 5,000,000 shares and 6,000,000 shares, respectively. The initial lease tenure is 10 years and is renewable up to 40 years, providing that geothermal production has been realized in the initial term. The annual lease payment is \$3/acre for the first 10 years, approximately \$29,400 for the 9800 acres noted here. The Leasing Act states that future electrical production sold from the leases would attract a gross royalty of 1.75% for the first ten years of lease and 3.50% for the remaining term of the lease.

<b>Lease Serial Number</b>	<b>County</b>	<b>Acres</b>
NVN 88490	Lander	3660
NVN 88475	Mineral	4420
NVN 88494	Nye	1720
	<b>TOTAL</b>	<b>9800 Acres</b>

On November 5, 2010, the Company acquired 99.99% shares of Andean Geothermic Energy SAC, a Peruvian Corporation that has access to four geothermal applications consisting of 3,600 hectares (8896 acres) in the province of Arequipa. The Company paid 15 million shares of common stock valued at \$0.12 per share with a \$25,000 cash payment. The \$25,000 cash payment has not been paid as at the date of this report.

The Company has a two-year lease to explore for geothermal energy consistent with the concessions it acquired that expires on October 1, 2012. If the exploratory work is successful, then the Company may choose to apply to convert the concessions into exploitation concessions that have a renewable ten-year term.

Note 8 Geothermal Leases and Properties - Continued

In May 2011, the Company obtained an additional geothermal lease in the State of Nevada through the public lease auction. The lease serial number is NVN089598 and consists of 570 hectares.

Properties in Peru:

<b>Properties</b>	<b>County</b>	<b>Area (Ha)</b>
Banos Del Inca	Arequipa	900
Condorama	Cusco	900
Ninobamba	Ayacucho	900
Paclla	Arequipa	900
	<b>TOTAL</b>	<b>3,600 Ha</b>

Note 9

Acquisition of Peruvian Subsidiary

On November 5, 2010, the Company acquired 99.99% shares of Andean Geothermic Energy SAC ( Andean ), a Peruvian Corporation that has concessions of four geothermal properties consisting of 3,600 hectares (8,896 acres) in the provinces of Cusco, Ayacucho and Arequipa. The Company paid 15 million shares of common stock valued at \$0.12 per share with a \$25,000 cash payment. The \$25,000 cash payment has not been paid as at the date of this report. This acquisition was recorded as a purchase of Andean. The value of Andean was determined as the

consideration paid plus the fair market value of the shares issued and the cash payment. The purchase price was then allocated against the fair market value of the assets and liabilities assumed, with the residual balance recorded as goodwill. Because Andean has as of yet no proven geothermal energy reserves, the amount allocated toward goodwill was considered 100% impaired and written off at the date of the acquisition.

Note 10 Intangible Assets

Intangible assets with definite lives are amortized over their estimated useful life. The geothermal leases are amortized over 10 years.

	Cost	Accumulated Amortization	Net
March 2010 - geothermal leases	\$ 1,000,000	\$ 125,000	\$ 875,000
August 2010 - geothermal leases	\$ 2,100,000	\$ 175,000	\$ 1,925,000
Total	\$ 3,100,000	\$ 300,000	\$ 2,800,000

Note 11 Related Party Transactions

On December 10, 2004 the Company issued a note payable in the amount of \$25,000 to the former President of the Company for the purpose of funding exploration activities. The note bears no interest and is due and payable on demand. As of June 30, 2011, the balance of the loan is \$22,500.

Effective October 1, 2005, the Company began paying a management consulting fee to Minera Teles Pires Inc., a company controlled by the President and director of the Company. The agreement provides a fixed fee of \$10,000 per month of which \$5,000 is paid and the other \$5,000 deferred until financing is obtained by the Company. During the period ended June 30, 2011, the Company incurred \$30,000 in management fees from Minera Teles Pires Inc. As at June 30, 2011, the Company owed Minera Teles Pires \$442,079 for management fees and out of pocket expenses.

## Note 12

Convertible Notes Payable

On August 14, 2008, the Company executed a 5% convertible note of \$100,000 that was due August 13, 2010. The note may be converted from time to time, all or any part of the principal plus any unpaid accrued interest thereof into common stock of the Company at a conversion price per share equal to the greater of i) the closing market price per share of the common stock on the trading day immediately preceding the date of conversion as quoted on the OTC-BB or such other exchange upon which the Company's shares are then listed or traded, or ii) \$0.10 per share. The conversion price shall be subject to adjustments. The minimum amount to be converted is \$10,000. As of June 30, 2011, this note is outstanding.

Date	Principal	Interest
Aug 15, 2008	\$100,000	\$14,555

## Note 13

Promissory Notes Payable

The following promissory notes payable are unsecured and bear interest at 5% per annum. They are due on demand:

Date	Maturity	Interest rate	Principal	Interest	Total
Nov 15, 2005	On demand	5% per annum	\$ 82,775	\$ 23,279	\$ 106,054
Dec 01, 2005	On demand	5% per annum	\$ 18,800	\$ 5,246	\$ 24,046
Jan 06, 2006	On demand	5% per annum	\$ 100,000	\$ 27,411	\$ 127,411
Jul 14, 2006	On demand	5% per annum	\$ 103,975	\$ 25,808	\$ 129,783
Total			\$ 305,550	\$ 81,744	\$ 387,294

The following promissory notes payable are unsecured and bear interest at 12% per annum.

Date	Maturity	Interest rate	Principal	Interest	Total
Mar 25, 2011	Mar 25, 2012	12% per annum	\$ 50,000	\$ 1,594	\$ 51,594

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Apr 27, 2011	Apr 27, 2012	12% per annum	\$	50,000	\$	1,052	\$	51,052
Jun 16, 2011	Jun 16, 2012	12% per annum	\$	50,000	\$	230	\$	50,230
Total			\$	150,000	\$	2,876	\$	152,876

As of June 30, 2011, the balance of promissory notes payable amounted to \$455,550.

Note 14 Line of Credit

The Company executed a note with a Line of Credit with Wells Fargo Bank in California. The Line of Credit allows the Company to borrow up to thirty-five thousand dollars (\$35,000). The balance of this Line of Credit at June 30, 2011 is \$33,131.

Note 15 Subsequent Events

In accordance with ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through the date of issuance of the unaudited interim consolidated financial statements. During this period, the Company did not have any material recognizable subsequent events

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

This quarterly report contains forward-looking statements as that term is defined in Section 27A of the United States Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as *may*, *should*, *expects*, *plans*, *anticipates*, *believes*, *estimates*, *predicts*, *potential* or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled *Risk Factors*, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars.

As used in this quarterly report, the terms *we*, *us*, *our*, *Mustang*, and *Urex* mean Mustang Geothermal Corp., for Mustang Geothermal Corp., and Urex Energy Corp., unless otherwise indicated.

*Corporate History*

We were incorporated in Nevada on February 6, 2002 under the name of Lakefield Ventures Inc. Effective June 2, 2006, we increased our authorized common stock from 50,000,000 shares, par value \$0.001, to 150,000,000 shares, par value \$0.001, and we effected a 11.4 for one (1) forward stock split of our issued and outstanding common stock. Effective July 3, 2006, we changed our name from Lakefield Ventures Inc. to Urex Energy Corp. as a result of a merger with Urex Energy Corp., our wholly-owned subsidiary that was incorporated solely to effect the name change. In addition, on July 3, 2006, we effected a two (2) for one (1) forward stock split of our authorized, issued and outstanding common stock.

We are authorized to issue up to 300,000,000 shares of common stock, par value \$0.001 and 10 million preferred shares.

Our principal executive office is located at 10580 N. McCarran Blvd., Building 115-208, Reno, Nevada. The telephone number of our principal executive office is 775.747.0667.

Our majority-owned subsidiary, United Energy Metals S.A., an Argentina company, of which we own 99.8% of the issued and outstanding capital stock, was sold on February 10, 2010 to Patagonia Resources Ltd.

As a part of an on-going reorganization of the Company's business activity, the decision to diversify into the geothermal energy field is aligned with the Company's long-term strategy to add shareholder value. On March 18, 2010 the Company entered into an agreement with Enco Explorations Inc. to purchase certain Geothermal Leases in exchange for 100,000,000 shares (500,000 shares post reverse split) of the Company's common stock, which was valued at \$0.01 on the transaction date.

The Company held a stockholders meeting on April 1, 2010 with a majority of stockholders voting to approve a name change for the Company and a 200 to 1 reverse stock split. Urex Energy Corp became Mustang Geothermal Corp on July 22, 2010 upon regulatory approval from the Financial Industry Regulatory Authority (FINRA). There was an adjustment of 494,929 shares for the reverse stock split to adjust holdings so that no shareholders have less than 200 common stock of the Company post-split as a result of the split.

The Company on August 26, 2010 entered into agreements with Minera Inc., Dakota Resource Holdings LLC., and Minera Cerro El Diablo Inc. to acquire certain geothermal leases totaling 9800 acres located in the State of Nevada for 14 million shares of the Company's common stock, which was valued at \$0.10 on the transaction date.

The Company on November 5, 2010 completed an agreement to acquire Andean Geothermic Energy S.A.C., a Peruvian Company, from Genoa Energy Resources Inc. for 15 million shares of the Company's common stock, which was valued at \$0.12 on the transaction date and a US\$25,000 cash payment. Andean Geothermic Energy S.A.C. has 4 geothermal applications totaling 3600 hectares (8896 acres) in the provinces of Arequipa, Ayacucho, and Cusco in country of Peru. As of the date of this filing, the Company believes based upon its preliminary scientific review of the Andean Geothermic leases, that there may be exploitable geothermal energy reserves. However, any such reserves must be proven after exploratory drilling and the Company intends to move forward with this exploratory work as soon as is possible (See also Notes 2, 7 and 8 to the Consolidated Financial Statements).





*Our Current Business*

Since inception, we have been primarily engaged in the acquisition and exploration of uranium and geothermal properties, but have not yet realized any revenues from our planned operations. Currently, we are actively exploring in six project areas in state of Nevada and four projects areas in Peru for geothermal energy resources and own, but are not active on the La Jara Mesa Uranium Property located in Cibola County, New Mexico.

On June 8, 2006, we completed an assignment agreement, dated September 22, 2005, entered into between our company and International Mineral Resources Ltd., a company organized under the laws of the Turks & Caicos Islands, whereby International Mineral Resources agreed to assign its right, title and interest in and to an option agreement entered into between International Mineral Resources and United Energy Metals S.A. to our company. The option agreement allows for the holder of the option to acquire 99.8% property position of 170,000 hectares. On December 7, 2005, International Mineral Resources exercised the option to acquire 99.8% of the equity in United Energy Metals. As consideration for the assignment of the option from International Mineral Resources to our company, we were required to issue 8,000,000 shares of our company to International Mineral Resources and pay \$50,000.00 to International Mineral Resources, with International Mineral Resources retaining a 5% net smelter royalty in respect of the Rio Chubut Property.

On February 10, 2010 we completed the sale of our Argentine subsidiary, United Energy Metals SA (UEM), to Patagonia Resources Ltd. The Company signed a Letter of Intent with UrAmerica Ltd of London, U.K. for the sale of the Argentine subsidiary, United Energy Metals SA (UEM), which was reported in a news release dated December 1, 2009. The agreement provides for a US \$500,000 cash payment to Urex with UrAmerica assuming a maximum liability of US \$275,000 for the outstanding UEM debts. The Company used the proceeds of the sale to pay down debt.

On March 18, 2010, the Company completed the purchase of three geothermal leases totaling 5462 acres located in the State of Nevada from Enco Explorations Inc. of Reno, Nevada. The Company issued 100,000,000 common shares to Enco Explorations Inc. valued at \$0.01 for an aggregate market price of \$1,000,000.

As a part of an on-going reorganization of the Company's business activity, the decision to diversify into the geothermal energy field is aligned with the Company's long-term strategy to add shareholder value.

The Company held a share holders meeting on April 1, 2010 with a majority of share holders voting to approve a name change for the Company and a 200 to 1 reverse stock split.

Effective July 22, 2010, the Financial Industry Regulatory Authority, Inc. or FINRA, approved the Company's name change from Urex Energy Corp to Mustang Geothermal Corp. and a reverse stock split of 200 to 1.

On August 26, 2010, the Company entered into agreements with Minera Inc., Dakota Resource Holdings LLC., and Minera Cerro El Diablo Inc. to acquire certain geothermal leases totaling 9798 acres located in the State of Nevada for 14 million shares of the Company's common stock, which was valued at \$0.10 on the transaction date.

On November 5, 2010, the Company completed an agreement to acquire Andean Geothermic Energy S.A.C., a Peruvian Company, from Genoa Energy Resources Inc. for 15 million shares of the Company's common stock, which was valued at \$0.12 on the transaction date and a US\$25,000 cash payment. Andean Geothermic Energy S.A.C. has 4 geothermal applications totaling 3600 hectares (8896 acres) in the provinces of Arequipa, Ayacucho, and Cusco country of Peru.

On March 22, 2011 the Company acquired a federal geothermal lease consisting of 1409 acres in the Warm Spring Valley area in the state of Nevada at a competitive bid federal auction.

The Company is currently focusing its exploration and development efforts on its geothermal leases with the object of discovering geothermal electrical power resources.

*Plan of Operations And Cash Requirements*

Financing necessary to undertake the initial evaluation of the Company's geothermal leases and maintenance of La Jara Mesa property will cost \$2,085,000 as set forth below:

La Jara Mesa Extension: Proposed Exploration Expenditures (\$USD)

Consulting and Technical Services	\$	5,000
Property Costs	\$	25,000
<b>TOTAL</b>	<b>\$</b>	<b>30,000</b>

Black Rock, Monte Neva, Reese River, Warm Springs, and Hawthorne - Nevada (\$USD)

Salaries & Wages	\$	45,000
Consulting and Technical Services	\$	540,000
Surface work	\$	150,000
Environmental	\$	30,000
Property Costs	\$	60,000
Administrative & General	\$	45,000
Machinery expense	\$	210,000
<b>TOTAL</b>	<b>\$</b>	<b>1,080,000</b>

Arequipa, Peru (\$USD)

Salaries & Wages	\$	30,000
Consulting and Technical Services	\$	540,000
Surface work	\$	150,000
Environmental	\$	30,000
Property Costs	\$	30,000
Administrative & General	\$	45,000
Machinery expense	\$	150,000
<b>TOTAL</b>	<b>\$</b>	<b>975,000</b>

We anticipate incurring the following costs during the next twelve month period: \$1,080,000 on consulting and technical service fees; \$75,000 on salaries and wages; \$360,000 on machinery costs; \$90,000 on property expenses; \$60,000 on environmental expenses; \$90,000 on other administrative expenses; and an additional \$300,000 in surface work and drilling. As a result, we anticipate that we will incur approximately \$2,085,000 in operating expenses during the next twelve-month period.

As indicated above, our estimated working capital requirements and projected operating expenses for the next twelve-month period total \$2,085,000. Our current working capital will likely not be sufficient to cover our estimated capital requirements during the next twelve-month period; however, we will be required to raise additional funds through the issuance of equity securities or through debt financing. There can be no assurance that we will be successful in raising the required capital or that actual cash requirements will not exceed our estimates. We intend to fulfil any additional cash requirement through the sale of our equity securities.

Given that we are an exploration stage company and have not generated revenues to date, our cash flow projections are subject to numerous contingencies and risk factors beyond our control, including exploration and development risks, competition from well-funded competitors, and our ability to manage growth. We can offer no assurance that our expenses will not exceed our projections. If our expenses exceed estimates, we will require additional monies during the next twelve months to execute our business plan.

There are no assurances that we will be able to obtain further funds required for our continued operation. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain additional financing on a timely basis, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease the operation of our business.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration and development of our property interests and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

### *Exploration and Development Costs*

Our proposed work program recommendations are within the proposed budget of \$2,085,000:

1. Envisaged work programs on the two properties would be similar in nature for each: broader coverage of the shallow-temperature gradient surveys, additional re-processing of existing data (magnetic, gravity, GETECH, and especially for the audio-magnetotelluric data), ground magnetic and vlf surveys to help detail map structure. The seismic method has also been used to good effect to help map pregnant geothermal structures at depth. Favorable results would be followed-up by the drilling of deeper, but still relatively shallow wells for the purposes of temperature test readings.

2. The geothermal wells portion of the recommended work for the Properties is contingent on the results of the preceding data reprocessing and new geophysical surveys.

During the next twelve-month period, we plan to put all exploration activities into our geothermal properties in Nevada with the New Mexico uranium property on hold. Given the current difficult financial and economic environment the Company is considering alternatives to conventional financing due to limited availability of financing at desirable terms.

## **RESULTS OF OPERATIONS**

You should read the following discussion of our financial condition and results of operations together with the unaudited interim financial statements and the notes to the unaudited interim financial statements included in this quarterly report. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those anticipated in these forward-looking statements.

**For the three months periods ended June 30, 2011 and June 30, 2010**

We did not generate any revenues for the three months ended June 30, 2011 and June 30, 2010. Our operating activities during these periods consisted primarily of the development of geothermal leases in the State of Nevada and elsewhere and our research into other geothermal properties.

Operating expenses for the three months ended June 30, 2011 were \$368,672 compared to \$92,824 for the three months ended June 30, 2010. Operating expenses generally consist of depreciation, professional fees, consulting fees, exploration costs, interest on loans, investor relation fees and general and administrative expenses. Management fees for the three months ended June 30, 2011 were \$30,776 compared to \$30,000 for the three months ended June 30, 2010. Professional fees for the three months ended June 30, 2011 were \$35,344, compared to \$5,500 for the three months ended June 30, 2010, an increase of \$29,744 due to increased professional fees. Exploration costs for the three ended June 30, 2011 was \$175,018 compared to \$0 for June 30, 2010, an increase of \$175,018. Interest on loans for the three months ended June 30, 2011 was \$7,851 compared to \$5,073 for the three months ended June 30, 2010. General and administrative expenses for the three months ended June 30, 2011 were \$9,656 as compared to \$6,803 for the three months ended June 30, 2010.

Our net loss for the three months period ended June 30, 2011 was \$368,672 as compared to \$92,824 for the three-month period ended June 30, 2010. This is primarily due to the increase in exploration costs.

**Sale of Subsidiary**

On August 4, 2009 the Company completed an agreement for the sale of its Argentine subsidiary, United Energy Metals SA ( UEM ) to SGI Partners, LLC of Carlsbad, CA ( SGI ).

The agreement provided for a US\$500,000 dollar cash payment with the Company retaining a 2% net smelter royalty ( NSR ). The royalty was subject to a buy down provision that allowed SGI at anytime to reduce the royalty by 1% NSR by making US\$2 million dollar payment. SGI will assume responsibility for the outstanding UEM debts.

On November 27, 2009 the Company terminated a Share Purchase Agreement for the sale of its Argentine subsidiary, UEM to SGI Partners, LLC of Carlsbad, CA due non-performance.





Subsequently on December 1, 2009, the Company signed a Letter of Intent with UrAmerica Ltd of London, U.K. for the sale of the Company's Argentine subsidiary, United Energy Metals SA (UEM). The agreement provides for a US\$500,000 dollar cash payment to the Company with UrAmerica assuming a maximum liability of US\$275,000 for the outstanding UEM debts.

On February 9, 2010 the Company completed the sale of its Argentine subsidiary, UEM, to Patagonia Resources Ltd., a corporation domiciled in the British Virgin Islands. UrAmerica Ltd., U.K., transferred the acquisition rights of UEM to Patagonia Resources Ltd.

The Company intended to use the proceeds of the sale to pay down debt and to focus on developing its properties.

The sale was accounted for as a discontinued operation under GAAP, which requires the income statement and cash flow information be reformatted to separate the divested business from the Company's continuing operations.

The following amounts represent United Energy Metals' operations and had been segregated from continuing operations and reported as discontinued operations as of March 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Revenues Earned	\$ -	\$ -
Cost of Sales	-	-
Gross Profit	-	-
Operating Expenses	(210,910)	(886,834)
Net Loss	\$ (210,910)	\$ (886,834)

The following is a summary of assets and liabilities of United Energy Metals' discontinued operations as of March 31, 2010 and March 31, 2009.

March 31, <u>2010</u>	March 31, <u>2009</u>
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<u>Assets</u>			
Cash	\$	-	\$ 317
Prepaid expenses		-	1,530
Security deposit		-	10,000
VAT Receivable		-	100,753
Total Assets	\$	-	\$ 112,600
<u>Liabilities</u>			
Accounts Payable	\$	-	\$ 225,695
Accrued Liabilities		-	5,973
Total Liabilities	\$	-	\$ 231,668

## LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2011, we had a working capital deficit of \$1,132,618. Our total liabilities, consisting of current liabilities, as of June 30, 2011 were \$1,247,350, as compared to total liabilities, consisting of current liabilities, of \$834,117 as of June 30, 2010. The increase in our total liabilities was primarily due to increases in accounts payable and notes payable. Our total assets as of June 30, 2011 were \$2,914,732 as compared to \$1,048,175 for the three months ended June 30, 2010.

### *Cash Flow Used in Operating Activities*

Operating activities used cash of \$124,543 for the three-month period ended June 30, 2011, compared to using \$1,244 for the three month period ended June 30, 2010. The increase in cash used during the three-month period ended June 30, 2011 was due to the increase in net loss.

*Cash Flow Provided by Financing Activities*

Financing activities generated cash of \$99,728 for the three months period ended June 30, 2011 as compared to generating cash of \$0 for the three months period ended June 30, 2010. The cash generated from financing activities was primarily due to the issuance of notes payable.

*Trends and Uncertainties*

Our ability to generate revenues in the future is dependent on whether we successfully explore and develop our current property interests or any property interests that we may acquire in the future. We cannot predict whether or when this may happen and this causes uncertainty with respect to the growth of our company and our ability to generate revenues.

*Off-Balance Sheet Arrangements*

Our company has no outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. Neither our company nor our operating subsidiary engages in trading activities involving non-exchange traded contracts.

**CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures of our company. Although these estimates are based on management's knowledge of current events and actions that our company may undertake in the future, actual results may differ from such estimates.

*Going Concern*

We have suffered recurring losses from operations. The continuation of our company as a going concern is dependent upon us attaining and maintaining profitable operations and raising additional capital.

Due to the uncertainty of our company's ability to meet our current operating expenses and the capital expenses noted above, in their report on the annual financial statements for the period ended March 31, 2011, our company's independent auditors included an explanatory paragraph regarding concerns about our company's ability to continue as a going concern.

The continuation of our company's business is dependent upon us raising additional financial support. The issuance of additional equity securities by our company could result in a significant dilution in the equity interests of our company's current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our company's liabilities and future cash commitments.

There are no assurances that our company will be able to obtain further funds required for our continued operations. As noted herein, we intend to pursue various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to our company when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be unable to conduct our operations as planned, and we will not be able to meet our other obligations as they become due. In such event, we will be forced to scale down or perhaps even cease our operations.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of our company and our majority-owned subsidiary, United Energy Metals S.A. All significant intercompany accounts and transactions have been eliminated. Due to the sale of the subsidiary, the financial statements have been modified to include only that of Mustang Geothermal Corp., formerly Urex Energy Corp. All the intercompany accounts and transactions of United Energy Metals have been included in the loss due to sale of assets.

#### *Exploration Stage Company*

The Company is an exploration stage company, and follows the guideline of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 915 Development State Entities. It is primarily engaged in the acquisition and exploration of mining properties. All losses accumulated since inception, have been considered as part of the Company's exploration stage activities.



### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Mineral Property Costs*

Mineral property acquisition, exploration and development costs are expensed as incurred until such time as economic reserves are quantified. From that time forward, we will capitalize all costs to the extent that future cash flows from mineral reserves equal or exceed the costs deferred. The deferred costs will be amortized over the recoverable reserves when a property reaches commercial production. Costs related to site restoration programs will be accrued over the life of the project. To date, we have not established any proven reserves on our mineral properties.

### *Environmental Costs*

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or our commitment to a plan of action based on the then known facts.

### *Financial Instruments*

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value. For the purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The Company uses ASC Topic 820 as guideline to determining the fair value of a

financial asset when the market for that asset is not active.

The carrying values of cash, accounts payable and loan payable approximate fair value because of the short-term nature of these instruments. Management is of the opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

#### *Basic and Diluted Loss Per Share*

The Company reports basic loss per share in accordance with ASC Topic 260 Earnings Per Share. Basic loss per share is based upon the weighted average number of common shares outstanding. Diluted loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

#### *Income Taxes*

The Company follows the guideline under ASC Topic 740 Income Taxes. Accounting for Income Taxes which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Since the Company is in the exploration stage and has had continuous losses, no deferred tax asset or income taxes have been recorded in the financial statements.

*Foreign Currency Translation*

Our subsidiary is located and operates outside of the United States of America. It maintains its accounting records in Argentinean Pesos as follows:

At the transaction date, each asset, liability, revenue and expense is recorded into Argentinean Pesos by the use of the exchange rate in effect at that date. At the year end, monetary assets and liabilities are translated into US dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in operations.

*Concentration of credit risks*

The Company is subject to concentrations of credit risk primarily from cash and cash equivalents. The Company maintains accounts with financial institutions, which at times exceeds the insured Federal Deposit Insurance Corporation limit of \$200,000. The Company minimizes its credit risks associated with cash by periodically evaluating the credit quality of its primary financial institutions.

*Stock-based Compensation*

The Company follows the guideline under ASC Topic 718 Compensation-Stock Compensation for all stock based compensation plans, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. Stock compensation expenses are to be recorded using the fair value method.

**NEW ACCOUNTING PRONOUNCEMENTS**

Recent accounting pronouncements that the Company has adopted or that will be required to adopt in the future are summarized below.



In March 2010, the FASB issued Accounting Standard Update No. 2010-11 Derivatives and Hedging (Topic 815). ASU No. 2010-11 update provides amendments to subtopic 815-15, Derivatives and hedging. The amendments clarify about the scope exception in paragraph 815-10-15-11 and section 815-15-25 as applicable to the embedded credit derivatives. The ASU is effective on the first day of the first fiscal quarter beginning after June 15, 2010. Therefore, for a calendar-year-end entity, the ASU becomes effective on July 1, 2010. Early application is permitted at the beginning of the first fiscal quarter beginning after March 5, 2010

In April 2010, the FASB issued Accounting Standard Update No. 2010-12. Income Taxes (Topic 740). ASU No.2010-12 amends FASB Accounting Standard Codification subtopic 740-10 Income Taxes to include paragraph 740-10-S99-4. On March 30, 2010 The President signed the Health Care & Education Affordable Care Act reconciliation bill that amends its previous Act signed on March 23, 2010. FASB Codification topic 740, Income Taxes, requires the measurement of current and deferred tax liabilities and assets to be based on provisions of enacted tax law. The effects of future changes in tax laws are not anticipated. Therefore, the different enactment dates of the Act and reconciliation measure may affect registrants with a period-end that falls between March 23, 2010 (enactment date of the Act), and March 30, 2010 (enactment date of the reconciliation measure). However, the announcement states that the SEC would not object if such registrants were to account for the enactment of both the Act and the reconciliation measure in a period ending on or after March 23, 2010, but notes that the SEC staff does not believe that it would be appropriate for registrants to analogize to this view in any other fact patterns.

In April 2010, the FASB issued Accounting Standard Update No. 2010-13 Stock Compensation (Topic 718). ASU No.2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The cumulative-effect adjustment should be presented separately. Earlier application is permitted.

In April 2010, the FASB issued Accounting Standards Update No.2010-14, Accounting for Extractive Activities Oil & Gas (Topic 932). ASU No. 2010-14 amends FASB accounting Standard paragraph 932-10-S99-1 due to SEC release no. 33-8995 [FR 78], Modernization of Oil and Gas Reporting and provides update as to amendments to SEC Regulation S-X, Rule 4-10.

In April 2010, the FASB issued Accounting Standard Update No. 2010-15. Financial Services-Insurance (Topic 944) ASU No.2010-15 gives direction on how investments through separate accounts affect an insurer's consolidation analysis of those investments. Under the ASU: an insurance entity should not consider any separate account interests held for the benefit of policy holders in an investment to be the insurer's interests and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation, unless the separate account interests are held for the benefit of a related party policy holder as defined in the Variable Interest Entities Subsections of Subtopic 810-10 and those Subsections require the consideration of related parties. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. Early adoption is permitted. The amendments in this Update should be applied retrospectively to all prior periods upon the date of adoption.

In April 2010, the FASB issued Accounting Standard Update No. 2010-17. Revenue Recognition-Milestone Method (Topic 605) ASU No.2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. An entity often recognizes these milestone payments as revenue in their entirety upon achieving a specific result from the research or development efforts. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. Determining whether a milestone is substantive is a matter of judgment made at the inception of the arrangement. The ASU is effective for fiscal years and interim periods within those fiscal years beginning on or after June 15, 2010. Early application is permitted. Entities can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted.

In April 2010, the FASB issued Accounting Standard Update No. 2010-18. Receivables (Topic 310). ASU No.2010-18 provides guidance on accounting for acquired loans that have evidence of credit deterioration upon acquisition. Paragraph 310-30-15-6 allows acquired assets with common risk characteristics to be accounted for in the aggregated as a pool. Upon establishment of the pool, the pool becomes the unit of accounting. When loans are accounted for as a pool, the purchase discount is not allocated to individual loans; thus all of the loans in the pool accrete at a single pool rate (based on cash flow projections for the pool). Under subtopic 310-30, the impairment analysis also is performed on the pool as a whole as opposed to each individual loan. Paragraphs 310-40-15-4 through 15-12 establish the criteria for evaluating whether a loan modification should be classified as a troubled debt restructuring. Specifically paragraph 310-40-15-5 states that a restructuring of a debt constitutes a troubled debt restructuring for purposes of this subtopic if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The ASU is effective for modification of loans accounted for within pools under subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early application is permitted.

In August 2010, the FASB issued Accounting Standard Updates No. 2010-21 (ASU No. 2010-21) Accounting for Technical Amendments to Various SEC Rules and Schedules and No. 2010-22 (ASU No. 2010-22) Accounting for Various Topics Technical Corrections to SEC Paragraphs . ASU No 2010-21 amends various SEC paragraphs

pursuant to the issuance of Release no. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. Both ASU No. 2010-21 and ASU No. 2010-22 are effective upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 will not have a material impact on the Company's financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and various regulatory agencies. Because of the tentative and preliminary nature of these proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company's consolidated financial statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not Applicable.

### **Item 4T. Controls and Procedures.**

#### *Disclosure Controls and Procedures*

Management of the Company is responsible for maintaining disclosure controls and procedures over financial reporting that are designed to ensure that financial information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the timeframes specified in the Securities and Exchange Commission's rules and forms, consistent with Items 307 and 308 of Regulation S-K.

In addition, the disclosure controls and procedures must ensure that such financial information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

At the end of the period covered by this report, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) was carried out under the supervision and with the participation of our Principal Executive Officer, Mr. Richard Bachman and Chief Financial Officer and Principal Accounting Officer, Mr. Kevin J. Pikero, and other persons carrying out similar functions for the Company. Based on the evaluation of the Company's disclosure controls and procedures, the Company concluded that during the period covered by this report, such disclosure controls and procedures were effective to detect the inappropriate application of US GAAP standards.

The Company continues to employ and refine a structure in which critical accounting policies, issues and estimates are identified, and together with other complex areas, are subject to multiple reviews by accounting personnel. The Company notes that it recently appointed, on or about April 8, 2011, Mr. Kevin J. Pikero as Chief Financial Officer and Principal Accounting Officer. Mr. Pikero is a licensed Certified Public Accountant with 33 years of accounting experience and provides accounting oversight and compliance for the Company. In addition, the Company changed its independent auditing firm and retained an independent financial consultant under an agreement for the next three months with expertise in accounting and accounting reporting compliance for public companies, who will independently evaluate and assess internal controls and procedures regarding the Company's financial reporting, utilizing standards incorporating applicable portions of the Public Company Accounting Oversight Board's 2009 Guidance for Smaller Public Companies in Auditing Internal Controls Over Financial Reporting as necessary and on an ongoing basis.

The Company will continually enhance and test its year-end financial close process. Additionally, the Company's management, under the control of its Chief Financial Officer and its independent financial consultants, will increase its review of its disclosure controls and procedures on an ongoing basis. Finally, the Company plans to designate, in conjunction with its Chief Financial Officer, individuals responsible for identifying reportable developments and the process for resolving compliance issues related to them. The Company believes these actions will focus necessary attention and resources in its internal accounting functions.

#### *Management's Interim Report on Internal Control over Financial Reporting*

The Company's management is responsible for establishing and maintaining adequate internal control over its financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance to management and the board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; (iii) provide reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and (iv)

provide reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions may occur or the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2011. This assessment is based on the criteria for effective internal control described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management concluded that our internal control over financial reporting as of June 30, 2011 was effective in the specific areas described in the Disclosure Controls and Procedures section above and as specifically described in the paragraphs below.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We do not know of any material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

### **Item 1A. Risk Factors.**

The Company had no material changes from risk factors as previously disclosed in the Company's Form 10-K for the year ended March 31, 2011 in response to Item 1A.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. (Removed and Reserved).**

### **Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit

Number	Description
<b>(3)</b>	<b>Articles of Incorporation and By-laws</b>
3.1	Articles and Bylaws incorporated by reference from our Registration Statement on Form 10-SB filed on February 27, 2003
3.2	Certificate of Amendment to the Articles of Incorporation dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006
3.3	Certificate of Change dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006
3.4	Certificate of Amendment to the Articles of Incorporation incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
3.5	Certificate of Change incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
3.6	Articles of Incorporation of Urex Energy Corp. incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
3.7	Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006
3.8	Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006
3.9	Certificate of Correction with respect to the Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006
3.10	Certificate of Correction with respect to the Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006
<b>(4)</b>	<b>Instruments defining the rights of security holders, including indentures</b>
4.1	2008 Stock Plan, effective October 16, 2008 (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008)
4.2	Form of Stock Option Agreement (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008)
4.3	Form of Restricted Share Grant Agreement (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008)
<b>(10)</b>	<b>Material Contracts</b>
10.1	Consulting Agreement between our company and Minera Teles Pires Inc., dated September 27, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
10.2	Assignment Agreement between our company and International Mineral Resources Inc., dated September 22, 2005 incorporated by reference from our Current Report on Form 8-K filed on September 29, 2005
10.3	Option Agreement between International Mineral Resources Inc. and United Energy Metals S.A., dated September 21, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
10.4	Agreement and Plan of Merger between Urex Energy Corp. and Lakefield Ventures Inc., dated June 8, 2006 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
10.5	



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- Form of Subscription Agreement with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006
- 10.6 Form of Series A Warrant Certificate with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006
- 10.7 Form of Series B Warrant Certificate with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006
- 10.8 Agreement with New-Sense Geophysics Limited incorporated by reference from our Annual Report on Form 10-KSB filed on July 17, 2007
- 10.9 Agreement with N.A. Dergstrom, Inc., dated January 31, 2008 incorporated by reference from our Annual Report on Form 10-KSB filed on July 15, 2008
- 10.10 Convertible Note with Four Tong Investments Limited, dated August 19, 2008 incorporated by reference on Form 8-K filed on August 26, 2008
- 10.11 Share Purchase Agreement with SGI Partners, LLC dated August 4, 2009 incorporated by reference on Form 8-K filed on August 7, 2009
- 10.12 Share Purchase Agreement with Patagonia dated February 9, 2010 incorporated by reference from our Quarterly Report on Form 10-Q filed February 22, 2010
- 10.13 Purchase Agreement with Enco Exploration Inc., dated March 23, 2010 incorporated by reference on Form 8-K filed on March 23, 2010
- 10.14 Purchase Agreement with Minera Inc., dated August 26, 2010 incorporated by reference on Form 8-K filed on August 31, 2010
- 10.15 Purchase Agreement with Dakota Resource Holding LLC, dated August 26, 2010 incorporated by reference on Form 8-K filed on August 31, 2010
- 10.16 Purchase Agreement with Minera Cerro El Diablo Inc., dated August 26, 2010 incorporated by reference on Form 8-K filed on August 31, 2010
- 10.17 Share Purchase Agreement with Genoa Energy Resources Inc. And Andean Geothermic Energy SAC, dated November 5, 2010 incorporated by reference on Form 8-K filed on November 8, 2010
- (31) Rule 13a-14(a)/15d-14(a) Certifications**
- 31.1\* Section 302 Certification of Richard Bachman
- 31.2\* Section 302 Certification of Kevin Pikero
- (32) Section 1350 Certification**
- 32.1\* Section 906 Certification of Richard Bachman
- 32.2\* Section 906 Certification of Kevin Pikero
- (99) Additional Exhibits**
- 99.2 Independent Review of the Rio Chubut Uranium Project prepared by Brian Cole, P.Geo., dated September 23, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006

\* Filed herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**MUSTANG GEOTHERMAL CORP.**

Dated: August 15, 2011

By: /s/ Richard Bachman

Richard Bachman

President, CEO and Director

(Principal Executive Officer)

Dated: August 15, 2011

By: /s/ Kevin Pikero

Kevin Pikero

CFO and Director

(Principal Financial Officer)

