



FINANCIAL STATEMENTS
FOR MAGNETICA LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Magnetica Limited
ACN 010 679 633
Units 3 & 4, 55 Links Avenue North
Eagle Farm QLD 4009
Australia
Tel: +61 7 3188 5445
www.magnetica.com

Magnetica Limited & Controlled Entities

CONTENTS

	Page No.
Directors' Report	3
Auditor's Independence Declaration	5
Independent Auditor's Review Report	6
Directors' Declaration	8
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	11
Condensed Consolidated Statement of Cash Flows	12
Notes to the Financial Statements	13



DIRECTORS' REPORT

Your directors present their report for the half-year ended 31 December 2017.

DIRECTORS

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

Howard Stack
Philip Dubois
Charles Ho
Justin Schaffer
Richard Aird
Jonathan Schaffer (alternate to Justin Schaffer)

REVIEW OF OPERATIONS

During the six months to 31 December 2017, acceleration of our commercialisation activities was the key theme, with the focus maintained on developing our market-disrupting 3T (Tesla) Extremity MRI System. The commercialisation of our disruptive 3T Extremity MRI system is well progressed. However, there have been some delays which tend to eventuate during the commercialisation of market-disrupting high-tech products.

Nevertheless, the integration of our next generation conduction-cooled superconducting magnet, gradient coils and Radio Frequency (RF) coils was successfully undertaken in late 2017. Working closely with our collaborating system integration partner, the anticipated performance of the integrated beta extremity MRI system has been proven.

The availability of smaller, lighter and faster dedicated MRI systems enables the delivery of high-performance medical imaging at the point-of-care for patients. With our system integration partner, we are working to make this a reality. Subject to the successful outcome of commercial negotiations and decisions with our system integration partner, we expect to publicly announce the project in the coming months. Until then, confidentiality continues for competitive reasons. Nevertheless, Magnetica will provide an update on the commercialisation pathway for Magnetica's technology and IP within the 3T Extremity MRI system once arrangements have been finalised with our system integration partner.

Richard Aird has transitioned into a Non-Executive Director role, providing Magnetica with ongoing access to Richard's value-adding skill-set and experience.

In preparing to scale production capacity to satisfy demand as products achieve market entry and market-pull increases, Magnetica has successfully secured Grant funding support from the Advanced Manufacturing Growth Centre (AMGC). The AU\$0.25M funding, with matching funding from Magnetica, is enabling key elements of our advanced manufacturing activities to be upgraded to new levels of automation.

Activities are progressing well as we work to upgrade our existing Quality Management System (QMS) to obtain compliance certification with ISO 13485:2016, a QMS specific to medical device organisations. A new Business Growth Grant is accelerating key elements of the work. Obtaining, and maintaining, this certification is integral to the delivery of our MRI medical device products.

Following on from the 3T Extremity MRI system, our next planned product is a dedicated 3T Head and Neck MRI system (Head Scanner). Work continues on this product as resource availability permits, with a focus upon early engagement with a manufacturing collaborator and protection of intellectual property.



DIRECTORS REPORT (Continued)

A AUD\$1.36M capital raising was completed in December 2017, providing cash flow runway in support of our ongoing commercialisation activities of the disruptive 3T Extremity MRI system and anticipated scaling of the business, including production manufacturing.

The Directors acknowledge the ongoing support of shareholders and the broader stakeholder community and thank them for their continued backing of Magnetica and the team as a whole.

RESULTS OF OPERATIONS

Results for the half-year are summarised as follows:

	31 December 2017 \$	31 December 2016 \$
Profit/(loss) before income tax	263,051	845,434
Income tax expense	-	-
	<hr/>	<hr/>
Net profit/(loss) for the period	263,051	845,434
	<hr/>	<hr/>

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.

Director

Brisbane, ^{12th} day of March, 2018

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 2017, 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 12th day of March 2018

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 2017, the condensed consolidated statement of profit or loss and other 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 2017 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 2017 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, 12th March..... 2018

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 2017 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 ^{12th} day of March 2018 in accordance with a resolution of the directors.



Director



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Note	31 December 2017 \$	31 December 2016 \$
Revenue	2	976,765	1,382,379
Expenses		(713,714)	(536,945)
Profit/(Loss) before income tax expense		263,051	845,434
Income tax expense			-
Net profit/(loss) attributable to members of Magnetica Limited		263,051	845,434
Other comprehensive income			-
Total comprehensive income for the period attributable to members of Magnetica Limited		263,051	845,434

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 2017

	Note	31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		1,937,039	763,275
Trade and other receivables		116,521	109,745
Inventories		64,995	47,632
Other current assets		17,740	27,294
TOTAL CURRENT ASSETS		2,136,295	947,946
NON-CURRENT ASSETS			
Property, plant and equipment		175,387	186,130
Intangible assets		3,108,059	2,464,909
TOTAL NON-CURRENT ASSETS		3,283,446	2,651,039
TOTAL ASSETS		5,419,741	3,598,985
CURRENT LIABILITIES			
Trade and other payables		745,773	758,048
Employee Benefits		79,903	79,525
TOTAL CURRENT LIABILITIES		825,676	837,573
NON CURRENT LIABILITIES			
Employee Benefits		1,060	4,963
TOTAL NON CURRENT LIABILITIES		1,060	4,963
TOTAL LIABILITIES		826,736	842,509
NET ASSETS		4,593,005	2,756,476
EQUITY			
Issued capital	3	58,131,498	56,829,922
Reserves	4	551,000	281,000
Accumulated losses		(54,089,493)	(54,354,446)
TOTAL EQUITY		4,593,005	2,756,476

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 2017

	Issued Capital	Option Reserve	Performance rights Reserve	Accumulated Losses	Total
	\$	\$		\$	\$
Balance at 1 July 2017	56,829,922	281,000	-	(54,354,444)	2,756,478
Shares issued during the period	1,360,000	-	-	-	1,360,000
Share issue costs	(58,424)	-	-	-	(58,424)
Performance Rights issued during the period (see note 4)	-	-	270,000	-	270,000
Prior Year Adjustment	-	-	-	1,900	1,900
Total comprehensive income for the period	-	-	-	263,051	263,051
Balance at 31 December 2017	58,131,498	281,000	270,000	(54,089,493)	4,593,005
Balance at 1 July 2016	56,829,923	281,000	-	(55,328,218)	1,782,705
Total comprehensive income for the period	-	-	-	845,434	845,434
Balance at 31 December 2016	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 2017

	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Receipts from customers and grants	1,072,483	907,522
Payments to suppliers and employees	(602,603)	(583,786)
Interest received	4,821	4,480
GST recovered/(paid)	53,482	-
Net cash provided by/(used in) operating activities	528,183	328,216
Cash flows from investing activities		
Payments for property, plant and equipment	(728)	(8,804)
Payments for intangible assets	(655,267)	(334,272)
Net cash provided by/(used in) investing activities	(655,995)	(343,076)
Cash flows from financing activities		
Proceeds from capital raising	1,301,576	-
Net cash provided by/(used in) financing activities	1,301,576	-
Net increase (decrease) in cash and cash equivalents held	1,173,764	(14,861)
Cash and cash equivalents at the beginning of the financial period	763,275	730,879
Cash and cash equivalents at the end of the financial period	1,937,039	716,018

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 2017

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 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 2017, 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 six months the company has made a net profit of \$263,051 (profit of \$845,434 in the corresponding prior period). The company also has positive operating cash flows of \$528,183 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; and
- 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 2017

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 2017	31 December 2016
	\$	\$
Sale of goods	29,530	17,091
Royalties	8,101	3,105
Other Income	(691)	508,853
Research and development tax rebate	641,255	526,074
AusIndustry Accelerating Commercialisation grant	231,250	260,276
Qld Industry Ignite Ideas Fund grant	62,500	62,500
Interest	4,820	4,480
	976,765	1,382,379

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

3. ISSUED CAPITAL

	No of shares	\$
Ordinary Shares		
Balance 1 July 2017	110,219,598	56,829,922
Shares issued during the period at \$0.15 per share	9,066,664	1,360,000
Share issue costs		(58,424)
	<hr/>	<hr/>
Balance 31 December 2017	119,286,262	58,131,499

4. SHARE-BASED PAYMENTS – PERFORMANCE RIGHTS

During the year the company implemented the Magnetica Performance Rights Plan to incentive staff, directors and contractors working with the company. The Performance Rights were issued at no cost to recipients. The exercise price of each right is Nil. Each of the Performance Rights entitles the holder to exercise that right to receive one fully paid ordinary share in the entity under various terms and conditions. The Performance Rights consist of

- “Series A” rights, which are issued for past performance and vest immediately, and
- “Series B” rights, which are subject to various company wide/individual performance hurdles and will only vest when those hurdles are met, to the satisfaction of the Board of Directors.
- Shares issued or transferred under the Plan on exercise of a Performance Right (Plan Shares) may not be disposed of, transferred, or otherwise dealt with without Board approval while they are Restricted Shares, except by way of transmission to legal personal representative.
- Plan Shares will be Restricted Shares for the period commencing on their date of issue or transfer and ending on the occurrence of a Liquidity Event.
 - Liquidity Event means the first to occur of:
 - the date on which any Shares are either or both allotted or transferred under a prospectus lodged with the Australian Securities and Investments Commission (or other relevant regulatory body) in connection with an IPO;
 - the date on which a takeover bid for all of the Shares not owned by the bidder becomes unconditional; or
 - the date on which, following a Trade Sale all or part of the net proceeds of sale are paid to shareholders.
- Generally speaking a performance right will lapse when any of the following events occur:
 - the Expiry Date has been reached
 - the applicable performance conditions are not achieved within the performance period specified.
 - the recipient of the right ceases to be employed or engaged by the company or
 - the recipient is dismissed or removed from office for a reason which entitles the company to dismiss the recipient without notice or has committed any act of fraud, defalcation or gross misconduct, or any act which brings the Company into disrepute.

4. SHARE-BASED PAYMENTS – PERFORMANCE RIGHTS (CONTINUED)

In order to apply the principles in AASB2 – Share Based Payments – the directors of the company considers the fair value of the rights issued as at 20/12/17 to be \$0.15 per right. This is on the basis that the company is unlisted and has no liquidity for shares at the current time. This value is supported by the fact that an equity raising during the same month of December 2017 occurred at \$0.15 per share. In accordance with AASB 2, a charge of 1,800,000 at \$0.15 (\$270,000) has been expensed during the period, with a corresponding increase in equity.

Set out below are details of performance rights issued:

Series	Grant Date	Vesting Date	First possible exercise Date	Expiry Date (unless right otherwise lapses as above)	Balance at 31 December 2017	Balance at 31 December 2016
A	20-12-17	Immediately	20-12-17	20-12-24	1,800,000	-
B	20-12-17	When performance hurdles are met to the satisfaction of the Board of Directors	On vesting date	20-12-24	7,175,000	-

5. CONTINGENT LIABILITIES

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

6. 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.