



**FINANCIAL STATEMENTS**  
**FOR MAGNETICA LIMITED AND ITS CONTROLLED ENTITIES**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

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**Magnetica Limited & Controlled Entities**

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## **DIRECTORS' REPORT**

Your directors present their report for the half-year ended 31 December 2016.

### **DIRECTORS**

The following persons were directors of Magnetica Limited during the period and up to the date of this report:

Philip Dubois  
Charles Ho  
Howard Stack  
Justin Schaffer  
Richard Aird

### **REVIEW OF OPERATIONS**

#### **FY1617 Half Year Review of Operations**

In the first half of FY16/17, the Magnetica team has continued to make good progress in their activities to bring to market the unique, patented, and disruptive asymmetric MRI technology upon which the Company is being built.

In support of the focused effort to commercialise a compact very high field 3T (Tesla) extremity MRI system, a Beta Project Agreement was signed in September 2016, between Magnetica and our collaborating system integration partner. The program of work in support of the agreement is underway and represents the primary focus for Magnetica's development team.

Activities within the scope of the AusIndustry Accelerating Commercialisation Grant, mentioned in the FY1516 Annual Report, commenced in July 2016. The AU\$1.0M Grant, together with matched funding from the Company, is directly supporting 3T Beta Project development activities, which are progressing well.

Musculoskeletal images captured using the 3T (alpha) magnet Extremity MRI system were provided for comment to selected specialists while attending the Radiological Society of North America (RSNA) annual meeting, RSNA 2016, held in Chicago in November 2016. Very positive feedback was received from key industry experts, reinforcing the applicability of Magnetica's ongoing commercialisation activities.

Magnetica was awarded a Queensland Government Ignite Ideas Grant of AU\$250,000, with funds being matched by the Company. The activities funded by this grant, that commenced in July 2016, are focused on the development of Magnetica's advanced manufacturing capabilities and creation of high-tech manufacturing jobs in Queensland.

Magnetica continues to progress the development of its Head Scanner technology, albeit at a slower rate due to capital constraints. Further design work was completed and preliminary engagement with a manufacturing collaborator is underway. The patent protection for the technology has proceeded from PCT phase to National phase in all of the chosen jurisdictions applicable to the IP.



Market interest in our Gradient and RF Coils remains strong, even with limited business development efforts being undertaken at this time. Opportunities to develop this line of business to supply third parties will be progressed in sympathy with the retained core focus for the team of realising a compact very high field 3T (Tesla) extremity MRI system as soon as reasonably practicable.

In conclusion, the overall position of the company from a commercial and technical perspective continues to look very positive, with a number of commercialisation activities under consideration for CY17. As such, attracting sufficient capital to deliver multiple products to the market will be a key focus for the company's leadership team during the coming period.

The Directors thank you for your ongoing support of the Magnetica team, who continue to work diligently to deliver results for the shareholders.

## RESULTS OF OPERATIONS

Results for the half-year are summarised as follows:

	31 December 2016 \$	31 December 2015 \$
Profit/(loss) before income tax	845,434	(220,264)
Income tax expense	-	-
Net profit/(loss) for the period	845,434	(220,264)

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than highlighted above, there were no significant changes in the state of affairs during the half-year.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration has been received and can be found on page 5 of this financial report.

Signed this 6<sup>th</sup> day of March 2017 in accordance with a resolution of the directors.

A handwritten signature in purple ink, appearing to read "H. Stack".

**Howard Stack**  
Chairperson

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**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Magnetica Limited**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2016, there have been:

- i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



Geoffrey Stephens  
Director

HALL CHADWICK QLD AUDIT

Dated this 6th day of March 2017



## Independent Auditor's Review Report

To the members of Magnetica Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magnetica Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Magnetica Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Magnetica Limited, would be in the same terms if given to the Directors as at the time of this auditor's review report.

## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



Geoffrey Stephens  
Director

HALL CHADWICK QLD AUDIT

Signed at Brisbane, 6th March..... 2017

## DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
  - (b) complying with the Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in Brisbane this  day of March 2017 in accordance with a resolution of the directors.



**Howard Stack**  
Chairperson





**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	<b>Note</b>	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
Revenue	2	1,382,379	444,723
Expenses		(536,945)	(664,987)
Profit/(Loss) before income tax expense		845,434	(220,264)
Income tax expense		-	-
<b>Net profit/(loss) attributable to members of Magnetica Limited</b>		<b>845,434</b>	<b>(220,264)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period attributable to members of Magnetica Limited</b>		<b>845,434</b>	<b>(220,264)</b>

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



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31 December 2016 \$	30 June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		716,019	730,879
Trade and other receivables		516,047	20,119
Inventories		29,173	34,887
Other current assets		23,020	33,068
<b>TOTAL CURRENT ASSETS</b>		<b>1,284,259</b>	<b>818,953</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		193,585	200,392
Intangible assets		1,353,132	1,030,977
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,546,717</b>	<b>1,231,369</b>
<b>TOTAL ASSETS</b>		<b>2,830,976</b>	<b>2,050,322</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		202,837	267,619
<b>TOTAL CURRENT LIABILITIES</b>		<b>202,387</b>	<b>267,619</b>
<b>TOTAL LIABILITIES</b>		<b>202,837</b>	<b>267,619</b>
<b>NET ASSETS</b>		<b>2,628,139</b>	<b>1,782,703</b>
<b>EQUITY</b>			
Issued capital	3	56,829,923	56,829,922
Reserves		281,000	281,000
Accumulated losses		(54,482,785)	(55,328,219)
<b>TOTAL EQUITY</b>		<b>2,628,139</b>	<b>1,782,703</b>

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



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	<b>Issued Capital \$</b>	<b>Option Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2015</b>	55,102,166	281,000	(54,614,091)	769,074
Shares issued during the period	550,000	-	-	550,000
Total comprehensive income for the period	-	-	(220,264)	(220,264)
<b>Balance at 31 December 2015</b>	55,652,166	281,000	(54,834,355)	1,098,811
<b>Balance at 1 July 2016</b>	56,829,923	281,000	(55,328,218)	1,782,705
Total comprehensive income for the period	-	-	845,434	845,434
<b>Balance at 31 December 2016</b>	56,829,923	281,000	(54,482,784)	2,628,139

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 December 2016 \$	31 December 2015 \$
<b>Cash flows from operating activities</b>		
Receipts from customers and grants	907,522	453,162
Payments to suppliers and employees	(583,786)	(720,341)
Interest received	4,480	3,146
<b>Net cash provided by/(used in) operating activities</b>	<b>328,216</b>	<b>(264,033)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(8,804)	(10,753)
Payments for intangible assets	(334,272)	(282,601)
<b>Net cash provided by/(used in) investing activities</b>	<b>(343,076)</b>	<b>(293,354)</b>
<b>Cash flows from financing activities</b>		
Proceeds from capital raising	-	550,000
<b>Net cash provided by/(used in) financing activities</b>	<b>-</b>	<b>550,000</b>
Net increase (decrease) in cash and cash equivalents held	(14,861)	(7,386)
Cash and cash equivalents at the beginning of the financial period	730,879	361,838
<b>Cash and cash equivalents at the end of the financial period</b>	<b>716,018</b>	<b>354,452</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

#### 1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of the group. As such, they do not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the group for the year ended 30 June 2016, together with any disclosures made during the half-year.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

#### Going Concern

The financial statements have been prepared on a going concern basis which assumes the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

Magnetica Ltd is an emerging technology company and is in the continuing process of fund raising to develop the technology to a stage where the company becomes sustainably profitable and self-sufficient. While the company has large accumulated losses, for the last 6 months the company has made a net profit of \$845,434 (loss of (\$220,264) in the corresponding prior period). The company also has positive operating cash flows of \$328,216 for the last six months.

The ability of the Company to continue to adopt the going concern basis is dependent on a number of matters. These include the successful raising of necessary future funding, the ability to continue to secure government grants and/or the successful development and subsequent commercialisation of the Company's magnetic resonance imaging (MRI) technologies.

The directors believe that the adoption of the going concern basis is appropriate for the following reasons:

- a) The company has historically had the ability to secure Government grant funding and to secure share capital as needed.
- b) The company is entitled to a substantial annual research and development tax rebate.
- c) Periodic coil sales are expected to occur throughout the financial year and an arrangement is pending for a funding and partnering arrangement with a multinational company.
- d) The company has no debt apart from trade creditors and in fact had a surplus of net current assets at period end and as the date of this report.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses and the statement of financial position classifications used. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned, as described above, will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these financial statements.

#### New, revised or amending Accounting standards and Interpretations adopted

The company has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting standards and interpretations did not have any significant impact on the financial performance or position of the company.

## 2. REVENUE

	31 December 2016	31 December 2015
	\$	\$
Sale of goods	17,091	29,737
Royalties	3,105	-
Other Income	508,853	809
Research and development tax rebate	526,074	355,375
Commercialisation Australia grant	260,276	55,656
Qld Industry Ignite Ideas Fund grant	62,500	-
Interest	4,480	3,146
	<hr/> 1,382,379	<hr/> 444,723

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

#### 3. ISSUED CAPITAL

	No of shares	\$
<b>Ordinary Shares</b>		
Balance 1 July 2016	110,219,598	56,829,923
Balance 31 December 2016	110,219,598	56,829,923

#### 4. CONTINGENT LIABILITIES

There has been no material change in contingent liabilities since the last annual reporting date.

#### 5. EVENTS AFTER THE REPORTING PERIOD

There are no matters or circumstances, which have arisen since the end of the half-year, that have significantly affected, or may significantly affect, the operations, the results of those operations or the state of affairs of the consolidated entity in future years.