



**(To be renamed Whole New Home Limited)**

**ABN 28 158 307 549**

**AND ITS CONTROLLED ENTITY**

# **ANNUAL REPORT**

## **30 JUNE 2015**

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## CORPORATE DIRECTORY

### Directors

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

### Company Secretary

Mr. Aaron Bertolatti

### Registered Office

First Floor  
 35 Richardson Street  
 West Perth WA 6005

### Share Registry

Security Transfer Registrars  
 770 Canning Highway  
 Applecross WA 6153  
 T: +61 8 9315 2333

### Auditors

Stantons International Audit and Consulting Pty Ltd  
 Level 2, 1 Walker Avenue  
 West Perth WA 6005

### Solicitors

Occam Legal  
 PO Box 50  
 Cottesloe WA 6911

### Stock Exchange

Australian Securities Exchange  
 (Home Exchange: Perth, Western Australia)  
 ASX Code: **MGB**

### Website

[www.magnoliareources.com.au](http://www.magnoliareources.com.au)

The Directors present their report for Magnolia Resources Limited ("Magnolia Resources", "Magnolia" or "the Company") and its controlled entity ("the Group") for the year ended 30 June 2015.

## **DIRECTORS**

The names, qualifications and experience of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

### **Mr. Tony King - B.Com, CA**

#### **Executive Chairman**

Mr. King is a Chartered Accountant with over 15 years' experience in finance, accounting and corporate matters. He has extensive experience in business development and transaction execution. Over a number of years, Mr. King has developed key relationships and extensive networks with fund managers, stockbrokers and financial institutions.

Mr. King's career has included several years of investment banking and financing experience, including periods based in London and the eastern states of Australia. Mr. King is the Managing Director of Max Capital Pty Ltd.

### **Mr. Cameron Pearce - B.Com, CA**

#### **Non-Executive Director**

Mr. Pearce has extensive professional experience in both the Australian and United Kingdom finance industries. In recent times he has provided corporate, strategic, financial and advisory assistance to private and public companies in both Australia and the United Kingdom.

Mr. Pearce is a member of the Institute of Chartered Accountants in Australia and has been in commerce over 15 years, holding senior financial and management positions in both publically listed and private enterprises in Australia, Europe, Asia and Africa. Mr. Pearce has considerable corporate and international expertise and over the past decade, has focused on mining and exploration activities. Mr. Pearce is currently a Director of AIM listed CEB Resources PLC and Stallion Resources PLC.

### **Mr. Travis Schwertfeger - BSc, MSc, MAIG**

#### **Non-Executive Director**

Mr. Schwertfeger is a professional geologist with over 15 years of gold exploration experience in Australia, North and South America, and West Africa. In previous roles as VP of Exploration for Golden Predator Corp., and over 7 years' experience with Newmont Mining Corp., Mr. Schwertfeger has gained experience in both valuation of mineral projects, and management of exploration programs.

He graduated from Colorado School of Mines in 1998 with a B.Sc. in Geological Engineering, and received his M.Sc. in Ore Deposit Geology and Evaluation from the University of Western Australia in 2011. As a member in good standing with the Australian Institute of Geoscientists, Mr. Schwertfeger has appropriate experience to act as competent person with respect to reporting of resources and technical aspects related to the business of the Company. Mr. Schwertfeger is currently a Director of ASX listed International Goldfields Limited.

## **COMPANY SECRETARY**

### **Mr. Aaron Bertolatti - BCom, CA, AGIA (appointed 1 October 2014)**

Mr. Bertolatti is a qualified Chartered Accountant and Company Secretary with over 9 years' experience in the mining industry and accounting profession. Mr. Bertolatti has both local and international experience and provides assistance to a number of resource companies with financial accounting and stock exchange compliance. Mr. Bertolatti has significant experience in the administration of ASX listed companies, corporate governance and corporate finance.

Ms. Sarah Smith resigned as Company secretary on 1 October 2014.

## **INTERESTS IN THE SECURITIES OF THE COMPANY**

As at the date of this report, the interests of the Directors in the securities of Magnolia Resources Limited are:

Director	Ordinary Shares
Tony King	4,625,040
Cameron Pearce	250,000
Travis Schwertfeger	10,000

## **RESULTS OF OPERATIONS**

The Company's net loss after taxation attributable to the members of Magnolia Resources for the year to 30 June 2015 was \$1,785,622 (2014: \$372,014).

## **DIVIDENDS**

No dividend was paid or declared by the Company during the year and up to the date of this report.

## **CORPORATE STRUCTURE**

Magnolia Resources Limited is a company limited by shares, which is incorporated and domiciled in Australia.

## **NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

The principal activity of the Company during the financial year was mineral exploration.

## REVIEW OF OPERATIONS

### OLDHAM RANGE PROJECT (100% INTEREST HELD)

Magnolia 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 the Company 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 CY2015 under the Exploration Incentive Scheme (EIS Funding) for up to \$144,000 in funds towards a maiden drill program on the Oldham Range Project.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In May 2015 the Company signed a binding share sale agreement with the major shareholders of PDT Technologies Inc. ("PDT Technologies or PDT") to purchase their equity interests in Whole New Home ("WNH").

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. 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.

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. WNH is delivering on expectations to complete the full launch of omni-channel service by end of Q3 2015 and is targeting over 500,000 products to be rolled out by 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.

#### Acquisition Terms

The Company is proposing to acquire 100% of the share capital of PDT Technologies 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. 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:

- 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);

On 20 July 2015 the Company held a General Meeting and received shareholder approval, regarding the acquisition of Whole New Home. The acquisition is still subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completion of settlement documentation. The transaction is expected to complete during August 2015.

Pursuant to the reinstatement of listing on the ASX, the Company's primary focus will be to develop the business of WNH in line with its business model. Funds will be used to invest into software and technology development, working capital to accelerate business expansion, as well as business development, sales and marketing.

Entering the 2016 financial year, the Company 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.

The Company rebrand will take effect in conjunction with the launch of the Design Studio, integrated Dream Room and upgraded web platform and mobile application release; all of which is on track for completion in Q3 2015.

## **SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

### Capital Raising

As part of the transaction and prior to relisting on the ASX, the Company engaged Alto Capital and CPS Capital to undertake an equity raising. The Company lodged a prospectus on 9 July 2015 for the offer of up to 35,000,000 Shares at a price of \$0.20 each to raise up to \$7,000,000 and up to 12,000,000 Options, each at an issue price of \$0.005 per Option, to raise up to \$60,000. On 11 August 2015 the Company advised that it had successfully raised \$7.06 million, the maximum allowed under the prospectus.

### Loans

The Company finalised the advance of a loan to PDT for \$750,000 as agreed under the Share Sale Agreement. The funds will be used by PDT to continue the acceleration of business development until the transaction is finalised.

### Underwriting of Options

The Company executed an Underwriting Agreement that saw the Company's Unlisted Options with a strike price of \$0.20 and expiring on 30 June 2015 fully underwritten, providing funds of approximately \$1,550,000 (excluding underwriting fees). CPS Capital Group Pty Ltd acted as Underwriter to the Option Underwriting. On 3 July 2015 the Company advised that all funds had been received and 7,750,000 ordinary shares in the Company had been issued.

### General Meeting of Shareholders

On 20 July 2015 the Company held a General Meeting and received shareholder approval, regarding the acquisition of Whole New Home via PDT Technologies.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

## **ENVIRONMENTAL REGULATIONS AND PERFORMANCE**

The Group is subject to significant environmental regulation in respect of mineral exploration activities. The Group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers. The Group's exploration activities are currently regulated by significant environmental regulation under laws of the Commonwealth and states and territories of Australia. The Group aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations.

At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current year, or subsequent financial year. The directors will reassess this position as and when the need arises.

The directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment. There have been no known breaches by the Group during the year.

#### **SHARE OPTIONS**

As at 30 June 2015 there were no unissued ordinary shares under options.

250,000 options with an exercise price of \$0.20, expiring on 30 June were exercised during the financial year.

7,750,000 unlisted options, exercisable at \$0.20 per option were due to expire on 30 June 2015. On 24 June 2015 the Company announced that it had executed an Underwriting Agreement that would see these options fully underwritten, providing funds of approximately \$1,550,000 to the Company.

#### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act 2001. The indemnification specifically excludes wilful acts of negligence.

The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group.

#### **DIRECTORS' MEETINGS**

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Tony King	2	2
Cameron Pearce	2	2
Travis Schwertfeger	2	2

During the financial year, the Directors met regularly to discuss all matters associated with investment strategy, review of opportunities, and other Company matters on an informal basis. Circular resolutions were passed as necessary to execute formal Board decisions.

#### **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

#### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Magnolia Resources Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Magnolia Resources is in compliance to the extent possible with those guidelines, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

The Company has established a set of corporate governance policies and procedures and these can be found within the Company's Corporate Governance Plan located on the Company's website: [www.magnoliaresources.com.au](http://www.magnoliaresources.com.au).

#### **AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Magnolia Resources with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 26 of the annual report.

##### *Non-Audit Services*

Details of amounts paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in note 15 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

## AUDITED REMUNERATION REPORT

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of Magnolia Resources Limited for the financial year ended 30 June 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

### Details of Key Management Personnel

Mr. Tony King	Executive Chairman
Mr. Cameron Pearce	Non-Executive Director
Mr. Travis Schwertfeger	Non-Executive Director
Mr. Aaron Bertolatti	Company Secretary

### Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter and Remuneration Policy. The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its board meetings.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. Non-executive directors do not receive performance-based pay.

The following fees have applied:

Level	Cash Remuneration
Executive Chairman	\$120,000 plus superannuation
Non-Executive Director	\$30,000 plus superannuation

### Additional fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

### Retirement allowances for directors

Superannuation contributions required under the Australian Superannuation Guarantee Legislation continue to be made and are deducted from the directors' overall fee entitlements where applicable.

### Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company for the year ended 30 June 2015 are as follows:

2015	Short term			Options	Non-Monetary Benefits	Post employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$		Superannuation \$	Prescribed Benefits \$		
<b>Directors</b>									
Tony King	110,000	-	-	-	3,806	21,400	-	135,206	-
Cameron Pearce	-	30,000	-	-	1,038	2,850	-	33,888	-
Travis Schwertfeger	-	30,000	-	-	1,038	2,850	-	33,888	-
<b>Key Management</b>									
Aaron Bertolatti	-	-	27,000	-	934	-	-	27,934	-
	<b>110,000</b>	<b>60,000</b>	<b>27,000</b>	-	<b>6,816<sup>1</sup></b>	<b>27,100</b>	-	<b>230,916</b>	-

<sup>1</sup>Relates to the Directors and officers insurance premium of \$6,816 paid to insure the directors and secretaries of the Group.

There were no other executive officers of the Company during the financial year ended 30 June 2015.



2014	Short term			Options	Non-Monetary Benefits	Post employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$		Superannuation \$	Prescribed Benefits \$		
<b>Directors</b>									
Tony King	110,000	-	-	-	4,406	21,100	-	135,506	-
Cameron Pearce	-	30,000	-	-	1,201	2,775	-	33,976	-
Travis Schwertfeger	-	30,000	-	-	1,201	2,775	-	33,976	-
	<b>110,000</b>	<b>60,000</b>	-	-	<b>6,808<sup>1</sup></b>	<b>26,650</b>	-	<b>203,458</b>	-

<sup>1</sup>Relates to the Directors and officers insurance premium of \$6,808 paid to insure the directors and secretaries of the Group.

There were no other executive officers of the Company during the financial year ended 30 June 2014.

#### Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each Director and specified executives of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting year as compensation.

2015	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Tony King	4,110,040	-	250,000	265,000	4,625,040
Cameron Pearce	250,000	-	-	-	250,000
Travis Schwertfeger	10,000	-	-	-	10,000

All equity transactions with key management personnel other than arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

#### Option holdings of Key Management Personnel

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Magnolia Resources Limited and specified executives of the Group, including their personally related parties, are set out below:

2015	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Tony King	3,250,000	-	(250,000)	(3,000,000) <sup>1</sup>	-	-	-
Cameron Pearce	500,000	-	-	(500,000) <sup>1</sup>	-	-	-
Travis Schwertfeger	500,000	-	-	(500,000) <sup>1</sup>	-	-	-

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

<sup>1</sup>Unlisted options with an exercise price of \$0.20 expired unexercised on 30 June 2015.

250,000 unlisted options with an exercise price of \$0.20, expiring on 30 June 2015 were exercised during the financial year.

#### Options Affecting Remuneration

Options over shares in the Company are granted at the Directors discretion. When exercisable, each option is convertible into one ordinary share of Magnolia Resources Limited. Options granted carry no dividend or voting rights. There were no share options granted to directors and key management personnel during the financial year (2014: nil).

#### Service Agreements

##### Executive Directors

The Executive Chairman, Mr. Tony King is employed under an open term consulting services agreement. Pursuant to the agreement Mr. King is to be paid an annual fee of \$120,000 plus superannuation for services provided. Relevant notice periods apply, being 1-3 months' notice with reason or 3 months without reason.

##### Non-executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the director.

The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$150,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

#### Loans to Directors and Executives

There were no loans to Directors and executives during the financial year ended 30 June 2015.

#### Voting and comments made at the Company's 2014 Annual General Meeting

Magnolia Resources Limited received 100% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.



**END OF AUDITED REMUNERATION REPORT**

Signed on behalf of the board in accordance with a resolution of the Directors.



**Tony King**  
**Executive Chairman**

Perth, Western Australia  
24 August 2015

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
*for the year ended 30 June 2015*

	Note	30 June 2015 \$	30 June 2014 \$
<b>Continuing Operations</b>			
Interest received	3	51,903	81,587
Finance costs		(345)	(394)
Employee and director benefits expense	4	(197,100)	(196,650)
Financial and company secretarial expenses		(54,325)	(75,600)
Audit fees		(18,555)	(18,203)
Legal fees		(20,000)	-
Due diligence costs		(50,000)	-
Insurance		(10,292)	(6,808)
ASX and share registry fees		(27,647)	(24,394)
Impairment expense	9	(1,282,019)	-
Exploration		(17,922)	(73,726)
Other expenses		(159,320)	(57,826)
<b>Loss before income tax</b>		<b>(1,785,622)</b>	<b>(372,014)</b>
Income tax expense	5	-	-
<b>Net loss for the year</b>		<b>(1,785,622)</b>	<b>(372,014)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit and loss		-	-
Items that will not be reclassified subsequently to profit and loss		-	-
Other Comprehensive Income		-	-
<b>Other comprehensive income for the year net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(1,785,622)</b>	<b>(372,014)</b>
<b>Loss per share</b>			
Basic loss per share (cents)	18	(6.4)	(1.3)
Diluted loss per share (cents)	18	(6.4)	(1.3)

The above 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 30 June 2015**

	Note	2015 \$	2014 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	1,729,695	2,196,486
Other receivables	7	1,560,317	9,965
Assets held for sale	8	5,000	-
<b>Total Current Assets</b>		<b>3,295,012</b>	<b>2,206,451</b>
<b>Non-Current Assets</b>			
Capitalised acquisition costs	9	-	1,287,019
<b>Total Non-Current Assets</b>		<b>-</b>	<b>1,287,019</b>
<b>Total Assets</b>		<b>3,295,012</b>	<b>3,493,470</b>
<b>Current Liabilities</b>			
Trade payables	10	28,356	33,011
Other payables	11	108,680	23,861
<b>Total Current Liabilities</b>		<b>137,036</b>	<b>56,872</b>
<b>Total Liabilities</b>		<b>137,036</b>	<b>56,872</b>
<b>Net Assets</b>		<b>3,157,976</b>	<b>3,436,598</b>
<b>Equity</b>			
Issued capital	12	5,345,361	3,838,361
Reserves	13	275,756	275,756
Accumulated losses	14	(2,463,141)	(677,519)
<b>Total Equity</b>		<b>3,157,976</b>	<b>3,436,598</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity for the year ended 30 June 2015**

	Issued capital \$	Accumulated losses \$	Option reserve \$	Total \$
<b>Balance at 1 July 2013</b>	<b>3,838,361</b>	<b>(305,505)</b>	<b>275,756</b>	<b>3,808,612</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	(372,014)	-	(372,014)
Other Comprehensive Income	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(372,014)</b>	<b>-</b>	<b>(372,014)</b>
<b>Transactions with owners in their capacity as owners</b>				
Issue of shares	-	-	-	-
Issue of options	-	-	-	-
Share issue costs	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>3,838,361</b>	<b>(677,519)</b>	<b>275,756</b>	<b>3,436,598</b>
<b>Balance at 1 July 2014</b>	<b>3,838,361</b>	<b>(677,519)</b>	<b>275,756</b>	<b>3,436,598</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	(1,785,622)	-	(1,785,622)
Other Comprehensive Income	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,785,622)</b>	<b>-</b>	<b>(1,785,622)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares to be issued	1,550,000	-	-	1,550,000
Conversion of unlisted options	50,000	-	-	50,000
Cost of issue	(93,000)	-	-	(93,000)
<b>Balance at 30 June 2015</b>	<b>5,345,361</b>	<b>(2,463,141)</b>	<b>275,756</b>	<b>3,157,976</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows** *for the year ended 30 June 2015*

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(568,695)	(427,428)
Interest received		51,904	105,265
<b>Net cash used in operating activities</b>	6	<b>(516,791)</b>	<b>(322,163)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		50,000	-
<b>Net cash provided by financing activities</b>		<b>50,000</b>	<b>-</b>
Net decrease in cash and cash equivalents		(466,791)	(322,163)
Cash and cash equivalents at the beginning of the year		2,196,486	2,518,649
<b>Cash and cash equivalents at the end of the year</b>	6	<b>1,729,695</b>	<b>2,196,486</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**1. Corporate Information**

The financial report of Magnolia Resources Limited ("Magnolia Resources", "Magnolia" or "the Company") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 24 August 2015. Magnolia is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

**2. Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated. These financial statements are for the consolidated Group consisting of Magnolia Resources Limited and its subsidiary, together referred to as the "Group".

**(a) Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Magnolia Resources Limited is a listed public company, incorporated and domiciled in Australia. Magnolia Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. An individual entity is no longer presented as the consequence of a change to the Corporations Act 2001. Financial information for Magnolia Resources Limited as an individual entity is included in Note 24.

**(b) Principles of consolidation***Subsidiaries*

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Magnolia Resources Limited) and all of the 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 17(b).

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 comprehensive income.

**(c) Foreign Currency Translation**

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities whose changes in the fair value are presented in other comprehensive income are included in the related reserve in equity.

**(d) Leases**

Leases of property, plant and equipment where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group currently has no leases.

**(e) Contributed equity**

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Magnolia Resources Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Magnolia Resources Limited.

**(f) Earnings/(loss) per share**

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares (note 18).

**(g) Property, plant and equipment**

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the re-valued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Vehicles: 3-5 years
- Furniture, fittings and equipment: 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When re-valued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings. The Group currently holds no property, plant or equipment.

**(h) Trade payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(i) Parent entity information**

The financial information for the parent entity, Magnolia Resources Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

**(i) Investments in subsidiaries, associates and joint venture entities**

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Magnolia Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.



**(ii) Financial guarantees**

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

**(iii) Share-based payments**

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

**(j) Income Tax**

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(k) Exploration and Development Expenditure**

Exploration and evaluation expenditure on areas of interest are expensed as incurred. Costs of tenement acquisition will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that Directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

**(l) Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(m) Employee Benefits****(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**(ii) Long service leave**

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

**(iii) Share-based payments**

Share-based compensation benefits are provided to employees of Magnolia Resources at the Directors' discretion

The fair value of options granted by Magnolia Resources is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

**(n) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**(o) Cash and Cash Equivalents**

For cashflow statement presentation proposed, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in rate and bank overdrafts.

**(p) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting. Underwriting fee revenue is recognised on the receipt of funds. All revenue is stated net of the amount of goods and services tax (GST).

**(q) Acquisition Accounting**

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree.

Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reasonable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired. For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the Group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the Group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the Group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the Group's controlling shareholder's consolidated financial statements.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

**(r) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(s) Going concern**

The financial statements have been on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Company believes it has sufficient cash reserves to continue as a going concern, including facilitating its ongoing exploration activities.

**(t) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results.

*Key Judgment – Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

*Key Estimate – Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

*Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

*Asset Acquisitions*

The Groups policy for the accounting of assets acquisitions can be found at note 2 (q).

*Deferred taxation*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, base level of future taxable profits together with future tax planning strategies.

**(u) New and amended standards adopted by the Group**

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

**(v) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)*

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

- *AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).*

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

**(w) 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. Refer to Note 20 for details.

The financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

	2015 \$	2014 \$
<b>3. Revenue from continuing operations</b>		
<b>Revenue</b>		
Bank Interest	51,903	81,587
	<b>51,903</b>	<b>81,587</b>
<b>4. Loss for the year</b>		
Loss for the year includes the following items:		
<b>Employee and Director benefits expense</b>		
Directors fees	170,000	170,000
Superannuation	27,100	26,650
Total employee and director benefits expense	<b>197,100</b>	<b>196,650</b>
<b>5. Income Tax</b>		
<b>(a) Income tax expense</b>		
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	<b>-</b>	<b>-</b>
<b>(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.</b>		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:		
Loss from continuing operations before income tax expense	(1,785,622)	(372,014)
Tax at the Australian rate of 30%	(535,687)	(111,604)
Tax effect of amounts not deductible in calculating taxable income	49,211	11,710
Other deductible items	386,106	(17,323)
Income tax benefit not brought to account	100,370	117,217
Income tax expense	<b>-</b>	<b>-</b>
<b>(c) Unrecognised deferred tax assets arising on timing difference and losses</b>		
Losses – Revenue	323,228	210,100
Other	29,323	42,078
No deferred tax assets have been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.		
The benefit for tax losses will only be obtained if:		
i. the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and		
ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and		
iii. no changes in tax legislation in Australia adversely affect the Company in realising the benefit from the deductions for the losses.		
At 30 June 2015, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiary as the Group has no liability for additional taxation should such amounts be remitted		
<b>6. Cash And Cash Equivalents</b>		
<b>Reconciliation of cash</b>		
Cash comprises of:		
Cash at bank	<b>1,729,695</b>	<b>2,196,486</b>
<b>Reconciliation of operating loss after tax to net cash flow from operations</b>		
Loss after tax	(1,785,622)	(372,014)
<i>Non-cash items</i>		
Impairment expense	1,282,019	-
<i>Change in assets and liabilities</i>		
Increase in trade and other receivables	(352)	28,937
Increase in trade and other payables	(12,836)	20,914
<b>Net cash flow used in operating activities</b>	<b>(516,791)</b>	<b>(322,163)</b>



	2015 \$	2014 \$
<b>7. Other Receivables – Current</b>		
Prepayments	-	2,294
GST Receivable	10,317	7,671
Other <sup>1</sup>	1,550,000	-
	<b>1,560,317</b>	<b>9,965</b>

<sup>1</sup> 7,750,000 unlisted options, exercisable at \$0.20 per option were due to expire on 30 June 2015. On 24 June 2015 the Company announced that it had executed an Underwriting Agreement that would see these options fully underwritten, providing funds of approximately \$1,550,000 to the Company.

Debtors, other debtors and GST receivable are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

**8. Assets Held For Sale**

Oldham Range Project - E69/2791

5,000	-
<b>5,000</b>	<b>-</b>

The Company has entered into a binding share sale agreement with the major shareholders of PDT Technologies Inc. to purchase their equity interests in Whole New Home. Upon completion of the acquisition the Company will look to dispose of its 100% owned Oldham Range Project. The carrying value of \$5,000 represents the expected proceeds from sale, net of selling costs.

**9. Deferred Exploration and Evaluation Expenditure**

Opening balance	1,287,019	1,287,019
Assets transferred to assets held for sale	(5,000)	-
Impairment of exploration expenditure <sup>1</sup>	(1,282,019)	-
Closing balance	<b>-</b>	<b>1,287,019</b>

<sup>1</sup> The impairment loss incurred during the 2015 financial year is related to the Company's Oldham Range Project which will be disposed of upon completion of the Whole New Home acquisition. The Board assessed the fair value of the asset to be \$5,000 at year end.

**10. Trade Payables**

Trade payables	28,356	33,011
	<b>28,356</b>	<b>33,011</b>

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 2 months. All amounts are expected to be settled within 12 months. Please refer to note 19 on Financial Risk Management for further discussion on risk management.

**11. Other Payables**

Accruals	108,000	15,000
Payroll accruals	680	8,861
	<b>108,680</b>	<b>23,861</b>

All amounts are expected to be settled within 12 months.

**12. Issued Capital**
**(a) Fully paid issued and unissued capital**

Fully paid issued and unissued capital (refer to note 12(b))	<b>5,345,361</b>	<b>3,838,361</b>
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**(b) Movements in ordinary shares on issue**

	2015		2014	
	Number of shares	\$	Number of shares	\$
Opening Balance	28,001,000	3,838,361	28,001,000	3,838,361
Conversion of unlisted options	250,000	50,000	-	-
Shares to be issued upon conversion of unlisted options <sup>1</sup>	-	1,550,000	-	-
Transaction costs on share issue	-	(93,000)	-	-
	<b>28,251,000</b>	<b>5,345,361</b>	<b>28,001,000</b>	<b>3,838,361</b>

<sup>1</sup> 7,750,000 unlisted options, exercisable at \$0.20 per option were due to expire on 30 June 2015. On 24 June 2015 the Company announced that it had executed an Underwriting Agreement that would see these options fully underwritten, providing funds of approximately \$1,550,000 to the Company.

**(c) Ordinary shares**

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

**(d) Capital risk management**

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of \$3,157,976 at 30 June 2015. The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 19 for further information on the Company's financial risk management policies.

**(e) Share Options**

As at 30 June 2015 there were no unissued ordinary shares under options.

250,000 options with an exercise price of \$0.20, expiring on 30 June were exercised during the financial year.

7,750,000 unlisted options, exercisable at \$0.20 per option were due to expire on 30 June 2015. On 24 June 2015 the Company announced that it had executed an Underwriting Agreement that would see these options fully underwritten, providing funds of approximately \$1,550,000 to the Company.

	2015 \$	2014 \$
<b>13. Reserves</b>		
Option reserve	275,756	275,756
	<b>275,756</b>	<b>275,756</b>

The option reserve recognises options issued as share based payments. There were no share options granted during the financial year (2014: nil).

**14. Accumulated losses**

Movements in accumulated losses were as follows:

Opening balance	(677,519)	(305,505)
Loss for the year	(1,785,622)	(372,014)
Closing balance	<b>(2,463,141)</b>	<b>(677,519)</b>

**15. Auditor's Remuneration**

The auditor of Magnolia Resources Limited is Stantons International Audit and Consulting Pty Ltd

Amounts received or due and receivable for:

- an audit or review of the financial report	18,555	18,203
Other services:		
- Preparation of Independent Accountant's Report	-	-
	<b>18,555</b>	<b>18,203</b>

**16. Key Management Personnel Disclosures**
**(a) Remuneration of Key Management Personnel**

Details of the nature and amount of each element of the emolument of each Director and Executive of the Company for the financial year are as follows:

Short term employee benefits	197,000	170,000
Non-monetary benefits	6,816	6,808
Other employee expense (superannuation)	27,100	26,650
<b>Total remuneration</b>	<b>230,916</b>	<b>203,458</b>

There were no share options granted to director and key management personnel during the financial year.

**(b) Other transactions with key management personnel**

Max Capital Pty Ltd a company in which Mr. Tony King is a director, charged reimbursements of expenses, at cost, paid on behalf of the Company of \$1,144 during the year.

Mr. Aaron Bertolatti charged reimbursements of expenses, at cost, paid on behalf of the Company of \$265 during the year.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no other transactions with key management personnel for the year ended 30 June 2015

**(c) Loans to/from related parties**

There were no loans made or outstanding to directors of Magnolia and other key management personnel of the Group, including their personally related parties.

**17. Related party disclosures**
**(a) Key management personnel**

For Director related party transactions please refer to Note 16(a) "Key management personnel disclosures".

**(b) Subsidiaries**

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



Name of Entity	Country of Incorporation	Equity Holding	
		2015	2014
Stirling Minerals Pty Ltd	Australia	100%	100%

## 18. Loss per Share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the loss and share data used in the total operations basic and diluted earnings per share computations:

	2015 \$	2014 \$
Loss used in calculating basic and dilutive EPS	(1,785,622)	(372,014)
	<b>Number of Shares</b>	
Weighted average number of ordinary shares used in calculating basic loss per share:	28,005,110	28,001,000
<b>Effect of dilution:</b>		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	28,005,110	28,001,000

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements. As the Company is loss making, there is no diluted EPS calculated.

The table below shows the performance of the Company as measured by loss per share:

As at 30 June	2015	2014	2013
Loss per share (cents)	(6.4)	(1.3)	(1.5)
Share Price	\$0.22	\$0.10	\$0.19

## 19. Financial Risk Management

The Groups activities expose it to a variety of financial risks including interest rate risk, price risk, credit risk and liquidity risk. The Groups overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments; however the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and aging analysis for credit risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external and internal advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Group.

### (a) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profits of financial assets and liabilities. As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group therefore had no credit standby facilities or arrangements for further funding in place.

The financial liabilities of the Group at reporting date were trade payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments. The Group does not consider this to be material to the Group and have therefore not undertaken any further analysis of risk exposure.

### (b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash. The Company manages the risk by investing in short term deposits.

#### Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$) Increase/(Decrease)		Effect on Equity including retained earnings (\$) Increase/(Decrease)	
	2015	2014	2015	2014
Increase 75 basis points	12,973	16,426	12,973	16,426
Decrease 75 basis points	(12,973)	(16,426)	(12,973)	(16,426)

A sensitivity of 75 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

**(c) Credit Risk Exposures**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis. The Company does not have any significant credit risk exposure to a single counterparty or any Group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

	2015 \$	2014 \$
Cash and cash equivalents	1,729,695	2,196,486
	<b>1,729,695</b>	<b>2,196,486</b>

**(d) Capital Risk Management**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital includes ordinary share capital, partly paid shares and financial liabilities, supported by financial assets.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Company at 30 June 2015 was \$3,157,976 (2014: \$2,149,579) and the net decrease in cash held during the year was \$466,791 (2014: \$322,163). The Group currently has \$1,729,695 (2014: \$2,196,486) of cash and cash equivalents and no debt.

**(e) Foreign exchange risk**

The Group operated in Australia in the year ended 30 June 2015 and had minimal exposure to foreign exchange risk.

**(f) Price risk**

The Group is exposed to base metals commodity price risk. The price of base metals can be volatile and influenced by factors beyond the Company's control. As the Group is engaged in exploration and development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk. Price risk will not have a significant impact on the financial report.

**20. Operating Segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of its exploration and corporate activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics. The Group operates as a single segment which is mineral exploration within Australia. The Group is domiciled in Australia.

**21. Commitments and Contingent Liabilities**

In order to maintain the mining tenement, the economic entity is committed to meet the prescribed conditions under which tenement were granted. These commitments may be met in the normal course of operations by future capital raisings and/or farm-out and under certain circumstances are subject to the possibility of adjustment to the amount and timing of such obligations or by tenement relinquishment. Exploration commitments comprise an annual minimum commitment of \$67,500 on the group's tenement.

***Other Commitments and Contingencies***

The Company has no commitments to acquire property, plant and equipment. A 1% net smelter royalty on all minerals produced within the tenement is payable to Matlock Geological Services Pty Ltd.

The Company has remuneration commitments of \$120,000 arising from the service contracts of key management personnel referred to in the remuneration report that are not recognised as liabilities and are not included in the key management personnel compensation. The amounts are calculated based on severance pay and minimum notice period provisions.

Other than the above, the Company has no commitments or contingent liabilities as at the date of report.

**22. Subsequent Events**
**Capital Raising**

As part of the transaction and prior to relisting on the ASX, the Company engaged Alto Capital and CPS Capital to undertake an equity raising. The Company lodged a prospectus on 9 July 2015 for the offer of up to 35,000,000 Shares at a price of \$0.20 each to raise up to \$7,000,000 and up to 12,000,000 Options, each at an issue price of \$0.005 per Option, to raise up to \$60,000. On 11 August 2015 the Company advised that it had successfully raised \$7.06 million, the maximum allowed under the prospectus.

**Loans**

The Company finalised the advance of a loan to PDT for \$750,000 as agreed under the Share Sale Agreement. The funds will be used by PDT to continue the acceleration of business development until the transaction is finalised.

**Underwriting of Options**

The Company executed an Underwriting Agreement that saw the Company's Unlisted Options with a strike price of \$0.20 and expiring on 30 June 2015 fully underwritten, providing funds of approximately \$1,550,000 (excluding underwriting fees). CPS Capital Group Pty Ltd acted as Underwriter to the Option Underwriting. On 3 July 2015 the Company advised that all funds had been received and 7,750,000 ordinary shares in the Company had been issued.

**General Meeting of Shareholders**

On 20 July 2015 the Company held a General Meeting and received shareholder approval, regarding the acquisition of Whole New Home via PDT Technologies.

**23. Dividends**

No dividend was paid or declared by the Company in the year ended 30 June 2015 or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2015.

**24. Parent Entity Information**

The following details information related to the parent entity, Magnolia Resources Limited, at 30 June 2015. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Current assets	3,295,056	2,206,015
Total assets	3,295,056	3,494,015
Current liabilities	(137,035)	(57,372)
Total liabilities	(137,035)	(57,372)
Net assets	<b>3,158,021</b>	<b>3,436,643</b>
Issued capital	5,345,361	3,838,361
Reserves	275,755	275,756
Accumulated losses	(2,463,095)	(677,474)
	<b>3,158,021</b>	<b>3,436,643</b>
Loss of the parent entity	(1,785,622)	(372,014)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	<b>(1,785,622)</b>	<b>(372,014)</b>

**Guarantees**

The Company has not entered into any guarantees in relation to the debts of its subsidiary.

The Directors declare that:

- (a) the attached financial statements and accompanying notes, are in accordance with the Corporations Act 2001 including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
  - (ii) giving a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the Group;
  - (iii) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2 to the financial statements; and
- (b) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- (c) the remuneration disclosures included in pages 5 to 7 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2015, comply with section 300A of the Corporations Act 2001; and
- (d) the Directors have been given the declarations by the Executive Chairman as required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**Tony King**  
**Executive Chairman**

Perth, Western Australia  
24 August 2015

24 August 2014

The Directors  
Magnolia Resources Limited  
35 Richardson Street  
WEST PERTH WA 6005

Dear Sirs

**RE: MAGNOLIA RESOURCES LIMITED**

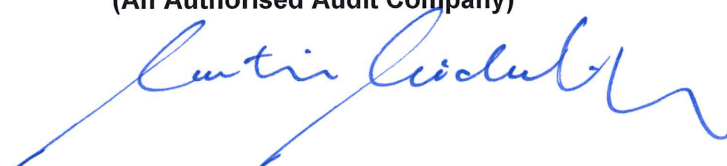
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Magnolia Resources Limited.

As Audit Director for the audit of the financial statements of Magnolia Resources Limited for the year ended 30 June 2015, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

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



**Martin Michalik**  
Director



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

**Report on the Financial Report**

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

*Directors' responsibility for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

*Independence*

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

*Opinion*

In our opinion:

- (a) the financial report of Magnolia Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 6 to 7 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

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

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

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
24 August 2015



Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 20 August 2015.

### Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	44	2,542
1,001 - 5,000	13	50,175
5,001 - 10,000	66	653,724
10,001 - 100,000	193	7,647,906
100,001 - and over	54	27,646,653
<b>TOTAL</b>	<b>370</b>	<b>36,001,000</b>

There were 48 holders of ordinary shares holding less than a marketable parcel.

### Top Twenty Share Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number of shares	%
J & J BANDY NOM PL <J & J BANDY S/F A/C>	6,500,000	18.06
SEVENTY THREE PL <KING S/F NO 3 A/C>	4,271,000	11.86
BONTEMPO C & C <C & C BONTEMPO S/F>	2,500,000	6.94
FREEMAN ROAD PL <AVENUE A/C>	1,100,000	3.06
WATEROX PL <TIEN CHAI A/C>	1,000,000	2.78
ROMBOLA FAM PL <ROMBOLA FAM ACCOUNT>	1,000,000	2.78
WASHDO HLDGS PL	750,000	2.08
VELD NOM PL <ZOLOTO FAM A/C>	500,000	1.39
KOMODO CAP PL	500,000	1.39
LUDOWICI MAXIMILIAN F	460,000	1.28
HARDMAIL PL	455,000	1.26
BR CORP PL	405,000	1.12
BAXTER MANOR PL	375,000	1.04
BOURKE DAVID JASON	363,807	1.01
SEVENTY THREE PL <KING S/F NO 2 A/C>	354,040	0.98
BUONO LAWRENCE A + V J <ZOLOTO S/F A/C>	332,500	0.92
INVIA CUST PL <PRICE FAM INV A/C>	320,000	0.89
RAVENHILL INV PL <HOUSE OF EQUITY A/C>	300,000	0.83
STOW COURT PL <RM & JP BOLTON S/F>	300,000	0.83
PEARCE STEVEN JOHN	297,500	0.83
	<b>22,083,847</b>	<b>61.33</b>

### Substantial Shareholders

Name	Number of shares	%
J & J BANDY NOM PL <J & J BANDY S/F A/C>	6,500,000	18.06
SEVENTY THREE PL <KING S/F >	4,625,040	12.84
BONTEMPO C & C <C & C BONTEMPO S/F>	2,500,000	6.94
	<b>13,625,040</b>	<b>37.84</b>

### On-Market Buy Back

There is no current on-market buy back.

### Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

### Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 30 June 2015.

**Tenements Table**

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 <sup>2</sup>

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