



AND ITS CONTROLLED ENTITY

ABN 28 158 307 549

Interim Financial Report

For the period ended 31 December 2014

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Magnolia Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Your Directors present the following report on the consolidated entity consisting of Magnolia Resources Limited ("Magnolia" or "the Company") and the entity it controlled (referred to hereafter as "the Group") at the end of, or during, the period from 1 July 2014 to 31 December 2014.

Directors

The persons who were Directors of Magnolia Resources Limited during the interim reporting period and up to the date of this report are:

Mr Tony King	(Executive Chairman)
Mr Cameron Pearce	(Non-Executive Director)
Mr Travis Schwertfeger	(Non-Executive Director)

Review of Operations

The group's operating loss for the period from the period 1 July 2014 to 31 December 2014 was \$174,572 (31 December 2013: loss of \$163,142).

During the half-year, Magnolia Resources Limited received final reports on results of the Versatile Time-Domain Electromagnetic (VTEM) survey (refer to ASX release dated 18 September 2014) at the Company's 100% owned Oldham Range Project located 320km north east of Wiluna in Western Australia.

The VTEM survey completed by Magnolia is one of the first aerial VTEM surveys on the Proterozoic Oldham Inlier, which has limited basement exposure, including a gossan outcrop (oxidized sulphide bearing rock) that is host to Cu-Zn-Ni anomalism proximal to the VTEM priority targets. The implementation of new technology has that has resulted in significant discoveries in the Doolgunna and Albany Fraser Belt terrains marks the potential start of a new generation of exploration and discovery for the Oldham Inlier.

The survey identified two significant discrete basement conductors with the highest priority conductor extending over 1.4km in length and 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 Company also applied for and received approval for funding towards drilling in 2015 under the Exploration Incentive Scheme (EIS Funding) for up to \$144,000 in funds towards a maiden drill program on the Oldham Range Project should Magnolia determine drilling is the most cost effective method to advance the project.

In addition to exploring and evaluating the Project, the Company continues to actively seek acquisition and investment opportunities in the resources sector both in Australia and overseas in order to grow the size and diversity of the Company's portfolio.

There were no shares or options issued during the period.

Auditor's Independence Declaration

The Auditor's Independence Declaration under section 307C of the Corporation Act 2001 is included within this financial report.

This report is signed in accordance with a resolution of the Board of Directors.



Tony King
Executive Chairman

Perth, Western Australia
23 February 2015

23 February 2015

Board of Directors
Magnolia Resources Limited
35 Richardson Street
WEST PERTH WA 6005

Dear Sirs

RE: MAGNOLIA RESOURCES LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Magnolia Resources Limited.

As Audit Director for the review of the financial statements of Magnolia Resources Limited for the six month period ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period from 1 July 2014 to 31 December 2014

	Notes	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Revenue from continuing operations			
Other income	3	29,094	43,461
Finance costs		(224)	(205)
Employee and director benefits expense		(98,550)	(98,325)
Financial and company secretarial expenses		(20,100)	(40,800)
Insurance		(10,292)	(3,367)
ASX and share registry fees		(23,845)	(21,775)
Exploration		(17,922)	(7,114)
Other expenses		(32,733)	(35,017)
Loss before income tax expense		(174,572)	(163,142)
Income tax expense		-	-
Loss after income tax expense		(174,572)	(163,142)
Other comprehensive income			
Items that will not be reclassified subsequently to Profit or Loss		-	-
Items that may be reclassified subsequently to Profit or Loss		-	-
Total comprehensive loss for the period after income tax attributable to the members of Magnolia Resources Limited		(174,572)	(163,142)
Comprehensive loss for the period attributable to members of Magnolia Resources Limited		(174,572)	(163,142)
Basic and diluted loss per share (cents)		(0.6)	(0.6)

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

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	Consolidated 31 December 2014 \$	Consolidated 30 June 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,989,021	2,196,486
Other current assets	6	5,105	9,965
Total Current Assets		1,994,126	2,206,451
NON CURRENT ASSETS			
Capitalised acquisition costs		1,287,019	1,287,019
Total Non Current Assets		1,287,019	1,287,019
TOTAL ASSETS		3,281,145	3,493,470
LIABILITIES			
Current Liabilities			
Trade creditors		2,273	33,011
Other payables	7	16,846	23,861
Total Current Liabilities		19,119	56,872
TOTAL LIABILITIES		19,119	56,872
NET ASSETS		3,262,026	3,436,598
EQUITY			
Contributed equity	4(a)	3,838,361	3,838,361
Option reserve	4(b)	275,756	275,756
Accumulated losses		(852,091)	(677,519)
TOTAL EQUITY		3,262,026	3,436,598

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the period from 1 July 2014 to 31 December 2014

Consolidated	Contributed Equity \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2013	3,838,361	275,756	(305,505)	3,808,612
Total comprehensive income for the period				
Loss for the period ended 31 December 2013	-	-	(163,142)	(163,142)
Total comprehensive loss for the period	-	-	(163,142)	(163,142)
Transactions with owners, recorded directly in equity				
Total transactions with owners	-	-	-	-
Balance at 31 December 2013	3,838,361	275,756	(468,647)	3,645,470

Consolidated	Contributed Equity \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2014	3,838,361	275,756	(677,519)	3,436,598
Total comprehensive income for the period				
Loss for the period ended 31 December 2014	-	-	(174,572)	(174,572)
Total comprehensive loss for the period	-	-	(174,572)	(174,572)
Transactions with owners, recorded directly in equity				
Total transactions with owners	-	-	-	-
Balance at 31 December 2014	3,838,361	275,756	(852,091)	3,262,026

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the period from 1 July 2014 to 31 December 2014

	Notes	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(205,882)	(203,164)
Interest received		29,094	59,925
Net cash outflow from operating activities		(176,788)	(143,239)
Cash flows from investing activities			
Exploration expenditure		(30,677)	(7,114)
Net cash outflow from investing activities		(30,677)	(7,114)
Net decrease in cash and cash equivalents		(207,465)	(150,353)
Cash and cash equivalents at beginning of the financial period		2,196,486	2,518,649
Cash and cash equivalents at end of the period		1,989,021	2,368,296

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

Notes to the Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

a. Basis of Preparation

These interim financial statements for the half-year reporting period ended 31 December 2014 are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standards AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures that the financial report and notes also comply with International Financial Reporting Standards IAS 34: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Magnolia Resources Limited and its controlled entity (referred to as the “Consolidated Group” or “Group”). The interim financial statements do not include full disclosures of the type normally included in annual financial statements. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014 any announcements made by Magnolia Resources Limited during the half year ended 31 December 2014 to the date of this report in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The interim financial statements have been prepared on an accruals basis and are based on historical costs.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed at Note 1(c) below.

c. New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

Note 2 – Accounting policies

Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Magnolia Resources Limited) and its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 11.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

	Period ended 31 December 2014 \$	Period ended 31 December 2013 \$
Note 3 – Other Income		
Interest income	29,094	43,461

Note 4 – Contributed Equity

(a) Share capital as at 31 December 2014 is as follows:

	31 December 2014		30 June 2014	
	No of Shares	\$	No of Shares	\$
Opening Balance	28,001,000	3,838,361	28,001,000	3,838,361
Closing Balance	28,001,000	3,838,361	28,001,000	3,838,361

(b) Options on issue as at 31 December 2014 were as follows:

	No of Options	\$	No of Options	\$
Opening Balance	8,000,000	275,756	8,000,000	275,756
Closing Balance	8,000,000¹	275,756	8,000,000¹	275,756

¹ Unlisted Options (exercisable at \$0.20; 30 June 2015)

Note 5 – Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Executive Director, in consultation with the Board of Directors.

The Group operates in one industry, mineral exploration and assessment of mineral projects and in one main geographical segment, being Australia.

	Period ended 31 December 2014 \$	Year ended 30 June 2014 2014 \$
Note 6 – Other Current Assets		
Prepayments	-	2,294
GST Receivable	5,105	7,671
Total other current assets	5,105	9,965

Note 7 – Other Payables

Accruals	8,500	15,000
Payroll Accruals	8,346	8,861
Total other payables	16,846	23,861

Note 8 – Dividends

No dividend has been declared or paid during the period ended 31 December 2014.

Note 9 – Events subsequent to Reporting Date

There are no other matters or circumstances that have arisen since 31 December 2014 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

Notes to the Consolidated Financial Statements (Continued)

Note 10 –Contingent Liabilities and Assets

A 1% net smelter royalty on all minerals produced within the tenement is payable to Matlock Geological Services Pty Ltd. In the opinion of the Directors, there are no other contingent liabilities or assets as at 31 December 2014.

Note 11 – Subsidiaries

The consolidated financial statements include the financial statements of Magnolia Resources Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2014
Stirling Minerals Pty Ltd	Australia	100%

Directors' Declaration

The Directors of the Company declare that:

- 1) The condensed financial statements and notes as set out on pages 5 to 11 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with the Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
 - (b) give a true and fair view of the Group's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the period from 1 July 2014 to 31 December 2014.
- 2) At the date of this statement, in the Directors' opinion, there are reasonable grounds to believe that Magnolia Resources Limited will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Board of Directors made pursuant to S.303(5) of the Corporations Act 2001.



Mr Tony King
Executive Director

Perth, Western Australia
23 February 2015

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MAGNOLIA RESOURCES LIMITED**

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Magnolia Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Magnolia Resources Limited ("the consolidated entity"). The consolidated entity comprises both Magnolia Resources Limited ("the Company") and the entity it controlled during the period.

Directors' Responsibility for the Interim Financial Report

The directors of Magnolia Resources Limited are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Magnolia Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Magnolia Resources Limited on 23 February 2015.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
23 February 2015