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

By E-Lodgement

Magnolia Resources to Acquire Revolutionary Interior Design E-commerce Platform



HIGHLIGHTS:

- Magnolia Resources (ASX: MGB) has signed a binding share sale agreement (**SSA**) with the major shareholders of PDT Technologies Inc. (**PDT**) to purchase 100% of the equity in PDT, the owner of the Whole New Home business
- Whole New Home is a revolutionary North American based e-commerce platform connecting Home Designers (Interior Designers and Decorators) with homeowners, aiming to create a unique omni-channel retail experience
- The business is strategically positioned to transform the global home design market – disrupting the value chain and transforming the way product suppliers, home designers and end customers interact globally
- Significant market opportunity, with WNH operating in the home sector worth over US\$180 billion in North America alone, and US\$700 billion, globally. Rapid shift towards online sales, currently at 5 per cent for home goods sold online, expected to grow by 5% per year through 2018
- Accelerating commercial validation with strong growth in e-commerce home decor product offering, interior designers, partnerships and end consumers
- High margin business, currently offering a selection of 30,000+ products, aiming to be 500,000+ by mid-2016, with significant global scalability
- Strong management and leadership team with proven entrepreneurial experience to execute, drive growth and create significant shareholder value
- High activity pipeline is expected to drive positive near term news flow

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

Magnolia Resources Limited (ASX: MGB) (**Company**) is pleased to announce that it has signed a binding share sale agreement (**SSA**) with the major shareholders of PDT Technologies Inc. (**PDT Technologies** or **PDT**) to purchase their equity interests in Whole New Home (**WNH**) (**Transaction**). The Transaction is conditional on the sale of all shares in PDT to the Company. PDT Technologies Inc. operates under the Whole New Home trading name at web address www.wholenewhome.com.

As part of the transaction and prior to relisting on the Australian Securities Exchange (**ASX**), the Company has engaged Alto Capital and CPS Capital to undertake an equity raising of a minimum of \$5,000,000.

Proceeds from the equity capital raising will be utilised to accelerate the commercialisation of WNH's business model through rapid expansion into the North American home decorator e-commerce market.

The Transaction is subject to the Company obtaining shareholder approval for the Transaction and meeting readmission compliance requirements pursuant to Chapters 1 and 2 of the ASX Listing Rules.

The acquisition of Whole New Home strategically diversifies and expands the operations of the Company into the significant and fast growing global home design sector.

The Company will seek approval to change its name to Whole New Home Limited in conjunction with the Transaction.

Overview of Whole New Home

WNH is a North American based e-commerce Software as a Service (SaaS) platform which connects Home Designers directly with home owners, aiming to create the world's first true omni-channel retail experience in the home space.

WNH's integrated e-commerce platform was soft launched in January 2015 and to date, has seen rapid growth with over 30,000 home décor products and 255 home designers, generating approximately 3,700 unique visitors each month. In August 2015, WNH will launch a complete omni-channel service on the integrated platform, with an aim to roll out over 500,000 products in 2016.

The core offerings presented through the online platform are Inspiration Boards, a selection of products, services, and inspirational home design images created by design professionals, or Home Designers. Through these Inspiration Boards, homeowners can discover new designers and home décor products including art and furnishings.

In addition, Whole New Home has set up a foundation for giving, Better Homes for Everyone whereby a portion of profits on each sale is intended to be given to charities fighting homelessness, connecting Whole New Home to millions of socially responsible consumers.

Following the Transaction, the Company anticipates rapid development and expansion of its home decor inventory, Home Designers and end user customer base.

Significant Market Opportunity and Early Mover Advantage

The North American home design market is currently worth US\$180 billion and growing at 3 per cent annually. Globally, the home market amounts to over US\$700 billionⁱ.

The current market for home decorators is highly fragmented, and lacks innovation. According to the Houzz Customer Survey from 2014, over 84 per cent of residents in North America plan to decorate and/or remodel their homes this year, however only 5 per cent of home goods are currently sold online (according to Forbes Magazine). This compares to electronic goods being sold online, accounting for 69 per cent.

Over the last ten years, a number of economic factors have contributed to the strength in home renovation spending. These factors include a robust labour market, strong income gains and an ageing housing stock. Since 2003, Canadian spending on home renovations and improvements has grown annually by approximately 7%.

In addition, there is a growing shift towards purchasing home décor and furnishings online. According to the 2013 study by Franklin Furniture Instituteⁱⁱ, 21.6% of consumers in the United States have made a furniture purchase online. This percentage is almost double what it was in 2008 (11%). Furthermore, there is an increasing trend for consumer to shop online for furniture.

This shift in the industry represents a unique opportunity in the global marketplace for WNH to bring home designers and home owners together to collaborate and transact via an integrated omni channel e-commerce platform.

Whole New Home's unique SaaS e-commerce platform follows other successful and relevant North American e-commerce companies including Houzz, Etsy (NASDAQ: ETSY) and Stella & Dot.

Accelerating commercial validation with strong growth potential

WNH will generate revenue primarily via e-commerce transactions and subscription revenue from Home Designers utilising the platform. E-commerce transactions will occur through the purchase of products from WNH's extensive online product offering, largely facilitated by the Home Designers. Whole New Home will share profit generated on sales with the Home Designers on each transaction, making the Home Designers the sales force for the organisation.

WNH's highly efficient and innovative e-commerce supply chain connects homeowners direct to manufacturers driving high margin revenue transactions.

Unique Differentiators

Whole New Home's omni-channel retail experience in the home space offers a number of solutions for both consumers and home designers.

Solution for end consumers:

- Access to a large catalogue of manufactured products, art and global hand crafted goods
- Access to free professional design service
- Advanced visualisation tools
- Omni-channel experience with single check-out and delivery fee
- Social giving and sharing built-in

Solution for interior designers:

- Inspiration boards – allows Home Designer to bring their design vision to life
- Promote their brand with their own URL
- One stop shop for product
- Attractive profit share with Whole New Home

- Use of Design Studio locations
- Technology to demonstrate products, visual ideas and help sales
- Dedicated marketing team to drive consumers to Home Designers
- Educational and relevant business seminars

Solution for suppliers and manufacturers:

- Product exposure to home design professionals
- Sell directly to consumers via WNH platform
- Increase brand exposure online
- Rapid market feedback for products and trends
- Scalable e-commerce solution

Business Drivers for 2015

Whole New Home has a number of significant business drivers across 2015:

- Products – expanding product inventory from a wide range of vendors.
- Home Designers – continue to on-board Home Designers to the Whole New Home platform via viral marketing strategies.
- Launch commercial mobile app featuring augmented reality.
- Full launch of omni-channel platform (August 2015) including Design Studio and updated user interface.

Management Team and Board Changes

On completion of the Transaction, Mr Neil Patel will be appointed Managing Director of the Company. Mr Patel is the founder of Whole New Home and has been instrumental in its creation.

Neil Patel

Founder & CEO

Mr. Patel is an experienced entrepreneur with a track record of creating innovative technology solutions for the property sector. Prior to PDT Technologies, Mr Patel founded Madisons, a successful Real estate brokerage in the UK. He went on to create OneMove Technologies in 2006, developing one of the world's first Apps in partnership with Blackberry. In 2009 he founded a leading Internet marketing company in central Canada.

Mr Patel is also a founder and Chairman of the Better Homes for Everyone Foundation.

Adriana Villasenor

Chief Operations Officer

Ms. Villasenor is the strategic Global Sourcing, Purchasing / Buying, and Product Development leader. She has developed and directed global sourcing strategies for \$400+ million in retail value for leading international retailers such as Ikea and Wal-mart.

Creston Froats

Chief Technical Officer

Mr Froats has worked for over 20 years designing, developing and deploying software solutions. As CTO at Bardel Entertainment he worked on leading edge entertainment experiences for Nickelodeon, Disney and DreamWorks.

Emily Ratchford

Product Director

Ms. Ratchford is an established senior merchant with a strategic vision and proven design aesthetic. As Team Lead for Indigo Online and Marketing, Emily's understanding of Indigo's target demographic transformed the book seller into a multi-commodity retailer. Previously Emily was a Senior Buyer for Hudson's Bay Canada.

At completion of the Transaction it is proposed Messrs Pearce and Schwertfeger shall resign from the Board of the Company and two new Directors will be appointed in addition to Mr Patel. The Company is currently in discussions with other potential Directors, and intends to finalise these discussions prior to dispatch of the Notice of Meeting.

Acquisition Terms

The Company is proposing to acquire 100% of the share capital of PDT Technologies (the operating entity of the Whole New Home business) for the following consideration:

- 1) 54,100,629 fully paid ordinary shares in the Company (**Shares**), consisting of:
 - a. 38,576,819 Shares to shareholders of PDT Technologies and their nominees; and
 - b. 15,523,810 Shares to various lenders who have provided a working capital loan to PDT Technologies to fund Whole New Home's expenses prior to Completion (Converting Loan Shares). The loan balance, which would be transferred to the Company on the acquisition of PDT Technologies, will be fully repaid by issue of the Converting Loan Shares;
- 2) 4,057,547 Shares to corporate advisors of PDT Technologies who introduced and facilitated the Transaction; and
- 3) 36,130,492 Performance Shares, consisting of:
 - a. 33,609,760 Performance Shares to the WNH Employees; and
 - b. 2,520,732 Performance Shares to corporate advisors of PDT Technologies who introduced and facilitated the Transaction.

The Performance Shares will automatically convert into Shares upon satisfaction of the following milestones (subject to ASX approval):

- 1) 9,032,623 Performance Shares shall convert upon:
 - a. a minimum of 1,000 Registered Home Designers each achieving the C\$ equivalent of at least A\$200 Revenue, each month for 3 consecutive months, on or before 30 August 2016; or
 - b. a minimum of 1,000 Registered Home Designers each achieving the C\$ equivalent of at least A\$200 Revenue, each month for 3 consecutive months, and Milestone D is also achieved.
(Milestone A);
- 2) 9,032,623 Performance Share will convert upon:
 - a. a minimum of 1,000 Registered Home Designers each achieve the C\$ equivalent of at least A\$750 Revenue, each month for 3 consecutive months, on or before 31 December 2016; or

- b. a minimum of 1,000 Registered Home Designers each achieve the C\$ equivalent of at least A\$750 Revenue, each month for 3 consecutive months, and Milestone D is also achieved
(Milestone B);
- 3) 9,032,623 Performance Share will convert upon:
 - a. the Company achieving the C\$ equivalent of at least A\$20 million in revenue in any 12 month period and has a minimum of 20,000 Registered Home Designers, on or before 31 December 2017; or
 - b. the Company achieving the C\$ equivalent of at least A\$20 million in Revenue in any 12 month period and a minimum of 20,000 Registered Home Designers, and Milestone D is also achieved.
(Milestone C); and
- 4) 9,032,623 Performance Share will convert upon:
 - a. the Company achieving the C\$ equivalent of at least A\$50 million in revenue in any 12 month period; and
 - b. a minimum of 35,000 Registered Home Designers, on or before 31 December 2018.
(Milestone D);

The SSA includes standard conditions precedent to completion for transactions of this nature. Such conditions precedent include completion of satisfactory due diligence, both parties obtaining any necessary shareholder and regulatory approvals required for completion of the Transaction (including the agreement of all PDT Shareholders for the sale of their interests in PDT Technologies), the execution of service agreements with key executives of Whole New Home and the Company meeting relevant re-compliance requirements pursuant to Chapters 1 and 2 of the ASX Listing Rules.

In addition, it is contemplated that the Company will, subject to shareholders approving the Transaction, advance loan funds to PDT Technologies of up to \$750,000.

Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

As the investment in Whole New Home will constitute a significant change in the nature and scale of the Company's activities, the Company will be required to re-comply with the requirements in Chapters 1 and 2 of the ASX Listing Rules (including preparing a full form prospectus and conducting a capital raising) as a condition to completing the investment.

Effect on capital structure and financial position

As part of the process for re-complying with Chapters 1 and 2 of the ASX Listing Rules, the Company will be required to conduct a capital raising. The quantum of the raising and the offer price per share are yet to be determined but a minimum of \$5,000,000 will be required and the offer price will be not less than \$0.20 per Share. The Company will update the market when this information is known and further details will be included in the Notice of Meeting seeking shareholder approval for the investment.

As the final quantum of the capital raising required to be completed to fund the investment in Whole New Home is not yet determined an unaudited pro-forma balance sheet showing the impact of the transaction will be included in the notice of meeting seeking shareholder approval for the investment.

Capital Structure

The proposed pro forma capital structure of the Company following completion of the Capital Raising and the Transaction is as follows:

Current Shares on Issue	28,001,000
Consideration Shares ¹	38,576,819
Capital Raising Shares ²	25,000,000
Converting Loan Shares ³	15,523,810
Advisor Shares ⁴	4,057,547
Total Shares	111,159,176
Performance Shares ⁵	36,130,492
Total Shares on conversion of all Performance Shares	147,289,668
Options ⁶	8,000,000
New Options ⁷	9,000,000
Fully Diluted Share Capital	164,289,668

Notes:

1. These Shares will be issued to the Vendors and WNH Employees in consideration of the Company acquiring all of the issued share capital in PDT Technologies.
2. This number is based on a capital raising to raise \$5,000,000 at an issue price of \$0.20 per Share.
3. The Converting Loan Shares will be issued to various lenders who have provided a working capital loan to PDT Technologies to fund Whole New Home's expenses prior to Completion.
4. These Shares will be issued to the Advisors of PDT Technologies who introduced and facilitated the Transaction.
5. The Company proposes to issue 33,609,760 Performance Shares to the Vendors WNH Employees and 2,520,732 Performance Shares to the Advisors as part of the Transaction. These Performance Shares will consist of 9,032,623 Class A Performance Shares, 9,032,623 Class B Performance Shares, 9,032,623 Class C Performance Shares and 9,032,623 Class D Performance Shares.
6. Exercisable at \$0.20, on or before 30 June 2015
7. The Company intends to make a placement of New Options, issued pursuant to a prospectus, at an issue price of \$0.005. The New Option will be exercisable at \$0.30, on or before 3 years from issue.

Indicative timetable of investment

Activity	Date
Dispatch of Notice of Meeting seeking shareholder approval	28 May 2015
Lodgement of Prospectus	12 June 2015
Shareholder meeting	22 June 2015
Closing date of Prospectus offer	15 July 2015
Completion of the acquisition of PDT	17 July 2015
Expected date for reinstatement to official quotation on ASX	21 July 2015
Dispatch of Notice of Meeting seeking shareholder approval	5 August 2015

The above table is an indication only and is subject to change. Shareholders should also note that the Company's securities will be suspended from trading on the day of the Company's general meeting seeking shareholder approval for the Transaction and if such approval is obtained will remain suspended until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules.

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ⁱ Global Industry Analysts

ⁱⁱ Consumer Attitudes and Buying Behaviour for Home Furniture by Franklin Furniture Institute of Mississippi State University.

Source document: http://www.ffi.msstate.edu/pdf/consumer_attitudes.pdf