

30 October 2014

Manager of Company Announcements
ASX Limited
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

By E-Lodgement

QUARTERLY REPORT Period Ended 30 SEPTEMBER 2014

The Board of Magnolia Resources Limited ("Magnolia" or "the Company") is pleased to provide the following commentary and Appendix 5B for the period ending 30 September 2014.

Exploration Activity

During the September Quarter Magnolia Resources announced on 18 September 2014 the completion of an airborne electro-magnetic (EM) geophysical survey that identified a priority anomaly with approximately 1.4 kilometre of extent included among several additional conductive anomalies that are associated with extensive surface nickel and copper anomalism at the Company's 100% owned Oldham Range Project in Western Australia. The Oldham Range Project is located 400km north east of Wiluna and located in the Proterozoic aged rocks of the Warburton Mineral Field in Western Australia.

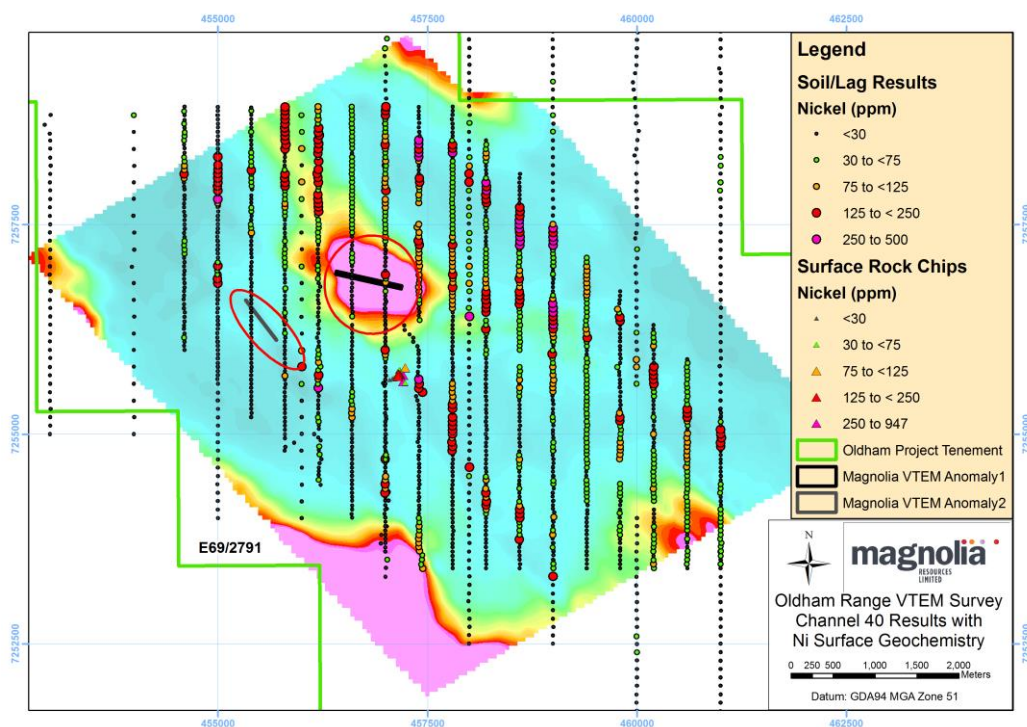


Figure 1: VTEM^{plus} survey results showing dB/dt Z Component Channel 40 (Time Gate 3.521 ms) with historical Nickel surface geochemistry results

BOARD & MANAGEMENT

Mr Tony King
EXECUTIVE CHAIRMAN

Mr Travis Schwertfeger
NON-EXECUTIVE DIRECTOR

Mr Cameron Pearce
NON-EXECUTIVE DIRECTOR

Mr Aaron Bertolatti
COMPANY SECRETARY

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ASX CODE

MGB

The Versatile Time-Domain Electromagnetic (VTEM^{plus}) survey completed by Magnolia was one of the first aerial geophysical surveys on the Proterozoic Oldham Inlier, which is host to several areas associated with limited zones of basement exposure, which includes a gossan (oxidized sulphide bearing rock) outcrop proximal to the VTEM priority targets host to Cu-Ni-Zn anomalism, along with extensive veining and significant alteration within the region suggesting potential for significant endowment across the predominantly covered terrain. The implementation of new technology that has resulted in significant discoveries in the Doolgunna and Albany Fraser Belt terrains marks the start of a new generation of exploration.

The survey identified two discrete basement conductors from the VTEM^{plus} survey with the highest priority conductor extending over 1.4km in length from a modelled depth of a shallow 120m. Several of the basement conductors identified correlate well with existing Nickel and Copper surface anomalism and are further highlighted by structural and lithologic complexity from high resolution airborne magnetics and ground gravity for the region.

The VTEM^{plus} airborne survey utilised Geotech Airborne Pty Ltd's (Geotech) proprietary geophysical system to test a sub-parallel zones of copper-nickel-cobalt anomalism hosted in the Oldham sandstone.

A final report from Geotech has been received for the VTEM^{plus} survey covering an area of 38km². The interpretation and evaluation of the VTEM^{plus} survey was undertaken by the Company's geophysical consultants, Spinifex Geophysics. The interpreted results are being integrated with airborne magnetic datasets and existing geochemistry and ground gravity data available to better prioritise the VTEM^{plus} targets generated in context of existing mineralisation and favourable structure and lithologic setting within the survey area.

The survey area within the E69/2791 tenement is primarily host to the Oldham sandstone unit which is host to several northwest trending dolerite dikes and sills which have the potential to be differentiated and provide a source of sulphide for mineralisation.

Following a more detailed assessment of the potential for substantial sulphide mineralisation associated with each of the defined targets the Company anticipates completing either a ground EM geophysical survey, or an initial drill test on higher priority targets from the airborne survey to assess basement rock geology to better define parameters and extent of a ground geophysical survey.

Modelling of the strength and orientation of the conductors forming the aerial VTEM^{plus} anomalies can only be carried out based on deeper penetrating ground EM (Electromagnetic) data which would significantly refine drill targeting.

Follow-up ground work will assess the relationship of conductive anomalies to mafic intrusions in the project area, which are a potentially a source of sulphide mineralisation associated with the differentiation of the mafic dikes and sills. The proposed ground EM survey could also highlight stratigraphic horizons for potential SEDEX style mineralisation, which could also explain a source for the VTEM anomalies and coincident extensive base metal anomalism identified at the project

Corporate

The Board of Magnolia announced the appointment of Mr Aaron Bertolatti as Company Secretary of the Company following the resignation of Ms Sarah Smith.

For and on behalf of the Board



Tony King
Executive Chairman

About Magnolia Resources

Magnolia is an Australian based explorer focused on effective and cost efficient exploration of its 100% held Oldham Range Project in Western Australia which is host to significant Cu-Ni-Co potential in the under-explored Proterozoic Oldham Inlier. The Company continues to consider and on a regular basis evaluates potential new exploration projects in Australia and overseas with a view to increasing the number of projects held by the Company and diversify into additional geographical locations.

For more information contact:

Corporate Enquiries

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Technical Enquiries

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Non-Executive Director
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Interests in mining tenements held

Tenement Ref.	Project	Holder	Grant	Expiry	Area
E69/2791	Oldham Range	Stirling Minerals Pty Ltd (100%)	23/8/2011	22/8/2016	45 blocks or Approx. 142km ²

Holder: Stirling Minerals is a 100% owned Australia subsidiary of Magnolia Resources Limited.

The information extracted from the report entitled 'Multiple EM Targets Identified at Oldham Range Project' created on 18 September 2014 is available to view on www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Magnolia Resources Limited

ABN

28 158 307 549

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(51)	(51)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(92)	(92)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	6	6
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(137)	(137)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(137)	(137)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(137)	(137)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(137)	(137)
1.20	Cash at beginning of quarter/year to date	2,196	2,196
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,059	2,059

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'ooo
1.23 Aggregate amount of payments to the parties included in item 1.2	49
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil
1.25 Explanation necessary for an understanding of the transactions	
<div>1.2 Payment of Directors fees and Remuneration \$49k</div>	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	154	2,196
5.2 Deposits at call	1,905	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,059	2,196

Changes in interests in mining tenements and petroleum tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6 Interests in mining tenements held	See Appendix 1 below			
6.1 Interests in mining tenements tenements relinquished, reduced or lapsed	n/a			
6.2 Interests in mining tenements tenements acquired or increased	n/a			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	28,001,000	19,575,000 (8,426,000 subject to escrow)		Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options - Unlisted options	8,000,000	-	<u>Exercise Price</u> 20 cents	<u>Expiry Date</u> 30 June 2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 30 October 2014
(Executive Chairman)

TONY KING
Print name:

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Appendix 1 – Interests in mining tenements held

Tenement Ref.	Project	Holder	Grant	Expiry	Area
E69/2791	Oldham Range	Stirling Minerals Pty Ltd (100%)	23/8/2011	22/8/2016	45 blocks or Approx. 142km ²

Holder: Stirling Minerals is a 100% owned Australia subsidiary of Magnolia Resources Limited.

Summary of Expenditure Incurred per Project

Project	Quarter Cash Spend \$A'000
Oldham Range - E69/2791	51
Total	51

+ See chapter 19 for defined terms.