

Annual Report

**Magnolia Resources Limited
and its Controlled Entity
ABN 28 158 307 549**

For the financial period 11 May 2012, date of incorporation, to 30 June 2013

Contents

Corporate Information	1
Letter to Shareholders	2
Directors Report	3
Auditor's Independence Declaration.....	16
Independent Auditor's Report.....	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Consolidated Statement of Financial Position.....	20
Consolidated Statement of Cash Flows	21
Consolidated Statement of Changes in Equity	22
Notes to the Financial Statements	23
Directors' Declaration.....	54
Corporate Governance Statement	55
ASX Additional Information	64

Corporate Information

This annual report includes the consolidated financial statements and notes of Magnolia Resources Limited and its controlled entity ('the Group'). The Group's functional presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's report. The Director's report is not part of the financial report.

Directors

Mr Tony King
Executive Chairman

Mr Cameron Pearce
Non-Executive Director

Mr Travis Schwertfeger
Non-Executive Director

Company Secretary

Ms Sarah Smith

Registered Office

First Floor
35 Richardson Street
West Perth WA 6005

Notice of annual general meeting

The annual general meeting of Magnolia Resources Limited will be held at 35 Richardson Street, West Perth WA 6005 on 6 November 2013.

Share Registry

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

Website

www.magnoliaresources.com.au

Auditors

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

Bankers

Westpac Banking Corporation
Level 13, 109 St Georges Tce
Perth WA 6000

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Stock Exchange

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
Perth WA 6000

ASX Code: **MGB**

Letter to Shareholders

Dear Shareholder

Magnolia Resources Limited (**Magnolia** or **Company**) is an Australian exploration company. Magnolia was admitted to the official list of the Australian Stock Exchange (**ASX**) on 30 October 2012. The Company issued 12,500,000 shares at \$0.20 raising \$2.5 million under its initial public offer.

In August 2012, through the acquisition of Stirling Minerals Pty Ltd, the Company acquired the Oldham Range project which comprises a tenement located in Western Australia consisting of exploration licence 69/2791 (**Tenement**).

The Project covers an area of approximately 142km² and is located 320km north east of Wiluna. It is considered prospective for a range of commodities including base metals, nickel, uranium and gold mineralization, and covers part of the underexplored Proterozoic Oldham Inlier, a basement high within the northwestern Officer Basin. During the period, the Company undertook a detailed review of historical exploration and geochemical anomalism of the Oldham Range Project.

The Company's aim is to generate shareholder value through exploration success and acquisition opportunities. In addition to exploring and evaluating the Project, the Company intends to pursue acquisition and investment opportunities to secure new projects in the resources sector both in Australia and overseas.

The Board brings together a combination of experience and expertise that will assist in the development and enhancement of the Company's assets.

On behalf of the Board of Directors of Magnolia Resources Limited, I would like to thank you for your support as a shareholder of the Company, and we look forward to a successful future for the Company.

Yours faithfully



Tony King
Executive Chairman

Directors Report

Your Directors present the following report on Magnolia Resources Limited (“Magnolia” or “the Company”) and its controlled entity (referred to hereafter as “the Group”) for the period ended 30 June 2013.

Directors

The names of the Directors in office during the financial period and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated:

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

Principal Activities

The principle activity of the Group for the period ended 30 June 2013 was mineral resource exploration.

Dividends

There were no dividends paid during the period.

Review of Operations

The consolidated statement of profit or loss and other comprehensive income shows a new loss attributable to members of \$305,505 for the financial period ended 30 June 2013.

Magnolia Resources was incorporated on 11 May 2012. In June 2012, the Company entered into a share sale agreement to acquire 100% of the issued capital in Stirling Minerals Pty Ltd (**Stirling**) (**Share Sale Agreement**). The acquisition was settled on 10 August 2012. The assets of Stirling include the Oldham Range Project which comprises a tenement located in Western Australia consisting of exploration licence 69/2791 (**Tenement**).

During the period the Company undertook a capital raising exercise by way of an initial public offering at \$0.20 per share to issue 12,500,000 ordinary fully paid shares raising \$2,500,000 before costs. The Company listed on the Australian Securities Exchange on 30 October 2012. The Company commenced trading on the ASX on 1 November 2012.

Significant changes in the state of affairs

During the period Magnolia acquired exploration licence 69/2791 by acquiring an Australian subsidiary Stirling Minerals Pty Ltd in August 2012.

Magnolia was admitted to the official list of the Australian Stock Exchange (**ASX**) on 1 November 2012. The Company issued 12,500,000 shares at \$0.20 raising \$2.5 million under its initial public offer.

Matters subsequent to the end of the period

Since 30 June 2013 no matter or circumstance has arisen that has significantly affected, or may significantly affect:

- a. the Group’s operations in future financial years; or
- b. the results of those operations in future financial years; or
- c. the Group’s state of affairs in future financial years.

Directors Report (cont'd)

Likely developments and expected results of operations

The Group will continue its mineral exploration activity at and around its exploration project with the object of identifying commercial resources.

The Group will also continue to identify and assess potential acquisitions suitable for the Group.

Environmental Regulation

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 period, 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 period.

Directors Report (cont'd)

Information on Directors

Tony King	- Executive Chairman
Qualifications	- B.Com, CA
Appointed	- 11 May 2012
Experience	<p>- 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.</p> <p>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.</p>
Interest in Shares and Options	<p>- 2,000,000 unlisted options (\$0.20, 30 June 2015)</p> <p><u>Seventy Three Pty Ltd <King Super Fund a/c></u> 3,548,524 ordinary shares 1,250,000 unlisted options (\$0.20, 30 June 2015)</p>
Current directorships	- Managing Director Max Capital Pty Ltd
Former directorships held in past three years	- None

Cameron Pearce	- Non-Executive Director
Qualifications	- B.Com, CA
Appointed	- 11 May 2012
Experience	<p>- 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.</p> <p>Mr Pearce is a member of the Institute of Chartered Accountants in Australia and has been in commerce over fifteen 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 focussed on mining and exploration activities.</p>
Interest in Shares and Options	<p>- 250,000 ordinary fully paid shares 500,000 unlisted options (\$0.20, 30 June 2015)</p>
Current directorships	- None

Former directorships held in past three years - None

Travis Schwertfeger	-	Non-Executive Director
Qualifications	-	BSc, MSc, MAIG
Appointed	-	7 June 2012
Experience	-	<p>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 seven years' experience with Newmont Mining Corp., Mr Schwertfeger has gained experience in both valuation of mineral projects, and management of exploration programs.</p> <p>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.</p>
Interest in Shares and Options	-	10,000 ordinary fully paid shares 500,000 unlisted options (\$0.20, 30 June 2015)
Current directorships	-	International Goldfields Limited (ASX: IGS)
Former directorships held in past three years	-	None

Directors Report (cont'd)

Director Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the period are:

	Number of Meetings Eligible to Attend	Number of Meetings directors' attended
Number of Meetings Held	1	1
Number of Meetings Attended		
Director		
Mr Tony King	1	1
Mr Cameron Pearce	1	1
Mr Travis Schwertfeger	1	1

Retirement, election and continuation in office of directors

In accordance with the Constitution, Mr Tony King retires as a director at the annual general meeting and, being eligible, offers himself for re-election.

Directors Report (cont'd)

Company Secretary

Ms Sarah Smith is an employee of Grange Consulting Group Pty Ltd which provides a unique range of corporate services to listed and unlisted companies.

Financial Position

The net assets of the consolidated Group as at 30 June 2013 are \$3,808,612. The Group's working capital, being current assets less current liabilities as at 30 June 2013 is \$2,521,593.

Shares under Option

Unissued ordinary shares of Magnolia Resources Limited under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Issue Price of Shares	Number Under Option
8 June 2012	30 June 2015	\$0.20	3,000,000
10 August 2012	30 June 2015	\$0.20	5,000,000
Total			8,000,000

Shares Issued on the Exercise of Options

There were no options exercised during the financial period.

Insurance of Officers

During the financial period, Magnolia Resources Limited paid a premium of \$6,600 to insure the directors and secretaries of the Group.

The liabilities insured are 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, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Directors Report (cont'd)

Non-Audit Services

The Group may decide to employ its auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

During the period the following fees were paid or payable for services provided by the auditor of the Group:

	2013
	\$
<hr/>	
Audit services	
Amounts received or due and receivable by Stantons International Audit and Consulting Pty Ltd	
- An audit or review of the financial reports of the entity	<u>23,025</u>
Non-Audit services	
Amounts received by Stantons International Audit and Consulting Pty Ltd	
- Investigating Accountants Report	<u>4,528</u>
Total remuneration	<u>27,553</u>

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 has been included as part of the financial report.

Directors Report (cont'd)

Remuneration report (Audited)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration.
- B Details of remuneration.
- C Service agreements.
- D Share-based compensation.
- E Additional information.

A Principles used to determine the nature and amount of remuneration

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.

The following items are considered and discussed as deemed necessary at the board meetings:

- make specific recommendations to the board on remuneration of Directors and senior officers;
- recommend the terms and conditions of employment for the Executive Director;
- undertake a review of the Executive Director's performance, at least annually, including setting the Executive Director goals for the coming year and reviewing progress in achieving those goals;
- consider and report to the Board on the recommendations of the Executive Director on the remuneration of all Directors; and
- develop and facilitate a process for Board and Director evaluation.

Non-Executive Directors

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.

Directors' Fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$150,000 per annum.

Directors Report (cont'd)

Remuneration report (cont'd)

A Principles used to determine the nature and amount of remuneration (cont'd)

The following fees have applied:

Base Fees

Executive Chairman	\$120,000
Non-executive directors	\$30,000

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.

Executive pay

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- transparent; and
- acceptable to shareholders.

The executive remuneration is comprised of base pay and benefits, including superannuation.

Base pay

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Directors Report (cont'd)

Remuneration report (cont'd)

A Principles used to determine the nature and amount of remuneration (cont'd)

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

No benefits other than noted above are paid to Directors or Management except as incurred in normal operations of the business.

Long term incentives

Options are issued at the Board's discretion. Other than options disclosed in section D of the remuneration report, there have been no options issued to employees at the date of this financial report.

Remuneration consultants

Remuneration consultants have not been used in determining the remuneration paid.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the following directors and the key management personnel of the Group are found below:

Mr Tony King
Mr Cameron Pearce
Mr Travis Schwertfeger

Directors Report (cont'd)

Remuneration report (cont'd)

B Details of remuneration (cont'd)

Key Management personnel and other executives of the Company and the Group

	Short- term employee benefits			Post-employment benefits		Share-based payments	Total	Total Remuneration Represented by
30 June 2013	Cash salary & Fees	Other	Non Monetary Benefits	Super-annuation Pensions	Retire-ment Benefits	Options		Options
Directors	\$	\$	\$	\$	\$	\$	\$	%
<i>Non-executive directors</i>								
Cameron Pearce	20,000	-	-	1,800	-	6,293	28,093	22.40
Travis Schwertfeger	20,000	-	-	1,800	-	6,293	28,093	22.40
Sub-total	40,000	-	-	3,600	-	12,586	56,186	
Non-executive directors								
<i>Executive directors</i>								
Tony King	80,000	-	-	7,200	-	25,170	112,370	22.40
Total key management personnel compensation (Group)	120,000	-	-	10,800	-	37,756	168,556	

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration	Performance Based Remuneration
	2013	2013
Executive Director		
Tony King	100%	0%
Non-Executive Director		
Cameron Pearce	100%	0%
Travis Schwertfeger	100%	0%

C Service agreements

Executive Directors

Name	Term of Agreement	Base Salary excluding Superannuation	Termination Benefit
Executive			
Tony King	Open	\$120,000	Relevant notice periods apply, being 1 months' notice with reason or 3 months without reason.

Directors Report (cont'd)

Remuneration report (cont'd)

C Service agreements (cont'd)

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.

D Share-based compensation

Options

Options over shares in the Company are granted at the Directors discretion.

Details of Options over ordinary shares in the Group provided as remuneration to each Director of Magnolia Resources, and each of the key management personnel of the Group at the date of this financial report are set out below.

Director	Grant Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
Tony King	8 June 2012	30 June 2015	\$0.20	2,000,000	0.0126	25,170
Cameron Pearce	8 June 2012	30 June 2015	\$0.20	500,000	0.0126	6,293
Travis Schwertfeger	8 June 2012	30 June 2015	\$0.20	500,000	0.0126	6,293
				3,000,000		37,756
Tony King	10 August 2012	30 June 2015	\$0.20	1,250,000 ¹	0.0476	59,500
				4,250,000		97,256

¹Options issued to Seventy Three Pty Ltd <King Super Fund A/C No. 3>, one of the Vendors party to the Share Sale and Purchase Agreement to acquire Stirling Minerals Pty Ltd (refer to note 13). Mr King is a Director of Seventy Three Pty Ltd.

For details of assumptions in the calculation of the above option valuations, please refer to note 18.

When exercisable, each option is convertible into one ordinary share of Magnolia Resources Limited.

Options granted carry no dividend or voting rights.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are 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.

No shares were issued during the financial period as share based compensation.

Directors Report (cont'd)

Remuneration report (cont'd)

E Additional Information

Voting and comments made at the Company's 2012 Annual General Meeting

Under section 250(N) of the Corporations Act, a company must hold an AGM within 18 months after incorporation. Given the Company was only incorporated on 11 May 2012, there has been no AGM held as yet. The first AGM for Magnolia will be on 6 November 2013.

END OF REMUNERATION REPORT

This report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'Tony King', is written over a horizontal line.

Tony King
Executive Chairman

Perth, Western Australia, 26 September 2013

26 September 2013

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 period ended 30 June 2013, 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 2013, 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 period 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 period end or from time to time during the financial period.

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 1(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 2013 and of its performance for the period 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 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 15 of the directors' report for the period ended 30 June 2013. 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 period ended 30 June 2013 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
26 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2013

	Note	2013 \$
Revenue from Continuing Operations		
Interest received	2	78,233
Finance costs		(946)
Employee and director benefits expense	3	(130,800)
Financial and company secretarial expenses		(50,400)
Audit fees		(23,025)
Legal fees		(2,077)
Insurance		(4,440)
ASX and share registry fees		(41,872)
Share based payments expense		(37,756)
Exploration		(37,058)
Other expenses		(55,364)
(Loss) before income tax		(305,505)
Income tax expense	4	-
(Loss) for the period		(305,505)
Other Comprehensive Income		-
Items that will not be reclassified subsequently to profit and loss		-
Items that may be reclassified subsequently to profit and loss		-
Total Comprehensive (Loss) for the period		(305,505)
(Loss) attributable to the members of Magnolia Resources Limited		(305,505)
Basic and diluted earnings per share (cents per share)	5	(1.5)

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

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 \$
ASSETS		
Current Assets		
Cash and cash equivalents	7	2,518,649
Other receivables	8	30,879
Total Current Assets		2,549,528
Non-Current Assets		
Capitalised acquisition costs	13, 9	1,287,019
Total Non-current Assets		1,287,019
TOTAL ASSETS		3,836,547
LIABILITIES		
Current Liabilities		
Trade payables	10	638
Other payables	11	27,297
Total Current Liabilities		27,935
TOTAL LIABILITIES		27,935
NET ASSETS		3,808,612
EQUITY		
Issued capital	12	3,838,361
Option reserve	14	275,756
Accumulated Losses		(305,505)
TOTAL EQUITY		3,808,612

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

Consolidated Statement of Cash Flows

For the period ended 30 June 2013

	Note	2013 \$
Cash flows from operating activities		
Payments to suppliers and employees		(325,248)
Interest received		54,555
Net cash flows (used in) operating activities	15	(270,693)
Cash flows from investing activities		
Cash balance on acquisition of subsidiary		981
Net cash flows from investing activities		981
Cash flows from financing activities		
Proceeds from issue of shares and options		3,000,001
Capital raising costs		(211,640)
Net cash flows from financing activities		2,788,361
Net increase in cash and cash equivalents		2,518,649
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	7	2,518,649

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

Consolidated Statement of Changes in Equity

For the period ended 30 June 2013

	Issued Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
Balance at 11 May 2012	-	-	-	-
Loss for the period	-	(305,505)	-	(305,505)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Loss	-	(305,505)	-	(305,505)
Transaction with owners, directly recorded in equity:				
Issue of shares	4,050,001	-	-	4,050,001
Issue of options	-	-	275,756	275,756
Share issue costs	(211,640)	-	-	(211,640)
Total transactions with owners	3,838,361	(305,505)	275,756	3,808,612
Balance at 30 June 2013	3,838,361	(305,505)	275,756	3,808,612

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Notes to the consolidated Financial Statements

1. 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 period presented, unless otherwise stated. These financial statements are for the consolidated Group consisting of Magnolia Resources Limited (the Company) and its subsidiary, together referred to as **Magnolia or 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 25.

The accounting period is for the period 11 May 2012, the date of incorporation, to 30 June 2013.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Magnolia Resources Limited] ("**Company**" or "**Parent Entity**") as at 30 June 2013 and the results of all subsidiaries for the period then ended. Magnolia Resources Limited and its subsidiaries together are referred to in this financial report as "**the Group**" or "**the consolidated entity**".

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Notes to the consolidated Financial Statements (cont'd)

1. Summary of significant accounting policies (cont'd)

(b) Principles of consolidation (cont'd)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balance and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are accounted for in the parent entity financial statements at cost.

(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.

Notes to the consolidated Financial Statements (cont'd)

(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 5).

(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

Notes to the consolidated Financial Statements (cont'd)

(g) Property, plant and equipment (cont'd)

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.

Notes to the consolidated Financial Statements (cont'd)

(i) Parent entity information

The financial information for the parent entity, Magnolia Resources Limited, disclosed in note 25 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 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.

Notes to the consolidated Financial Statements (cont'd)

1. Summary of significant accounting policies (cont'd)

(j) Income Tax (cont'd)

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.

Notes to the consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

(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.

Notes to the consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

(m) Employee Benefits (cont'd)

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 of 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.

Notes to the consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

(p) Revenue and Other Income (cont'd)

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.

Notes to the consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

(q) Acquisition Accounting (cont'd)

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 general purpose financial statements have been prepared on the basis of a 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 judgments

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.

Notes to the consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

(t) Critical accounting estimates and judgments (cont'd)

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.

Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

Asset Acquisitions

The Groups policy for the accounting of assets acquisitions can be found at note 1 (q).

(u) 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 17 for details.

(v) New accounting standards and interpretations

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 financial years beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

Notes to the consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

(v) New accounting standards for application in future periods

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', and AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7)	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'	1 January 2013	30 June 2014
AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2013	30 June 2014
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7 and AASB 2012-6: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

Notes to the consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

(v) New accounting standards for application in future periods (cont'd)

- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures' (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the 'special purpose entity' concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

Notes to the consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

(v) New accounting standards for application in future periods (cont'd)

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group.

- AASB 2011-4: Amendments to Australian Accounting Standards to remove the individual key management Personnel Disclosure Requirements ((applicable for annual reporting periods commencing on or after 1 January 2013).

This standard makes amendments to AASB 124; Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus 29.1 to Aus 29.9.3). These amendments serve a number of purposes, including furthering the trans-Tasman conversion, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This standard is not expected to significantly impact the Group's financial report as a whole.

AASB 119 (September 2011) includes changes to the accounting for termination benefits.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

AASB 2012-2 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7); AASB 2012-3 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132); AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'; AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'; and Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.

These standards are not expected to impact the Group.

The financial report was authorised for issue on 25 September 2013 by the Board of directors.

Notes to the consolidated Financial Statements (cont'd)

2. Revenue from continuing operations

	2013 \$
Revenue	
Bank Interest	78,233

3. Loss for the period

Loss for the period includes the following items:

	2013 \$
Employee and Director benefits expense	
Directors fees	120,000
Superannuation	10,800
Total employee and director benefits expense	130,800

4. Income Tax

	2013 \$
(a) Income Tax Expense	
Current Tax Expense	-
Deferred Tax Expense	-
	-
(b) Reconciliation of income tax expense to prima facie tax payable:	
(Loss) before income tax	(305,505)
Prima facie income tax at 30%	(91,652)
Tax effect of amounts not deductible in calculating taxable income	19,315
Other deductible items	(20,546)
Tax losses not recognised	92,883
Income tax expense/(benefit)	-
(c) Unrecognised deferred tax assets arising on timing difference and losses	
Losses – Revenue	92,883
Other	47,797
Exploration Asset	-

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 Group 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;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- (iii) there are no changes in tax legislation in Australia which will adversely affect the Group in realising the benefit from the deductions for the losses.

Notes to the consolidated Financial Statements (cont'd)

4. Income Tax (cont'd)

At 30 June 2013, 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.

5. Earnings/(loss) per Share

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

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

	2013 \$
Loss after income tax	(305,505)
Basic (loss) per share attributable to equity holders	(0.015)
	No.
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	20,487,747

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.

6. Dividends Paid or Proposed

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

7. Cash and Cash Equivalents

	2013 \$
Current	
Cash at bank and in hand	2,518,649

Cash at bank earns interest at floating rates based on daily bank rates.

Refer to note 16 on financial instruments for details on the Group's exposure to risk in respect of its cash balance.

Notes to the consolidated Financial Statements (cont'd)

8. Other Receivables

	2013 \$
Current	
Withholding tax paid	79
Prepayments	2,220
Interest Receivable	23,679
GST Receivable	4,901
	<u>30,879</u>

As at the end of the financial period, no other receivables are past due or impaired.

9. Exploration and evaluation expenditure

	2013 \$
Movement	
At date of incorporation	-
Tenement acquisition	1,287,019
Exploration expenditure capitalised during the period	-
	<u>1,287,019</u>

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

Notes to the consolidated Financial Statements (cont'd)

10. Trade Payables

	2013 \$
Current	
Trade payables	638

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 16 on Financial Instruments for further discussion on risk management.

11. Other payables

	2013 \$
Opening Balance	
Accruals	15,000
PAYG	12,297
	27,297

All amounts are expected to be settled within 12 months.

12. Issued Capital

Date	Details	No. of Shares	Issue Price	\$
11 May 2012	Issue of incorporation shares	1,000	\$.001	1
30 June 2012	Issue of seed shares	5,000,000	\$0.10	500,000
10 August 2012	Issue of vendor shares	10,500,000	\$0.10	1,050,000
11 October 2012	Issue of IPO shares	12,500,000	\$0.20	2,500,000
	Less: share issue costs			(211,640)
30 June 2013		28,001,000		3,838,361

- (a) The share capital of the Group as at 30 June 2013 was 28,001,000 ordinary shares (11,426,000 shares subject to various escrow provisions – refer Company's ASX website and Appendix 3B announcements for further details).

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to the consolidated Financial Statements (cont'd)

13. Asset Acquisition

Summary of acquisition

Effective 10 August 2012, Magnolia Resources Limited acquired 100% of the issued capital of Stirling Minerals Pty Ltd (Stirling), a company incorporated in Australia with the principle activities of exploration and mining of minerals. The assets of Stirling include the Oldham Range Project which comprises a tenement located in Western Australia and consisting of exploration licence 69/2791. Consideration for the acquisition was the issue of 10,500,000 vendor shares at a deemed cost of 10 cents each (\$1,050,000) and the issue of 5,000,000 Magnolia Options at a deemed technical value of \$238,000.

The cost of the tenement acquired from Stirling Minerals Pty Ltd is as follows:

Stirling Minerals Pty Ltd

	\$
Purchase consideration	1,288,000
Net assets on acquisition date	(981)
Cost of tenement acquired	<u><u>1,287,019</u></u>

Notes to the consolidated Financial Statements (cont'd)

14. Reserves

	2013 \$
a) Reserves	
Option Reserve	275,756

Option reserve

The option reserve recognises options issued as share based payments. The following options were issued during the period:

Options	Date	Number	\$
Vendor Options – Stirling Minerals Pty Ltd	10 August 2012	5,000,000	238,000
Director Options	8 June 2012	3,000,000	37,756
Total		8,000,000¹	275,756

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

15. Operating Cash Flow Reconciliation

	2013 \$
Reconciliation of operating cash flows to profit	
Loss for period	(305,505)
Share based payments	37,756
Movements in trade and other payables	27,935
Movements in trade and other receivables	(30,879)
Cash flows used in operations	(270,693)

16. Financial Instruments

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.

Notes to the consolidated Financial Statements (cont'd)

16. Financial Instruments (cont'd)

(a) Market risk

(i) Foreign exchange risk

The Group operated in Australia in the period ended 30 June 2013 and had minimal exposure to foreign exchange risk.

(ii) 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.

(iii) Interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents. Term deposits and current accounts held with variable interest rates expose the Group to cash flow interest rate risk. Management have performed sensitivity calculations over the cash balances and other current assets held at period end and the impact on earnings is considered to be immaterial due to the short term nature of these holdings

Consolidated	Weighted average Interest rate	2013 Carrying Amount \$
Financial assets		
Cash	3.87%	2,518,649
Total		2,518,649

Interest rate sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and equity prices. The tables indicates the impact of how profit and equity values reports at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

2013	Change in profit/ (loss)\$
Increase in interest rate by 75 basis points	18,883
Decrease in interest rate by 75 basis points	(18,883)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Notes to the consolidated Financial Statements (cont'd)

16. Financial Instruments (cont'd)

(b) Credit risk

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:

	2013
	\$
Cash and cash equivalents AA-	2,518,649
Total	2,518,649

Notes to the consolidated Financial Statements (cont'd)

16. Financial Instruments (cont'd)

(c) 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 profiles 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.

2013		Fixed Interest rate maturing in			Non-interest Bearing	Total	Weighted average effective interest rate
Financial Instrument	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years			
	\$	\$			\$	\$	
Financial Assets							
Cash	315,739	2,200,000	-	-	2,910	2,518,649	3.87%
Receivables – other	-	-	-	-	23,758	23,758	
Total financial assets	315,739	2,200,000	-	-	26,668	2,542,407	
Financial Liabilities							
Trade payables	-	-	-	-	638	638	
Other payables	-	-	-	-	22,396	22,396	
Total financial liabilities	-	-	-	-	23,034	23,034	

(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.

The Group's capital includes mainly ordinary share capital 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.

Notes to the consolidated Financial Statements (cont'd)

16. Financial Instruments (cont'd)

(d) Capital Risk Management (cont'd)

The net working capital position of the Company at 30 June 2013 was \$2,521,593 and the net increase in cash held during the period was \$2,518,649.

The Group currently has \$2,518,649 of cash and cash equivalents and no debt which is sufficient working capital to fund its exploration commitments in the near future.

17. 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.

Notes to the consolidated Financial Statements (cont'd)

18. Share Based Payments

(a) Director Options

The following Options were issued to Directors during the financial period ended 30 June 2013.

Grant Date	Expiry Date	Exercise Price	Balance at start of period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested & exercisable at end of the period
			Number	Number	Number	Number	Number	Number
2013								
8 June 2012	30 June 2015	\$0.20	-	3,000,000	-	-	3,000,000	3,000,000

Fair value of Director Options granted

Grant Date	Expiry Date	Exercise Price	Granted during the period	Fair value per option at Grant Date	Total fair value
			Number	Number	Number
8 June 2012	30 June 2015	\$0.20	3,000,000	0.0126	37,755

The model inputs for the directors' options granted include:

Dividend yield (%)	-
Expected volatility (%)	100
Risk-free interest rate (%)	3.75
Expected life of options (years)	3.6
Underlying share price (\$)	0.10
Exercise price (\$)	0.20
Discount	75%
Value of option (\$)	0.012

(b) Vendor Options

The following Options were issued to Vendors during the financial period ended 30 June 2013.

Grant Date	Expiry Date	Exercise Price	Balance at start of period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested & exercisable at end of the period
			Number	Number	Number	Number	Number	Number
2013								
8 June 2012	30 June 2015	\$0.20	-	5,000,000	-	-	5,000,000 ¹	5,000,000

¹ 1,250,000 Options held by Seventy Three Pty Ltd <King Super Fund A/C No. 3>. Mr King is a Director of Seventy Three Pty Ltd

Notes to the consolidated Financial Statements (cont'd)

18. Share Based Payments (cont'd)

Fair value of Vendor options granted

Grant Date	Expiry Date	Exercise Price	Granted during the period	Fair value per option at Grant Date	Total fair value
			Number	Number	Number
10 August 2012	30 June 2015	\$0.20	5,000,000	0.0476	238,000

The model inputs for the vendor options granted include:

Dividend yield (%)	-
Expected volatility (%)	100
Risk-free interest rate (%)	2.35
Expected life of options (years)	3.5
Underlying share price (\$)	0.10
Exercise price (\$)	0.20
Discount	Nil
Value of option (\$)	0.05

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee and director benefit expense were as follows:

	2013 \$
Options issued to directors	37,756

Notes to the consolidated Financial Statements (cont'd)

19. Commitments and Contingent Liabilities

(a) Exploration Expenditure

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.

	2013 \$
Exploration expenditure commitments	
Payable:	
- not later than 12 months	75,000
- between 12 months and 5 years	210,000
	<u>285,000</u>

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.

Notes to the consolidated Financial Statements (cont'd)

20. Related Party Disclosure

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

	Country of Incorporation	% Equity Interest 2013
Stirling Minerals Pty Ltd	Australia	100

(a) Parent entities

Magnolia Resources Limited is the ultimate Australian parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out above.

(c) Key Management Personnel

There were no payments to related parties during the period ended 30 June 2013. A related party, Mr Tony King was a vendor of Stirling Minerals Pty Ltd. Refer to note 23.

(d) 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.

21. Events after the Reporting Date

There has not been in the interval between the end of the financial period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Company, to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

Notes to the consolidated Financial Statements (cont'd)

22. Auditor's Remuneration

	2013 \$
Audit services	
Amounts received or due and receivable by Stantons International Audit and Consulting Pty Ltd	
- An audit or review of the financial reports of the entity	<u>23,025</u>
Non-Audit services	
Amounts received by Stantons International Audit and Consulting Pty Ltd for non-audit services	
- Investigating Accountants Report	<u>4,528</u>
Total remuneration for non-audit services	<u>27,553</u>

23. Directors and Key Management Disclosures

(a) Directors

The following persons were directors of Magnolia Resources Limited during the period ended 30 June 2013:

Name	Position
Tony King	Executive Chairman
Cameron Pearce	Non-Executive Director
Travis Schwertfeger	Non-Executive Director

(b) Other key management personnel

There were no further key management personnel of the Group.

(c) Key management personnel compensation

	2013 \$
Short-term employee benefits	120,000
Other employee expense (superannuation)	10,800
Share based payments	<u>37,756</u>
Total	<u>168,556</u>

The Group has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors report. The relevant information can be found in sections A-C of the remunerations report on pages 10 to 14.

Notes to the consolidated Financial Statements (cont'd)

23. Directors and Key Management Disclosures (con't)

(d) Remuneration of Directors and Key Management Personnel

Options provided as remuneration and shares issued on the exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Section D of the remuneration report on page 14.

Option holdings

The number of options over ordinary shares in the Group held during the period by each director of Magnolia Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2013							
Name	Balance at the start of the period	Granted as compensation	Exercised	Other changes	Balance at end of the period	Vested and exercisable	Unvested
Directors							
Tony King	-	2,000,000	-	1,250,000 ¹	3,250,000	3,250,000	-
Cameron Pearce	-	500,000	-	-	500,000	500,000	-
Travis Schwertfeger	-	500,000	-	-	500,000	500,000	-
Total	-	3,000,000	-	1,250,000 ¹	4,250,000	4,250,000	-

¹Options issued to Seventy Three Pty Ltd <King Super Fund A/C No. 3>, one of the Vendors party to the Share Sale Agreement. Mr King is a Director of Seventy Three Pty Ltd.

The director's option holdings are subject to escrow provisions, and therefore have vested but are exercisable.

Shareholdings

The numbers of shares in the Group held during the period by each director of Magnolia Resources Limited and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

2013				
Name	Balance at start of the period	Received during the period on the exercise of options	Other changes	Balance at the end of the period
Directors				
Tony King	-	-	3,548,524	3,548,524
Cameron Pearce	-	-	250,000	250,000
Travis Schwertfeger	-	-	10,000	10,000
Total	-	-	3,808,524	3,808,524

Note the director shareholdings are subject to varying voluntary and ASX escrow provisions.

Notes to the consolidated Financial Statements (cont'd)

23. Directors and Key Management Disclosures (cont'd)

(e) Loans to key management personnel

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

(f) Other transactions with key management personnel

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

24. Parent Entity Information

The following details information related to the parent entity, Magnolia Resources Limited, as at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in note 1.

	2013
	\$
Current assets	2,546,619
Non-current assets	1,288,000
Total assets	3,834,619
Current liabilities	25,962
Non-current liabilities	-
Total liabilities	25,962
Contributed equity	4,050,001
Accumulated losses	(305,460)
Share issue costs	(211,640)
Option reserve	275,756
Total equity	3,808,657
Loss after income tax	(305,460)
Other comprehensive income/ (loss) for the period	-
Total comprehensive loss for the period	(305,460)

Guarantees

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

Directors' Declaration

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 2013 and of the performance for the period 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 1 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 10 to 14 of the directors' report (as part of the audited Remuneration Report), for the period ended 30 June 2013, 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 Director

Perth, Western Australia, 26 September 2013

Corporate Governance Statement

Corporate Governance Statement

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Magnolia Resources Limited ("**Company**" or "**Group**"). The Board of Directors ("**Board**") supports a system of corporate governance to ensure that the management of Magnolia Resources Limited is conducted to maximise shareholder wealth in a proper and ethical manner.

ASX Corporate Governance Council Recommendations

The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* ("ASX Principles and Recommendations 2nd Edition") where considered appropriate for Group of Magnolia Resources Limited size and nature. Such policies include, but are not limited to the Board Charter, Board Committee Charters, Code of Conduct, Trading in Securities, Continuous Disclosure, Shareholder Communication and Risk Management Policies. Further details in respect to the Group's corporate governance practises are summarised below and copies of Group's corporate governance policies are available of the Group's web site www.magnoliaresources.com.au

The Board sets out below its "if not why not" approach where the Group's practice departs from the Recommendations. All Recommendations have been applied for the period ended 30 June 2013 unless set out below:

Principle 2 Recommendation 2.4:

Notification of Departure: A separate nomination committee has not been formed.

Explanation of Departure: Requires listed entities to establish a nomination committee. Given the current size of the Board and the Group, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board's Charter.

Principle 4 Recommendation 4.1 and 4.2

Notification of Departure: A separate audit committee has not been formed.

Explanation for Departure: Requires listed entities to establish as separate audit committee. Given the current size of the Group, the Board considers that this function is efficiently achieved by the full board in accordance with the guidelines set out in the Board's Charter and the Audit Committee Charter. The full Board conducts a review of the Group's financial statements at each financial reporting date and liaises with the Group's auditors as necessary.

Principle 8 Recommendation 8.1

Notification of Departure: A separate remuneration committee has not been formed.

Explanation for Departure: Requires listed entities to establish a nomination committee. Given the current size of the Board and the Group, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board's Charter.

In addition, all matters of remuneration will continue to be determined in accordance with *Corporations Act* requirements, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding their own remuneration or related issues.

Corporate Governance Statement (cont'd)

Roles of the Board and Management

The Board considers that the essential responsibilities of the Directors are to oversee Magnolia Resources Limited activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value.

The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The key responsibilities of the Board include:

- contributing to the development of and approving corporate strategy;
- appoint and review the performance of the Executive Director/ chief executive officer;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- arrange for effective budgeting and financial supervision;
- ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that financial, operational, compliance and risk management controls function adequately;
- ensure that appropriate audit arrangements are in place; and
- reporting to shareholders.

Board Structure

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- the Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;
- the Chairman should be non executive;
- the Board should not comprise a majority of Executive Directors; and
- Directors should bring characteristics which allow a mix of qualifications, skills and experience.

The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

Principle 2 Recommendation 2.1:

Notification of Departure: The Chair is an Executive Director

Explanation of Departure: Where practical, the chair should be a non-executive Director. The Board considers that the Company is not of sufficient size, nor are its affairs of such complexity, to require an independent Chairman. This will be reviewed as the Company develops.

Meetings of the Board

The Board meets as and when required to consider the business of Magnolia Resources Limited, its financial performance and other operational issues.

Corporate Governance Statement (cont'd)

Nomination and Appointment of New Directors

Recommendations of candidates for new Directors are made by the Board as a whole.

Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Given the size and nature of the Group's activities, the Board reviews the performance of Directors and the composition of the Board, at regular intervals during the period, or as deemed necessary.

Directors' Remuneration

The remuneration of non-executive Directors is different to that of executives. Executive Directors receive a salary and may receive other benefits.

Non-executive Directors receive a set fee per annum, the maximum as set by the Company's Constitution, in addition to their statutory superannuation entitlements, and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. When reviewing Director's fees the Board takes into account any changes in the size and scope of the Company's activities. Currently the non-executive Directors have a \$30,000 set fee, by way of their letters of appointment.

The Board will review the remuneration and policies applicable to all Directors on an annual basis.

Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior Executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

The structure and disclosure of the Group's remuneration policies for Directors, are set out in the Directors' Report.

Board Access to Information

All Directors have unrestricted access to all employees of the Group and, subject to the law, access to all Group records and information held by an employees and/or external advisers. The Board receives regular detailed financial and operational reports to enable it to carry out its duties.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Group will reimburse the Director for the reasonable expense of obtaining that advice.

Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner. The Board has not established an audit committee, remuneration committee or a nomination committee.

Corporate Governance Statement (cont'd)

1. Nomination Committee

The full Board carries out the role of the nomination committee. The full Board did not officially convene as a nomination committee during the Reporting Period, however nomination related discussions occurred from time to time during the period as required.

2. Audit Committee

The full Board carries out the role of an audit committee. The full Board did not officially convene as an audit committee during the Reporting Period, however audit related discussions occurred from time to time during the period as required. Details of each of the director's qualifications are set out in the Director's Report.

All of the directors consider themselves to be financially literate and have industry experience.

2.1. Audit Process

As part of the Group's commitment to safeguarding integrity in financial reporting, Magnolia Resources Limited accounts are subject to annual audit by an independent, professional auditor, who also reviews the half-yearly accounts. The Auditor attends and is available to answer questions at, the Group's annual general meetings.

2.2. Auditor Independence

The Group has implemented procedures to monitor the independence and competence of the Group's external auditors. Details of the amounts paid for both audit work and non-audit services are set out in this annual report.

The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

3. Remuneration Committee

Details of remuneration, including the Group's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board did not officially convene as a remuneration committee during the Reporting Period, however remuneration related discussions occurred from time to time during the period as required.

Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

Share Trading

Under the Group's Share Trading Policy, all employees and Directors of the Group and its related companies are prohibited from trading in the Group's shares or other securities if they are in possession of "inside information". Subject to this condition and in light of the ASX's continuous disclosure requirements,

Corporate Governance Statement (cont'd)

Share Trading (cont'd)

trading can occur at any time but subject to conditions surrounding periods prior to the publication of financial results and disclosure documents.

The Group understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX's securities market and has adopted a comprehensive policy covering announcements to the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretary also liaises with the Executive Director in relation to continuous disclosure matters. The Executive Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

Ethical Standards

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

It is the Board's responsibility to ensure that all staff are aware of the Group's Code of Conduct and to ensure that any individual who does not adhere to these ideals is dealt with appropriately by executive management. Appropriate action may be counselling, disciplinary action or termination of employment.

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Group is considered reputable by the industry and other outside entities. This involves considering the impact of the Group's decisions on the industry, colleagues and the general community.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Magnolia Resources Limited. Information is communicated to shareholders through the distribution of annual reports; and by presentation to shareholders at the Annual General Meeting, which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by Magnolia Resources Limited throughout the period with respect to its activities are distributed widely via the Australian Securities Exchange and posted on the Group's website located at www.magnoliaresources.com.au

Corporate Governance Statement (cont'd)

ASX Best Practice Recommendations

Principles of Good Corporate Governance and Best Practice Recommendations
("ASX Principles and Recommendations 2nd Edition")

The table below identifies the ASX Corporate Governance Principles and Recommendations (Principles) and whether or not the Company has complied with the recommendations during the reporting period:

	Recommendation	Complied	Note
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	✓	
1.2	Disclose the process for evaluating the performance of senior executives	✓	
1.3	Provide the information indicated in the Guide to reporting on Principle 1	✓	
2.1	A majority of the board should be independent directors	✓	
2.2	The chair should be an independent director	✗	Note 1
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	✓	Note 1
2.4	The board should establish a nomination committee	✗	Note 2
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	✓	
2.6	Provide information indicated in the Guide to reporting on Principle 2	✓	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	✓	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	✓	Note 3
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	✗	Note 3
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✗	Note 3
3.3	Provide information indicated in the Guide to reporting on Principle 3	✓	
4.1	Establish an audit committee	✗	Note 4
4.2	Structure the audit committee so that it: <ul style="list-style-type: none"> consist only of non-executive directors consists of a majority of independent directors is chaired by an independent chair, who is not chair of the board has at least three members 	✗	Note 4
4.3	The audit committee to have a formal charter	✓	
4.4	Provide the information indicated in the Guide to reporting on Principle 4	✓	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies	✓	
5.2	Provide the information indicated in the Guide to reporting on Principle 5	✓	
6.1	Design communications policy for promoting effective communication with	✓	

Recommendation		Complied	Note
	shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy		
6.2	Provide the information indicated in the Guide to reporting on Principle 6	✓	
7.1	Establish policies for oversight and management of material business risks and disclose a summary of those policies	✓	
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. Disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	
7.3	Disclose whether assurance has been received from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	
7.4	Provide information indicated in the Guide to reporting on Principle 7	✓	
8.1	Establish a remuneration committee	✗	Note 2
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	
8.3	Provide the information indicated in the Guide to reporting on Principle 8	✓	

Note 1:

(a) Recommendation 2.2 – The Chair

The Principles recommend that the chair is an executive director and substantial holder and therefore does not pass the criteria of independence outlined in the Recommendations. The Company's Corporate Governance Plan provides that the chairman where practical, should be a non-executive director. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to require an independent chairman. This will be reviewed as the Company develops

(b) Recommendation 2.3 – Role of The Chair

The Principles recommend that the role of the Chair and Chief Executive Officer are not exercised by the same person. The Company has not appointed a chief executive officer. The Company intends to appoint a Chief Executive Officer, separate from the role of the chair, in the future. However due to the limited size of the Company's operations it may not be appropriate to appoint a separate chief executive officer for some time.

Note 2:

The Principles recommend that companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties and that companies should have a structure to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

(a) Recommendation 2.4 – Nomination Committee

Recommendation 2.4 of the Principles states that the board should establish a nomination committee that should be structured so that it:

- consists of a majority of independent directors;

Corporate Governance Statement (cont'd)

- is chaired by an independent director; and
- has at least three members.

The Board does not have a separate nomination committee. The Board, as a whole, serves as a nomination committee and acts in accordance with the Nomination and Remuneration Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate nomination committee.

The responsibility for the selection of potential directors lies with the full Board of the Company. A separate nomination committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the nomination committee and to regularly review membership. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance and consideration of appointments and approvals.

When a Board vacancy occurs, the Board acting as the nomination committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re-election every three (3) years.

(b) Recommendation 8.1 – Remuneration Committee

Recommendation 8.1 of the Principles states that the board should establish a remuneration committee that should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The Board does not have a separate remuneration committee. The Board, as a whole, serves as a remuneration committee and acts in accordance with the Nomination and Remuneration Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate remuneration committee.

The responsibility for remuneration of directors and senior management lies with the full Board of the Company. A separate remuneration committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the remuneration committee and will review remuneration issues at regular Board meetings.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the establishment of a remuneration committee to ensure compliance with the Principles where possible.

Note 3:

The Principles recommends that companies should actively promote ethical and responsible decision-making.

Corporate Governance Statement (cont'd)

(a) **Recommendation 3.3 – Measurable Objectives for Achieving Gender Diversity**

Recommendation 3.3 of the Principles states that the board should disclose in each annual report the measurable objective for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Company, the Company has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.

(b) **Recommendation 3.4– Annual Report Disclosure**

Recommendation 3.4 of the Principles states that the board should disclose in each annual report:

- the proportion of women employees in the whole organisation;
- women in senior executive positions; and
- women on the board.

The Company does not currently have any employees, there are no women in senior executive positions and there are no women on the board.

Note 4:

The Principles recommend that companies should have a structure to independently verify and safeguard the integrity of their financial reporting. Recommendation 4.1 of the Principles states that the board should establish an audit committee.

Recommendation 4.2 of the Principles states that the audit committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and
- has at least three members.

The Board does not have a separate audit committee. The Board, as a whole, serves as an audit committee. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate audit committee. The responsibility for preparation of financial statements and their audit lies with the full Board of the Company. A separate audit committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the audit committee and will review audit issues at regular Board meetings.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the establishment of an audit committee to ensure compliance with the Principles where possible.

ASX Additional Information

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

1. Shareholdings

The issued capital of the Company as at 24 September 2013 is 28,001,000 ordinary fully paid shares, 8,000,000 unlisted options (details below). All issued ordinary fully paid shares carry one vote per share.

Ordinary Shares

Shares Range	Holders	Units	%
1-1,000	2	1,003	.00
1,001-5,000	2	7,273	.03
5,001-10,000	112	1,120,000	4.00
10,001-100,000	221	7,775,227	27.77
100,001-9,999,999	33	19,097,497	68.20
Total	370	28,001,000	100.00

Unmarketable parcels

There were 3 holders of less than a marketable parcel of ordinary shares.

2. Top 20 Shareholders as at 24 September 2013

	Name	Number of Shares	%
1	J & J BANDY NOM PL <J & J BANDY S/F A/C>	5,000,000	17.86
2	SEVENTY THREE PL <KING S/F A/C NO 3>	2,551,000	9.11
3	BONTEMPO C & C <C & C BONTEMPO S/F>	2,500,000	8.93
4	SEVENTY THREE PL <KING S/F NO 3 A/C>	877,524	3.13
5	WATEROX PL <TIEN CHAI A/C>	805,000	2.87
6	WASHDO PL	750,000	2.68
7	LUDOWICI MAXIMILIAN	540,000	1.93
8	VELD NOM PL <ZOLOTO FAM A/C>	500,000	1.79
9	KOMODO CAP PL	500,000	1.79
10	ROMBOLA FAM PL <ROMBOLA FAM ACCOUNT>	475,000	1.7
11	BR CORP PL	340,000	1.21
12	INVIA CUST PL <PRICE FAM INV A/C>	275,000	.98
13	MATLOCK GEOLOGICAL SERVICES PL	260,000	.93
14	PEARCE CAMERON	250,000	.89
15	CINQUE HOLDINGS PL	250,000	.89
16	HSBC CUSTODY NOM AUST LTD	250,000	.89
17	INVIA CUST PL <PRICE NYMAN S/F A/C>	250,000	.89
18	GLORY RESOURCES LTD	250,000	.89
19	FOWLER FIONA LEE DIXON	250,000	.89
20	KARAKORAM NO2 PL <S/F A/C>	240,000	.86
	Total	17,113,524	61.11
	Total Remaining Holders Balance	10,887,476	38.89

3. Unlisted Options

There are 8,000,000 unlisted options over shares in the Company as at 24 September 2013 as follows:

Grant Date	Expiry Date	Exercise Price	Number of options
8 June 2012	30 June 2015	\$0.20	3,000,000
10 August 2012	30 June 2015	\$0.20	5,000,000
		Total	8,000,000

4. Substantial Shareholders as at 24 September 2013

	Name	Number of Shares	% Holding
1	J & J BANDY NOM PL <J & J BANDY S/F A/C>	5,000,000	17.86
2	SEVENTY THREE PL <KING S/F A/C NO 3>	2,551,000	9.11
3	BONTEMPO C & C <C & C BONTEMPO S/F>	2,500,000	8.93

5. Restricted Securities subject to escrow period

Securities subject to escrow are:

Category	Number of Shares	Number of Options ¹	Period of Escrow
Related parties and promoters	8,426,000	6,750,000	24 Months from 1 November 2012
Total			

1. Unlisted options exercisable at \$0.20 on or before 30 June 2015.

6. Group cash and assets

In accordance with Listing Rule 4.10.19, the Group confirms that it has been using the cash and assets it had acquired at the time of admission and for the period ended 30 June 2013 in a way that is consistent with its business objective and strategy.