Magnetica Limited

ACN 010 679 633

Offer Information Statement for Entitlement Offer to Shareholders

A pro-rata non-renounceable entitlement offer of 2 New Shares for every 7 Shares held at an issue price of $0.10 (10 cents) per New Share to raise up to approximately $2,000,000 dollars.

The Entitlement Offer closes at 5pm (Brisbane time) on Friday 7 November 2014.

An investment in the Company should be considered speculative.

This Offer Information Statement is important and should be read in its entirety. If you do not understand any part of this document or are in doubt as to what you should do, you should contact your professional adviser immediately. This document is not a prospectus or other disclosure document under the Corporations Act.

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IMPORTANT INFORMATION

This Offer Information Statement is dated 2 October 2014 and a copy lodged with ASIC on that date. This is a replacement Offer Information Statement and replaces the Offer Information Statement (the **Original Offer**) lodged with ASIC on 22 September 2014. ASIC take no responsibility for the contents of the Offer Information Statement. The Offer expires 13 months after the date of this Offer (the **Expiry Date**) and no Shares will be issued on the basis of this Offer Information Statement after the Expiry Date. The Offer is being made without a prospectus in accordance with section 709(4) of the Corporations Act 2001 to shareholders with a registered address in Australia, recorded in the register of members on 7pm (Brisbane time) Friday 3 October 2014 (Record Date).

This document is not a prospectus under Australian law or under any other law. Accordingly, this document does not contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus.

This booklet may contain forward-looking statements, opinions and estimates. Forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this letter and the attached materials. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to the Company as of the date of this document. Except as required by law or regulation the Company undertakes no obligation to update these forward-looking statements.

Before making any decision to invest, Eligible Shareholders must make their own investigations and analyses regarding the Company, its business, financial performance, assets, liabilities and prospects, rely on their own inquiries and judgements in the light of their own personal circumstances (including financial and taxation issues) and seek appropriate professional advice.

Capitalised terms have the meaning given to them in section 6.

MESSAGE FROM THE CHAIRMAN OF DIRECTORS

2 October 2014

Dear Shareholders

On behalf of the Board of Directors of Magnetica Limited, it is my pleasure to offer to you this opportunity to participate in a non-renounceable Offer of two (2) new shares in the Company for every seven (7) shares presently held be you, at an issue price of $0.10 per New Share.

The purpose of the Entitlement Offer is to provide existing loyal shareholders with the opportunity to participate in the capital raising of $2,000,000 and benefit in any increase in valuation as the Company executes on strategies to commercialise its existing products and technology.

Your Directors believe that the Company is at the point where we can build on our product offerings to develop exciting new MRI product: a product which we believe is potentially disruptive in the MRI imaging market.

Technology development and commercialisation is always slower and more difficult than we all expect. Magnetica has endured more than its fair share of setbacks and disappointments, and any lesser resolve by major shareholders, the Board and management team would have seen Magnetica's demise some time ago. But our confidence in our technological excellence in MRI engineering is, I believe, well founded and has been validated by the success of the company's first product, the 1.5T compact magnet which has an installed base of over 220 systems globally in the GE Healthcare Optima 430 orthopaedic extremity scanner.

Our confidence remains high. The engineering team have excelled once again and developed what we consider to be a disruptive advance in MRI technology to facilitate "head" scans without the need to access the expensive and patient unfriendly whole body scanning systems.

But to label our new product simply as a 'Head Scanner' significantly understates its capability. The new magnet design will perform not only the long sought after head and neurological images, but it will also be able to perform the foot, knee, hand, and arm extremity imaging which the GE Optima 430 currently does; but at 3T strength with the improved imaging that higher field strength provides.

We believe it will have other specialist applications such as neonatal and paediatric imaging. And importantly the new product will be mobile, which will widen its commercial, and possibly military application.

This cluster of applications covers more than 50% of all scans performed in conventional generalist whole body scanners and, if successful, at a much lower cost.

The new system capability should provide better economic and clinical outcomes to administrators and doctors and of course a much better end result for patients. A dedicated head scanner product has been spoken of by clinicians as a much needed product, but the MRI industry has not to date been able to provide a suitable engineering solution. We believe your Magnetica engineering team now has the solution.

Magnetica's 3T compact orthopaedic product commercialisation project jointly funded by the Federal Government continues to experience delays in China due to the financial constraints of our initial partner, Alltech Medical Systems. This is no reflection on the product or the commercial application, and we are now considering alternate commercialisation strategies to resolve the delays.

There is considerable interest in all our technology and our know-how, particularly in China where there is a government mandate for indigenous Chinese companies to develop their own MRI capability. They need help from companies such as Magnetica, of which there are few. We are talking to several companies with various positions in the market, which may present a variety of opportunities for our Company.

We are also leveraging our IP and capabilities generally. Our technical team has world-wide recognition, and we are sought out to provide advice and products. We have successfully tendered to design and manufacture a variety of specialist gradient and radio frequency coils to various customers which provide useful revenues to support our wider goals.

Your Directors thank you for your patience and believe that the hard work of our small and talented team is returning value to your shareholding, and that a liquidity event will be possible once the new products have been successfully launched.

Information about the Offer and the key risks of investing in the Company are set out in this Offer Information Statement. I encourage you to read it in its entirety before making your investment decision. On behalf of the Directors, I encourage you to consider taking up this Offer and look forward to your continued investment in the Company.

Yours sincerely,



Howard Stack - Chairman

Magnetica Limited

KEY FEATURES OF THE ENTITLEMENT OFFER

Summary of Offer

Issue Price	$0.10 (10 cents) per New Share
Entitlement	2 New Shares for each 7 Shares held on the Record Date.
Additional New Shares available	Eligible Shareholders may apply for New Shares in excess of their Entitlement. The Directors may scale back applications for Additional New Shares in their absolute discretion
Maximum number of New Shares that can be issued under the Entitlement Offer	**19,918,182**
Approximate number of Shares that will be on issue if the Entitlement Offer is fully subscribed	**89,631,819**
Amount to be raised if the Entitlement Offer is fully subscribed (before costs)	**$ 1,991,818**

Key dates

Record Date to determine Entitlements	7pm on 3 October 2014
This booklet and Entitlement and Acceptance Forms despatched	7 October 2014
Opening date of the Entitlement Offer	10 October 2014
Closing Date — last date for lodgement of Entitlement and Acceptance Forms and payment of Application Money	7 November 2014
Issue of New Shares	12 November 2014
Holding statements for New Shares expected to be despatched	14 November 2014

The Company reserves the right, subject to the Corporations Act and other applicable laws, to vary the dates of the Entitlement Offer (including extending the Entitlement Offer or accepting late applications) without notice.

1 Details of the Entitlement Offer

1.1 The Entitlement Offer

Eligible Shareholders are invited to participate in a pro-rata non-renounceable Entitlement Offer to raise up to approximately $2,000,000 (before costs). The Entitlement Offer will be conducted on the basis of two New Shares for every seven Shares held on the Record Date, at an Offer price of 10 cents per New Share, payable in full on application. Fractional entitlements will be rounded up.

1.2 Eligible Shareholders

This booklet contains an offer of New Shares to Eligible Shareholders. Eligible Shareholders are those holders of Shares who:

(a) are registered as a holder of Shares on the Record Date;

(b) have a registered address in Australia; and

(c) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Shareholders that are not Eligible Shareholders are Ineligible Shareholders.

1.3 Additional New Shares

Eligible Shareholders that have fully subscribed for their Entitlements under the Entitlement Offer will be able to subscribe for additional shares (Additional New Shares). Additional New Shares will be sourced from Entitlements that were not taken up under the Entitlement Offer.

Eligible Shareholders can subscribe for Additional New Shares by completing the relevant part of the Entitlement and Acceptance Form, or through BPAY ®.

There is no guarantee that those Eligible Shareholders will receive the number of Additional New Shares applied for, or any. The number of Additional New Shares will not exceed the shortfall from the Entitlement Offer. The Directors reserve the right to allot and issue Additional New Shares in their absolute discretion.

1.4 Ranking of New Shares

New Shares and Additional New Shares issued under the Entitlement Offer will rank equally with existing Shares.

1.5 Withdrawal of Entitlement Offer

The Board reserves the right to withdraw all or part of the Entitlement Offer at any time before the issue of New Shares, in which case the Company will refund Application Money without payment of interest.

1.6 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application or payment once it has been accepted, except as allowed by law.

1.7 No Entitlements trading

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlement in full will not receive any value in respect of those Entitlements that they do not take up.

1.8 Discretion to deal with shortfall

To the extent there is any shortfall in subscriptions for New Shares and Additional New Shares under the Entitlement Offer, the Directors reserve the right to allocate top up Shares or place any shortfall at their discretion after the close of the Entitlement Offer.

1.9 Minimum subscription

There is no minimum subscription for the Entitlement Offer.

1.10 Purpose of the Entitlement Offer

This Entitlement Offer will ensure the Company is funded until approximately the end of 2016 and provide the necessary capital to;

(a) Complete the commercialisation process of the Company's 3T orthopaedic magnet.

(b) Complete the detailed design, outsourced component manufacture, final assembly and systems integration in Brisbane to prove the new "head scanner" magnet.

(c) Increase gradient and RF coil hi-tech manufacturing capabilities in Brisbane.

(d) Fund business development and sales activities including China and mature MRI market engagement to ensure maximum market opportunities for the new products.

(e) Provide necessary working capital for the Company while revenues are developed.

1.11 Use of Funds

In the event of the full amount of the Offer being raised, the funds will be used in the following manner. If a lesser amount is raised the funds will be applied on a pro rata basis to the below expenditure items other than in respect of the costs of the Offer which will remain as $50,000

1.	Advance commercialisation activities of orthopaedic 3T extremity magnet	$250,000
2.	Detailed engineering and NRE to Prototype the Company's new 'Head Scanner' magnet	$1,100,000
3.	Capex and BD for further establish the MRI component supply business (Gradient and RF Coils)	$150,000
4.	Business development to establish strategic alliances with global MRI channel partners	$50,000
5.	Working Capital	$400,000
6.	Costs of the Offer	$50,000
Total		**$2,000,000**

1.12 Underwriting

The Entitlement Offer is not underwritten.

1.13 Participation by Directors

The Directors have advised the Company as follows in relation to their participation in the Entitlement Offer:

Director	Shares Held	Entitlement	Intentions
Howard Stack	1,000,000	285,714	100%
Justin Schaffer	5,000,000	1,428,517	100%
Philip Dubois	453,125	129,464	100%
Charles Ho	333,305	95,230	100%

Mr Justin Schaffer and Mr Howard Stack have indicated an intention to apply for additional New Shares dependent upon the level of application for any shortfall in of the Entitlement Offer by new sophisticated investors to whom the Company may offer Shares.

1.14 Opening and Closing Date for applications

The Entitlement Offer opens for acceptances on 10 October 2014 and all Entitlement and Acceptance Forms and payments of Application Money must be received by no later than 5pm (Brisbane time) on 7 November 2014, subject to the Directors not extending the Closing Date.

1.15 Allotment of New Shares

It is expected that allotment of the New Shares will take place as soon as practicable after the Closing Date. It is expected that the New Shares will be allotted no later than 12 November 2014. However, if the Closing Date is extended, the date for allotment may also be extended.

2 How to participate

2.1 What you may do — choices available

Before taking any action you should carefully read this Offer Information Statement and the other publicly available information about the Company on its website (www.Magnetica.com) and consider the risk factors set out in section 4.

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance Form. If you are an Eligible Shareholder you may:

Alternatives	**See section**
Take up your Entitlement in full or in part	2.2
Take up your Entitlement in full and apply for Additional New Shares	2.2, 2.3
Allow your Entitlement to lapse	2.7

2.2 If you wish to accept your Entitlement in full or in part

Either:

Payment by cheque or bank draft

If you are paying for your New Shares by cheque, bank cheque or bank draft, complete and return the Entitlement and Acceptance Form with your payment. The Share Registry must receive your completed Entitlement and Acceptance Form together with full payment for the number of New Shares for which you are applying by no later than 5pm (Brisbane time) on 7 November 2014.

Your cheque, bank cheque or bank draft must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. Your payment must be for the full amount required to pay for the New Shares applied for. Payments in cash will not be accepted.

Cheques must be made payable to 'Magnetica Limited' and crossed 'Not Negotiable'.

You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. We will not re-present any dishonoured cheques.

or:

Pay by BPAY®

If you are paying for your New Shares by BPAY ®, please refer to your personalised instructions on your Entitlement and Acceptance Form. Please note that should you choose to pay by BPAY ®:

- you do not need to complete or return the Entitlement and Acceptance Form but are taken to have made the declarations on that personalised

Entitlement and Acceptance Form; and amounts received by the Company in excess of the Issue Price multiplied by your Entitlement (Excess Amount) may be treated as an application to apply for as many Additional Shares as your Excess Amount will pay for in full.

- If you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares as is covered in full by your Application Money.

When completing your BPAY ® payment, please make sure to use the specific Biller Code and unique reference number provided on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form (i.e. where you have multiple holdings), please only use the reference number specific to the Entitlement on that form. If you inadvertently use the same reference number for more than one of your Entitlements, you will be deemed to have applied only for New Shares on the Entitlement to which the reference number applies.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY ® are received by 5pm (Brisbane time) on the Closing Date.

Excess Application Money that is not sufficient to subscribe for a number of New Shares or Additional New Shares multiplied by the Issue Price will be refunded to you except where that amount is less than $2.00, in which case it will be retained by the Company. The method by which you receive the refund will be at the discretion of the Company. No interest will be paid to Eligible Shareholders on any Application Money received or refunded.

2.3 Applying for Additional New Shares

If you have applied to take up all of your Entitlement, you may also apply for Additional New Shares.

If you apply for Additional Shares and your application is successful (in whole or in part) your Additional New Shares will be issued at the same time that other New Shares are issued under the Entitlement Offer. There is no guarantee that you will receive any Additional New Shares. The Directors reserve their right to allot and issue Additional New Shares in their absolute discretion.

2.4 Acceptance of the Entitlement Offer

By completing, and the Company receiving, your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY ®, you:

(a) agree to be bound by the terms of this Offer Information Statement and the provisions of the Company's constitution;

(b) authorise the Company to register you as the holder(s) of the New Shares allotted to you;

(c) declare that all details and statements made in the Entitlement and Acceptance Form are complete and accurate;

(d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer;

(e) acknowledge that once the Company receives the Entitlement and Acceptance Form or your payment by BPAY ®, you may not withdraw it except as allowed by law;

(f) agree to apply for, and be issued with up to, the number of New Shares that your payment will pay for at the Issue Price of $0.10 per New Share;

(g) authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;

(h) declare that you were the registered holder(s) at the Record Date (3 October 2014) of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;

(i) acknowledge that the information contained in this Offer Information Statement is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;

(j) represent and warrant that the law of any place (other than Australia) does not prohibit you from being given this Offer Information Statement or making an application for New Shares; and

(k) represent and warrant that you are an Eligible Shareholder and have read and understood this Offer Information Statement and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this booklet and the Entitlement and Acceptance Form.

2.5 Payment for New Shares

The Issue Price of $0.10 per New Share is payable in full on application.

The Application Money payable for your Entitlement is set out on the Entitlement and Acceptance Form.

Application Money will be held in trust in a subscription account until allotment. Any interest earned on Application Money will be for the benefit of the Company and will be retained by the Company whether or not the allotment of New Shares takes place.

2.6 Address details and enquiries

Completed Entitlement and Acceptance Forms (including payment of Application Money by BPAY ®) should be forwarded in the enclosed reply paid envelope to the Company's Share Registry by mail to the following address:

Magnetica Limited,

C/- Link Market Services Limited,

Locked Bag 3415,

Brisbane QLD 4001.

If you would like further information you can:

- contact your stockbroker, accountant or other professional adviser; or
- Call Magnetica on (07) 3188 5449

2.7 If you do not wish to accept all or any part of your Entitlement

To the extent you do not accept all or any part of your Entitlement, it will lapse. Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of the Entitlements they do not take up, and their percentage shareholding in the Company will be reduced following the issue of New Shares.

3 Company Information and overview

3.1 Strategy

Magnetica's strategy has four key components the Directors intend to execute over the next two years. The strategy focuses on and is aimed to significantly increase the value of the business and the Company's Intellectual Property (IP), and position Magnetica for a commercially positive outcome that will be attractive to potential new investors in the Company.

The following key value generating milestones, as they are executed, will raise Magnetica's global MRI industry credibility and create further opportunities for the Company:-

(a) Completing commercialisation of the 3T orthopaedic Magnet MRI System, and obtaining regulatory approvals.

(b) Completing proof of concept for a unique asymmetric MRI Head Scanner, including development of prototype magnet and gradient coils.

(c) Developing ongoing commercial sales of Gradient and RF coils ex Eagle Farm facility.

(d) locating a strategic partner with the capability to take the Company's products to the world MRI markets.

3.2 Magnetica's whole body MRI magnet design capabilities and patents

Magnetica has significant engineering experience and capability in superconducting magnet design suitable for all MRI applications including 1.5T and 3.0T whole body and extremity magnets.

This is validated by an innovative suite of patents and a complex compact 1.5 T magnet which is already commercialised and used by GE Healthcare.

Magnetica's technology has also allowed development of an innovative asymmetric compact 3.0T prototype. This magnet has been successfully prototyped and taken to field. It is ready for commericalisation.

The engineering design knowledge and requirements for the compact MRI magnets are significant, and in fact more challenging than whole body magnet design. Magnetica will utilise existing patents, design capability and proprietary software to provide class leading whole body 1.5T and 3.0T MRI magnet designs. Magnetica will focus heavily on the Chinese market where demand for advanced medical services is increasing.

Magnetica is about to commence provision of consultancy services to an existing Chinese super-conducting magnet manufacturer which is in the process of developing a "home grown" clinical whole body system.

3.3 Magnetica's Gradient and RF coil knowledge

Magnetica has world recognised advanced design, production capabilities and patents for gradient and radio frequency coils suitable for use in MRI applications. The coils are key subsystems of any MRI system.

Gradient coil design and assembly requires advanced MRI engineering knowledge. The global MRI industry is currently serviced in commercial volumes by only one company outside the MRI 'majors' (GE, Siemens, and Philips)and Magnetica sees a viable opportunity to enter this market**.**

Magnetica's technical team has extensive experience in the design and manufacture of RF coils from 1.5T to 9.4T for which there is very limited competition worldwide. Magnetica believes there is also a significant opportunity to enter this market as part of China's push to attain its own MRI capability to compete with the major world MRI system suppliers. It is one of very few companies capable and prepared to provide this IP to China.

Magnetica has recently quoted for design, manufacture and supply of gradient and RF coil products to the value of $0.5M and received orders in excess of $0.25M.

3.4 Magnetica's 1.5T Orthopaedic Magnet. (Commercialised)

Magnetica's first product is its 1.5T orthopaedic magnet which is presently being manufactured and supplied to GE Healthcare for its MR430 "Optima" orthopaedic MRI imaging system. This is the only superconducting extremity MRI system available in the market, and more than 200 systems have been sold. Magnetica receives a royalty payment for each system sold as the joint owner of the Intellectual Property (IP) in this magnet with the manufacturer Jastec.

GE has stated that it intends to discontinue sales of this product in 2015, and it will accordingly lose its exclusive use of this product, which Magnetica views as an opportunity to further develop this magnet. By adding Magnetica designed gradient and RF coils Magnetica believes it can produce a significantly improved 1.5T magnet system for which they believe there is proven market demand in both USA and Europe. At 1.5T, it will continue to have a cost advantage in these and other markets, just as 1.5T whole body systems still have today.

A new advanced 1.5T product will be owned 100% by Magnetica and Magnetica believes it will be entitled to 100% of revenues from production of this advanced 1.5T magnet system.

3.5 Magnetica's 3.0T Orthopaedic Magnet (Ready for Commercialisation)

Magnetica has developed the next generation of its first orthopaedic magnet, a 3.0T superconducting orthopaedic magnet together with its complementary gradient and RF coils. This new magnet system uses Magnetica's unique asymmetric IP for the first time, which will be difficult for any competitor to match.

This $3.3M project has been financed by a Queensland Government R&D grant of $1M, matched by $1M of loans from Magnetica directors and shareholders. Jastec contributed in cash and kind.

A proto-type magnet with its gradient and RF coils has been successfully built and tested to 3T field strength. It is ready for commercialization, and will broaden the market already developed by GE Healthcare's MR430 system. Magnetica has the commercialization rights, and commenced this process in partnership with Alltech Medical Systems LLC.

This partnership is presently under review due to Alltech's financial constraints, however the work done together with Alltech has added value in that significant design changes have been introduced which will improve the beta production magnets. We believe this will in turn leave Magnetica as the 100% owner of all IP in this new magnet system.

3.6 Magnetica's new multi-purpose Head Scanner. (Ready to prototype)

Magnetica has designed an innovative compact 3.0 Tesla superconducting magnet which has the potential to transform a substantial proportion of the Magnetic Resonance Imaging (MRI) market. The first of its type, the 'Head Scanner' magnet is designed to be well suited to dedicate diagnostic imaging for head/neurological, extremity/musculoskeletal and neonatal MRI applications.

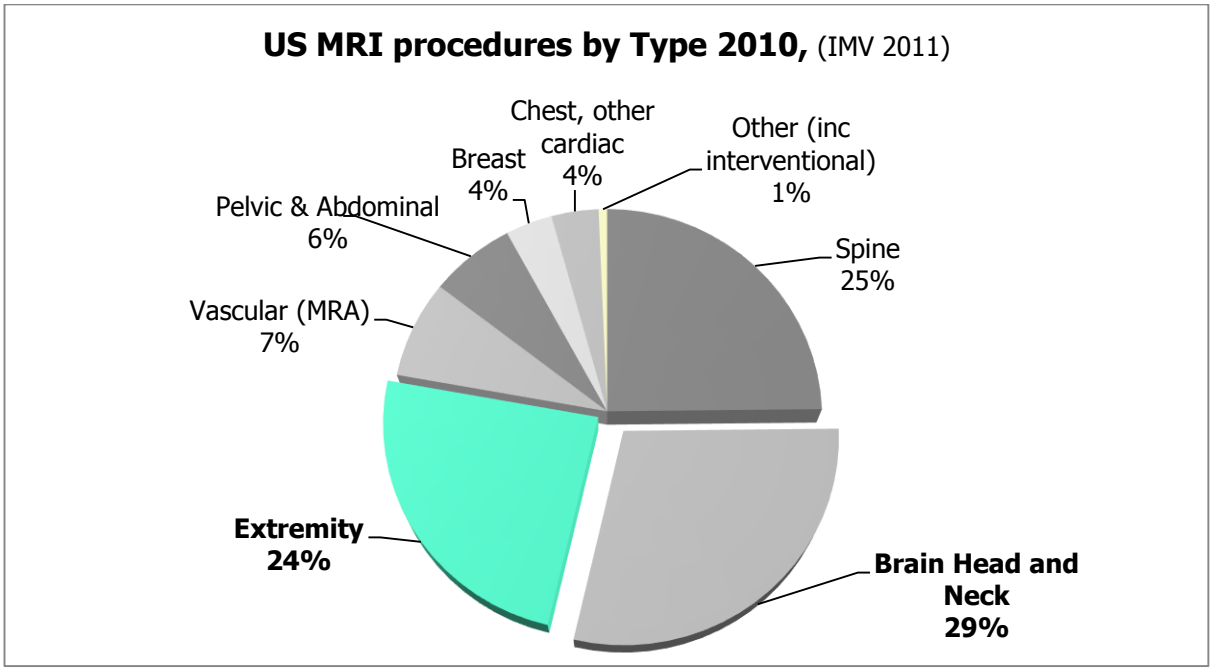
The clear advantage of smaller dedicated MRI systems over current larger whole body systems is primarily:

- significantly lower initial capital costs;
- improved return on investment;
- improved patient comfort;
- reduced claustrophobia issues;
- faster and more tailored imaging sequences versus generalist systems; and
- smaller and lighter which facilitates mobile applications.

It is estimated that this smaller system can be used for up to 50% of all scans traditionally done with a conventional whole body scanner, being head and extremity images as shown below. For hospitals, the smaller cheaper lighter system will optimise the use of expensive whole body imaging assets. In addition this scanner could be used for all required scans in a dedicated neurological, orthopaedic or neonatal clinical practice.

A dedicated extremity only head scanner has long been desired by clinicians, but the design challenges have eluded developers. Magnetica has overcome those challenges to proof of concept phase, and is ready to build the alpha prototype and its gradient and RF coils. This development again uses Magnetica's unique asymmetric IP.

Magnetica intends to build the prototype itself, and again retain 100% ownership of all IP. A mock-up has been built, and is available for viewing at Magnetica's factory at Eagle Farm.



3.7 Patents

Magnetica currently has 29 patents and 20 patent applications in major international jurisdictions.

These patents and patent applications cover six key design 'families':

- Extremity 1.5/3T MRI magnet design
- Associated asymmetric magnet system components (RF coils + gradients)
- Technology relating to whole body symmetric superconducting magnet design
- Three different asymmetric technology approaches relating to whole body and specialist/extremity/neonatal superconducting MRI magnet designs

Key Patents include:

- Patented 1.5T Compact Extremity Magnet, proven and currently being used in clinical applications by GE Healthcare
- 3.0T Orthopaedic compact Alpha Magnet - patented asymmetric technology in the 3.0T compact magnet system has been built and successfully taken to field.

Additionally Patent applications for the "Head Scanner" magnet have been filed.

3.7 Market

The global MRI equipment market is estimated at US$4.6 billion in 2013 and is projected to reach US$6.3 billion by 2018, exhibiting a compound annual growth rate (CAGR) of 6.2%. The USA represents the largest market for MRI equipment with an estimated share of 34.6% in 2013. Asia Pacific represents the fastest growing market, exhibiting a CAGR of 11.9%.

Magnetica is confident that its technologies represent a value proposition for both mature MRI markets such as the US and Europe and the rapidly emerging markets in Asia, and particularly in China.

China, for example, is emerging as one of the fastest growing healthcare markets, and presents huge market potential for MRI systems with sales 2013 reported at $483.9 M USD. At present, in China, there exists only one MRI scanner per one million people, where the US has over 50 MRI scanners per one million people.

Magnetica expects its MRI engineering skills and patents around extremity and whole body magnet systems will be of high value to the emerging Chinese MRI systems integrators wanting to compete for market share against mature multinational technologies in a rapidly expanding MRI installed system base in both the government and private hospital systems.

There are also indications the Chinese government is working toward favourable or preferential selection for indigenous Chinese MRI system developers to supply MRI equipment to the rapidly expanding Chinese healthcare system. The China MRI developers will need, and are being incentivised to gain high field MRI system capability, and almost all the potential Chinese entrants into this market are seeking 3T expertise.

Magnetica is in discussion with several such companies. The discussions have ranged from the provision of consulting services, to joint venture, to investment direct into Magnetica. Magnetica is about to commence one such consulting arrangement.

Developed or mature MRI markets such as the US and Europe have taken up speciality MRI systems such as Magnetica's 1.5T compact extremity marketed by GE healthcare. Dedicated systems are attractive to both clinicians and administrators.

Clinicians can tailor reliable specialised scans verses whole body generalist systems, while administrators can rely on improved asset utilisation and patient throughput and lower capital and running costs.

There is a compelling case for a dedicated 3.0T head scanner that would be approximately 30% of the capital cost of an equivalent whole body system and relieve the existing whole body system asset of 50% of all necessary scans. There are sites ready and willing to trial such a system.

Currently there is no very high field compact speciality head scanner MRI product available in the commercial market. The concept of smaller, high performance, cost effective systems are expected to be economically and clinically very effective.

3.8 Management Team

Chief Executive Officer – Richard Aird

Richard is an experienced commercial operations and project manager with over twenty years involvement in business management, product development and manufacturing operations in technology industries, construction and agribusiness. Prior to Magnetica, Richard was COO at RedFlow Limited (ASX:RFX), a world-leading Australian battery technology and energy storage company. Richard joined the company from the start-up stage, and held key management positions throughout the company's development, was directly involved in stages of fundraising to IPO, and the progressive move to outsourced component manufacturing in Australia and Asia. Richard continues to hold a non-executive Director position on the Board of RedFlow.

Chief Technical Officer - Professor Stuart Crozier (B.Eng (Hons), MSc, PhD, DEng.)

Professor Crozier is Director of Biomedical Engineering at UQ, and the founding inventor of the Company's key technologies, including the GE and new proprietary 3T technologies. He has more than 20 years' experience in medical engineering research, and has designed, developed, prototyped and sold medical devices to major global distributors (e.g. Siemens, GE Medical Systems, Bruker, and Magnex/Agilent) for human and animal imaging. He has extensive international experience with patents and publications/grants relating to medical imaging and medical devices. He is a Deputy Editor of *Magnetic Resonance in Medicine* and an Associate Editor of *IEEE Transactions in Biomedical Engineering*.

In 2002 he was awarded a Higher Doctorate in Engineering (D.Eng.) for work improving imaging equipment technology, and in 2004 was elected Fellow of the Institute of Physics (UK), and in 2008 became a Fellow of ATSE. In 2012, he was awarded the prestigious ATSE "Clunies Ross Award" in recognition of his substantial contributions to innovation in the medical imaging industry, including the GE magnet. He is co-author on an MRI patent licensed by UQ to GE and Siemens for incorporation as hardware and software, with around 70% of all MRI systems worldwide incorporating this technology since 1997.

Chief Financial Officer – Karen Hudson

Karen has specialised experience in providing CFO services to high growth and emerging corporates. Following 10 years' experience with "Big Four" (PWC/EY), Karen's has taken various CFO roles at listed and unlisted companies, and has been involved in corporate turnarounds in private and government sectors. She was CFO at Vision Energy, taking it through 4 major acquisitions and successful divestment to UXC. She was the inaugural CFO at RedFlow Limited, taking the company through to a successful IPO. Karen is also currently a non-executive Director of Sheldon College Foundation, one of Australia's leading educational institutions. She is a Chartered Accountant with a Bachelor of Business (Accountancy) from Queensland University of Technology 1984

3.9 Technical team

Dr. Riyu Wei - Magnetica's Lead Engineer, with over 28 years of R&D experience including 12 years in China and 16 years in Australia. He was awarded the Title of Outstanding Contribution Expert in 1994, and the Title of Excellent Expert in 1996 by Guangxi Province Government, and in 2004 received a Staff Achievement Award from Queensland Parallel Supercomputing Foundation. He holds a Ph.D. degree in Computational Mechanics from Dalian University of Technology, China, with a particular expertise in mechanical engineering (materials), structural analysis, design and advanced computational modelling.

Associate Professor Dr. Feng Liu, is a specialist in MRI superconductor magnet design. Dr Liu's expertise lies in medical imaging, MRI hardware design, electromagnetic analysis and cardiac electrical function imaging. He holds a PhD in Biomedical engineering from Zhejiang University, China.

Dr. Yu Li is a gradient coil design specialist and system integration developer. He received his B.Eng and M.Eng degrees from the Xidian University, Xi'an, Shannxi, China, and a Ph.D. in Biomedical Engineering from The University of Queensland.

Mr. Ewald Weber leads the RF coil development program. He is a specialist in the development of medical imaging equipment, in manufacturing RF coils, and has designed a large variety of multi-functional MRI coils, and has extensive industry experience. He commenced working in the research field in 1989, when he was employed by one of the major MRI equipment manufacturers, Bruker Biospin GmbH (Germany), where he was part of the RF-coil development team for more than 12 years.

Mr Ivan Hughes is the group's RF coil engineer, with over 13 years' experience. He worked for the Centre For Magnetic Resonance at the University of Queensland, key roles being the design and development of MRI RF coils with multi-channel or multi nuclei at various field strengths as high as 21T.

Ms. Leesa Murray, leads Magnetica's manufacturing operations, quality assurance and procurement program. Bachelor of Informatics with Honours degree from Griffith University, Brisbane, Australia

Mrs Lucia Weber, Mechanical Engineering Draftsperson - Berufsfoerderungszentrum Maximiliansau, Germany and CAD technician Institut fuer Informatik und Entwicklung, Karlsruhe

3.10 Staff Incentives

In order to appropriately reward staff for success, the Directors have resolved to issue shares options to employees and contracted consultants pursuant to the Company's share incentive plan. They will not exceed 10% of the expanded capital.

3.11 The Board of Directors

The Board of Directors consists of a non-executive Chairman and three non-executive Directors. The Board and Management bring a broad range of public company experience, start-up and manufacturing experience as well as practical and technical expertise in diagnostic imaging including practicing radiologists from Australia and the USA.

Non-Executive Chairman -– Howard Stack (BA, LLB)

Mr Stack was a partner in the Brisbane Law Firm Feez Ruthning from 1969, and was Managing Partner from 1992 until its merger with Allen and Hemsley in 1996. Mr. Stack has served as Chairman of Australian National Industries, Data #3 Limited, Southern Cross Pumps and Irrigation, Voxson Limited, Eastern Corporation Limited, Peak 3 Limited, Bow Energy Limited, and as a Director of Flight Centre Limited, Waratah Coal Inc., Diversified Mining Services Limited and Queensland Events Corporation. He presently serves as Chairman of RedFlow Limited.

Non-Executive Director - Dr Philip Dubois (MBBS, FRCR, FRACR, FAICD)

Dr. Dubois is a neuroradiologist and nuclear imaging specialist. He is an Associate Professor of Radiology at the University of Queensland Medical School. He is Chairman and CEO of Queensland X-Ray, a Director of Sonic Healthcare Ltd, and Chairman of the Sonic Imaging Executive. He was also Vice-President of the Australian Diagnostic Imaging Association (ADIA), a Councillor and the National Radiology Craft Group Representative of the Australian Medical Association (AMA). He has authored over fifty scientific publications, and been a speaker at both national and international conferences in the field of Diagnostic Radiology.

Non-Executive Director - Dr Charles Ho (MD, PhD) (Radiologist)

Dr Charles Ho is currently Director of Imaging Research at the Steadman Philippon Research Institute in Vail, Colorado, and serves on the Scientific Advisory Committee of the Institute. He has served as Regional Medical Advisor to the USA/VISA Decathlon Team, and as consultant to the San Francisco 49ers, San Francisco Giants, US Ski Team, Cleveland Indians, the Colorado Rockies, and the Denver Broncos. Dr Ho has published over 300 scientific articles and book chapters, many in the field of musculoskeletal and sports medicine MRI. He has worked with MRI system developers, assisting in specification and prototype testing. He is a graduate of MIT with a BS and MS in Electrical Engineering, and a Ph.D. in Electrical Engineering and M.D. degree from Stanford.

Non-Executive Director - Justin Schaffer (B. Econ. (Hons), MBA)

Mr Justin Schaffer joined as a Non-Executive Director in July 2008. Mr Schaffer has a depth of business experience internationally, as a Chairman, Executive Director and CEO of numerous large organisations. He is familiar with technology start-ups and has founded and run several successful high-tech companies. Early in his career, as a shareholder and CEO of Duropenta Plastics, he built the company to become the largest plastics manufacturer in South Africa. Later in his career Mr Schaffer ran, re-structured and restored profitability to the Frame Group. In 1993 he and four partners started Tracker Network Ltd, a stolen vehicle recovery business using technology from LoJack Corp., USA. The company now has sales revenues exceeding A$500million p.a. He and his partners continue to serve as non-executive directors.

4 Risk factors

4.1 General

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, its products, the industry in which it operates and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward-looking statements will be realised.

This section describes certain, but not all, risks associated with an investment in the Company. Each of the risks set out below could, if it eventuates, have a material adverse impact on the Company's operating performance, profits and the value of its Shares.

Before deciding to invest in the Company, potential investors should read the entire Offer Information Statement and the risk factors that could affect the financial performance of the Company.

You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

4.2 Key risks specific to an investment in the Company

(a) **Valuation of the Company**

The Company does not have sufficient track record in relation to revenue, profits and cash flows from which to forecast its future financial performance with any degree of certainty. Accordingly, it is difficult to ascribe an accurate value to the Company.

(b) **Illiquidity of Investments in the Company**

An investment in the Company should not be treated as a liquid investment, as there is currently no secondary market for the Company's shares. Shareholders may not be able to dispose of their investments for a fair market value or at all.

(c) **Losses into the Future**

The Company expects to incur losses at least through the 2014/2015 fiscal years as it moves towards commercialisation of its technologies. As a result, the Directors cannot be certain when or if the Company will achieve sustained profitability. Failure to become and remain profitable may adversely affect the Company's ability to continue operations.

(d) **Ongoing Financial Requirements**

The Company anticipates that its existing resources, together with the net proceeds of this offer, will enable it to maintain its currently planned operations for an intermediate period until revenues from existing product sales meet operating expenses, or until additional funding arrangements via joint ventures, licencing, sale of all or part of its undertaking or the like can be put in place. However, future financial requirements cannot be precisely calculated and will depend upon various factors, including product sales revenues, the progress of research and development projects and the success of the various business ventures and negotiations by the Company.

When the Company needs to raise additional funds there can be no assurance that additional funds would be available on a timely basis, on favourable terms, or at all, or that such funds, if raised, would be sufficient to enable the Company to continue to implement its business strategy. The Company may be required to curtail significantly one or more of its business programs or obtain funds from the sale or license of assets. If adequate funds are not available, the Company's business will be materially and adversely affected.

(e) **Regulatory risk and government policy**

Sales of MRI scanners are affected by government policy and private healthcare policies relating to reimbursement for scans, and more broadly by government and private healthcare organisations healthcare expenditures.

Healthcare budget cutbacks in key MRI markets, including the USA, Japan and Europe could impact on future spending on high end medical technologies including acquisition of MRI scanners by both public and private healthcare providers. In the USA recent healthcare changes have reduced the reimbursement paid for imaging, including MRI scans, which has impacted on clinics and hospitals. While the impact of such changes could slow overall MRI sales, it is possible that this could have a positive effect for smaller, cost efficient scanners.

Further changes in government policy relating to fee reimbursement changes could impact on future demand for scans and as a result on demand for new equipment, therefore affecting future sales growth in key markets including the US, China and Europe. Delays in the regulatory approval process, or difficulty in achieving regulatory approval in the USA, Europe or China could significantly impact on sales in one or more regions.

(f) **Insurance Risk**

The Company maintains insurance within ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

(g) **Operational risks and costs**

Development of prototype superconducting magnets presents, due to the advanced engineering required to manage the stresses, uncertain time and cost involved in prototyping. The development process is iterative, hence the operational management of overheads and cost control is an estimate based on Magnetica's significant experience.

(h) **Business risks**

There are risks inherent in doing business, such as unexpected changes in regulatory requirements, trade barriers, longer payment cycles, problems in collecting accounts receivable, network and infrastructure issues and potentially adverse tax consequences, any of which could adversely impact on the success of Magnetica's operations.

(i) **Contractual and joint venture risk**

Magnetica does not manage contract sales to GE, which is done by Jastec under our JV with that company. While Jastec is required to accept input

from Magnetica, Jastec has at times dealt with GE in a way which Magnetica disagreed with, and which has impacted negatively upon the profitability of sales of our first product.

In addition, because ownership of IP is joint, it is necessary to gain Jastec agreement upon commercial decisions, and the royalty payments which are to be made to Jastec by Magnetica Jastec has accepted the royalty offered, which is identical in percentage terms to that which Jastec pays Magnetica for sales to GE, but formal agreement is still to be finalised.

(j) **Feasibility and development risks**

Magnetica's new 3T magnet and its associated gradient and RF coils have successfully passed testing which demonstrated 3T field strength, and are expected to be shimmed to imaging homogeneity levels required for very high field imaging. The latter has not yet been done however due to continuing world-wide helium shortages.

While the Magnet and its Gradient and RF coils have been successfully prototyped and tested, further design for manufacture changes will be made with the aim to decrease the system cost and improve system performance. There is always some risk that these changes will not succeed technically or commercially.

Project feasibility is dependent on time to market, technical risks, manufacturing costs, market price sensitivity and demand, and government policy and regulation.

(k) **Unforseen expenses**

Unforseen costs can always materialise. For example, the current world-wide shortage of helium has caused project delays, and could raise the price of helium in the short and longer term, critical for MRI. And likewise, supplies of and price of superconducting wire (including raw components) can also cause delays and cost increases.

(l) **Additional requirements for capital**

This capital raising is calculated to enable the company to bring the new products to market in a time-frame which avoids the need for another capital raising. Delays in production, approvals, or in market demand/pricing and the like may necessitate additional capital in the future.

(m) **Reliance on key personnel**

The key management team described in Section 3 is central to Magnetica's reputation and performance and in particular the reputation and abilities of Professor Stuart Crozier. The maintenance of the team led by Professor Crozier is key for new product development, and the capacity to attract new business partners and investment.

(n) **Technical risks**

It may prove to be technically or economically unfeasible to manufacture large runs of Magnetica's designs for magnets or systems; regulatory or quality standards may change or the Company's products may fail to achieve appropriate certifications; competitors may produce superior magnet technology or products or alternative competing technologies now or in the future.

(o) **Commercial risks**

The Company may be delayed or may be unable to secure relevant patents to protect its technology or may be forced to engage in costly patent litigation; the Company may be unable to attract or retain a sufficient number of appropriately qualified or skilled employees; one or more of Magnetica's strategic partnerships may cease for whatever reason; product liability claims may be made by or against the Company, or product issues or materials availability impact on production; or demand for the Company's products may be lower than expected due to market demand, regulatory issues, competing products or introduction of alternative technologies.

(p) **Technological Developments**

One of the Company's key success factors is its ability to continue to maintain and develop its products at the leading edge of technological capabilities. Failure to continue to achieve this could lead to opportunities for competitors to adversely impact the Company's operating performance and financial position.

The Company intends to continue to focus on development of innovative products by maintaining strong links with the R&D community, particularly through its arrangements with the BioMedical Engineering Group (BME) at The University of Queensland. The Company will maintain a strong commitment to its own R&D program.

(q) **Protection of Proprietary Technology**

Wherever possible, the Company and UniQuest have obtained protection for intellectual property by registering patents in Australia as well as variously overseas, including the United States, Europe, Japan, China, the United Kingdom and Germany. The Company will continue to seek a lawful statutory monopoly position in relation to its technologies through a commitment to the filing and maintenance of patents.

Even with a granted patent, there is a risk that it is either insufficient in scope to protect against competition from alternate products or that it will be revoked as a result of legal challenge.

4.3 General Risk Factors

(a) **Illiquid market for Shares**

The Shares will not trade on ASX. The market for the New Shares will be illiquid until if and when the Company were to seek the listing of its Shares on the ASX. The Company does not have a current intention to seek a listing of its Shares on ASX or elsewhere.

(b) **Dependence on general economic conditions**

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the Company's

business or financial condition Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact on the Company's earnings and financial performance.

(c) **Tax risk**

Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

(d) **Legislative and regulatory changes**

Legislative or regulatory changes, including property or environmental regulations or regulatory changes in relation to product sold by the Company, could have an adverse impact on the Company.

4.4 Speculative nature of investment

The above list of risk factors is not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus.

Accordingly, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns, returns of capital or market value at any time. Shareholders should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to take up their Entitlement.

5 Additional information

5.1 Exposure period

As required by the Corporations Act 2001, this Offer Information Statement is subject to an exposure period of 7 days following lodgement of it with the ASIC. That period may be extended by the ASIC for a further 7 days. No Applications will be accepted by the Company during the Exposure Period. Any Applications received during the Exposure Period will only be processed (without preference) after the Exposure Period has ended.

5.2 Conversion of major shareholders' Loans – Magnetica will be debt free

Mr Howard Stack and Mr Justin Schaffer, both directors of the Company, and UniQuest Ltd, the Company's largest shareholder, have made several loans to the Company since early 2009.

A total of $1,882,688 has been provided by Mr Howard Stack, Mr Justin Schaffer and UniQuest as set out in the table below. No fees were paid to the above parties in direct consideration of their agreement to provide these loans. All of the loans were provided on an interest free, non-secured basis.

It is intended that contemporaneously with the completion of the Offer and issue of New Shares these loans will be converted into Shares at the conversion rate of $0.10c (10 cents) per Share and Shares issued to Mr Stack, Mr Schaffer and UniQuest. Magnetica will then be debt free.

The effect of the debt conversions are set out in the table below.

Party	**Current Debt**	**Shares to be issued on conversion of debt**	**Shareholding following debt conversion and completion of the Offer**	**% Shareholding following debt conversion and completion of the Offer**		
				Directors only subscribe	**Offer 50% subscribed.**	**Offer 100% subscribed**
Mr Howard Stack	$ 419, 229	4,192,290	5,478,004	6.06%	5.56%	5.05%
Mr Justin Schaffer	$ 424, 650	4,246,540	10,675,111	11.80%	10.84%	9.84%
UniQuest Ltd	$1,038,810	10,380,810	38,076,122	42.09%	38.66%	35.11%

Notes

1. *All directors have confirmed that they will subscribe in full for their entitlement to New Shares under the Offer. The above table is calculated on that basis*
2. *Prior to the Offer UniQuest holds 27,695,312 Shares representing 39.72% of the Shares on Issue prior to the Offer.*
3. *UniQuest has advised the Company that it does not intend to participate in the Offer. The above table is calculated on that basis*.

5.3 Effect of Issue and debt conversion on capital of the Company.

In the event the Offer is fully subscribed the effect of the Issue of New Shares and the conversion of dent to Shares will be as follows:-

Issued capital	
Total shares on issue pre rights issue and debt conversion	69,713,637
Entitlement issue	19,918,182
Shares issued debt conversion to equity	14,826,880
Total shares on issue following Rights issue, placement of shortfall and debt to equity conversion	**104,458,699**

5.4 Placement of Shortfall

It is the Directors' intention to seek to issue any New Shares not subscribed for under the Issue at their discretion. The Directors will have regard to the interests of existing shareholders in allocating the shortfall.

5.5 Financial information

The Company's audited financial statements for the 12 month period ending 30 June 2014 are set out in the Annexure to this Offer Information Statement.

5.6 Shareholders outside Australia

This Offer Information Statement and accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares, or to otherwise permit an offering of New Shares outside Australia. The New Shares may not be offered in a jurisdiction outside Australia where such an offer is not made in accordance with the laws of that place.

The distribution of this Offer Information Statement in jurisdictions outside of Australia may be restricted by law and therefore persons who come into possession of this document outside Australia should seek advice on, and observe, any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

It is the responsibility of any applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed Entitlement and Acceptance Form and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws and that the applicant is physically present in Australia.

United States

The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, a US person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

This Offer Information Statement is neither an offer to sell nor a solicitation of an offer to buy securities as those terms are defined under the US Securities Act. The Entitlement Offer is not being made to US persons or persons in the United States.

5.7 Ineligible Shareholders

The Company is not extending the Entitlement Offer to Ineligible Shareholders having regard to the cost of complying with legal and regulatory requirements outside Australia the number of Ineligible Shareholders and the number and value of New Shares which could be offered to Ineligible Shareholders.

Where this Offer Information Statement has been dispatched to Ineligible Shareholders, it is provided for information purposes only.

5.8 Taxation consequences

The taxation consequences of any investment in New Shares will depend upon your particular circumstances. Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

5.9 Privacy

The information about Eligible Shareholders included on an Entitlement and Acceptance Form is used for the purposes of processing the Entitlement and Acceptance Form and to administer the Eligible Shareholder's holding of New Shares. By submitting an Entitlement and Acceptance Form, each Eligible Shareholder agrees that the Company may use the information provided by an Eligible Shareholder on the form for the purposes set out in this privacy statement and may disclose it for those purposes to the Share Registry and the Company's related bodies corporate, agents and contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

The Corporations Act requires the Company to include information about each Shareholder (including name, address and details of the Shares held) in the Register. The information contained in the Register must remain there even if that person ceases to be a Shareholder. Information contained in the Register is also used to facilitate payments and corporate communications (including the Company's financial results, annual reports and other information that the Company wishes to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

Under the Privacy Act 1988 (Cth), you may request access to your personal information held by, or on behalf of, the Company or the Share Registry. A fee may be charged for access. You can request access to your personal information by telephoning or writing to the Share Registry as follows:

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane QLD 4000
Phone 1300 554 474 (toll free)
Fax +61 2 9287 0303
Email registrars@linkmarketservices.com.au
Website www.linkmarketservices.com.au

+61 1800 502 355 (free call within Australia), 9am–5pm (Sydney time) Monday to Friday (excluding public holidays); or by email to privacy.officer@linkmarketservices.com.au or by mail to, the Privacy Officer, Link Group, Locked Bag A14, Sydney South NSW 1235.

5.10 Not investment advice

This Offer Information Statement is not a prospectus under the Corporations Act. It is also not investment advice and does not take into account your investment objectives, financial situation, tax position and particular needs. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your personal circumstances (including financial and taxation issues) and seek professional guidance before deciding whether to invest.

5.11 Future performance and forward looking statements

Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Entitlement Offer.

5.12 Consents

The following persons have given and have not before the lodgement of this Offer Information Statement, withdrawn their written consent to the issue of this Offer Information Statement in the terms specified below:

(a) William Buck and Co have given their consent to the inclusion of their auditor's report and to being named as the Company's auditors in the form and context in which the report is included or they are named.

(b) Rick Anthon Lawyer has given its consent to be named as the solicitors of the Company in the form and context in which they are named.

(c) Link Market Services Limited has given their consent to be named as the Share Registry to the Company in the form and context in which they are named.

None of William Buck and Co, Rick Anthon Lawyer, or Link Market Services have authorised or caused the issue of this document and, except as set out in this section, make or purport to make any statement in this document and to the maximum extent permitted by law, each expressly disclaims and takes no responsibility for any part of this document other than giving its consents as set out in this section.

5.13 Authorisation

This Offer Information Statement is issued by Magnetica Limited. Each Director has given his consent in writing in accordance with section 720 of the Corporations Act to the lodgement of this Offer Information Statement with ASIC and has not withdrawn his consent prior to lodgement.

5.14 Electronic Offer Information Statement

This Offer Information Statement is available in electronic form via www.magnetica.com.au. Eligible Shareholders using the Application Form must be located within Australia Persons who receive an electronic version of this Offer Information Statement should ensure they download and read the entire Offer Information Statement.

5.15 Governing law

This Offer Information Statement, the Entitlement Offer and the contracts formed on acceptance of applications are governed by the laws applicable in Queensland, Australia.

5.16 Interpretation

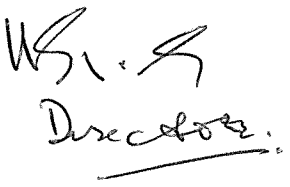
Some capitalised words and expressions used in this Offer Information Statement have meanings which are explained in section 6.

A reference to time in this Offer Information Statement is to the local time in Brisbane, Australia, unless otherwise stated. All financial amounts in this Offer Information Statement are expressed in Australian dollars, unless otherwise stated.

5.17 Disclaimer of representations

No person is authorised to provide any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Offer Information Statement.

Any information or representation that is not in this booklet may not be taken as having been authorised by the Company or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, none of Magnetica Limited, or any other person, warrants or guarantees the future performance of Magnetica Limited or any return on any investment made in connection with this Entitlement Offer.



6 Definitions

Application Money	Money paid by you for New Shares and Additional New Shares
ASIC	The Australian Securities and Investments Commission
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as applicable
Board	The board of Directors
Closing Date	5pm (Brisbane time) on Friday 7 November 2014
Company or Magnetica	Magnetica Limited ACN 130 227 271
Corporations Act	Corporations Act 2001 (Cth)
Director	A director of the Company
Eligible Shareholder	A Shareholder on the Record Date and who is not an Ineligible Shareholder
Entitlement	The entitlement to two New Shares for every seven Shares held on the Record Date. The entitlement of each Eligible Shareholder is shown on the personalised Entitlement and Acceptance Form
Entitlement Offer or Offer	The offer of New Shares made in this Offer Information Statement
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Offer Information Statement
Ineligible Shareholder	A Shareholder with an address in the Register outside Australia.
Issue Price	$0.10 (ten cents) per New Share
New Shares	Shares to be allotted and issued offered under the Entitlement Offer including, as the context requires, any additional shares issued under any shortfall
Offer Information Statement	This booklet which replaces the Original Offer

Record Date	7pm (Brisbane time) on 3 October 2014
Register	The register of Shareholders required to be kept under the Corporations Act
Share	A fully paid ordinary share in the Company
Share Registry	Link Market Services Limited
Shareholder	A holder of Shares

CORPORATE DIRECTORY

Directors

Mr Howard Stack (Chairman)
Dr Philip Dubois
Mr Justin Schaffer
Dr Charles Ho

Company Secretary

Mr Stephen Denaro

Registered office

Unit 4
55 Links Avenue North
EAGLE FARM, QLD. 4009.

Ph. (07) 3188 5445

Website

www.magnetica.com

Auditor

William Buck (QLD)
Level 21, 307 Queen Street
BRISBANE QLD 4000

Legal advisors

Rick Anthon Lawyer
Level 5, 10 Market Street
BRISBANE QLD 4000

Share Registry

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane QLD 4000

Phone 1300 554 474 (toll free)
Fax +61 2 9287 0303

Email registrars@linkmarketservices.com.au
Website www.linkmarketservices.com.au

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Magnetica Limited
ACN 010 679 633
Unit 3 & 4, 55 Links Avenue
Eagle Farm QLD 4009
Tel: (07) 3188 5445

Magnetica Limited & Controlled Entities

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CORPORATE INFORMATION

DIRECTORS
Howard Stack
Philip Dubois
Charles Ho
Justin Schaffer

SECRETARY
Stephen Denaro

AUDITORS
William Buck (Qld)
Level 21
307 Queen Street
Brisbane QLD 4000

LEGAL ADVISERS
Rick Anthon Lawyer
Level 5
10 Market Street
Brisbane QLD 4000

BANKERS
National Australia Bank
255 George Street
Sydney NSW 2000

SHARE REGISTRY
Link Market Services Limited
Level 22
300 Queen Street
Brisbane QLD 4000

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Units 3 & 4
55 Links Avenue North
Eagle Farm QLD 4009
Telephone: (07) 3188 5445

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Overview

Magnetica continues to make progress in the global MRI technology industry.

Magnetica has completed the 2013/14 financial year with significant milestones achieved with our MRI technology and progress made in development of our business in China, counter balanced by some difficulties with our Commercialisation Australia project and some disappointing news from General Electric, namely that they intend phasing out sales of their MR 430 orthopaedic MRI system which contains our 1.5T orthopaedic magnet.

However we can see positives from both these outcomes as below.

Progress with the commercialisation of the 3T extremity magnet

Our commercialisation partner Alltech Medical Systems in China (Alltech) has fallen into difficult financial circumstances due to the capital intensive nature of developing a greenfield whole body MRI manufacturing business, caused in part by their own success and significant growth in MRI system demand in China. Unfortunately this has effectively delayed our commercialisation project for the past six months, with Alltech choosing to defer all product development projects, including our 3T extremity project, until they can undertake a capital raising to provide sufficient funds to restart their development projects. So, we are looking at alternate methods of progressing the 3T commercialisation project.

This delay, together with some useful technical observations by Alltech concerning the manufacturing efficiency has enabled us to further optimize the 3T Beta magnet design for commercial manufacture, and that design is now complete. This means, when a suitable commercialisation partner and strategy is found and agreements reached (which may still be Alltech) this project can progress quickly.

The company's alpha 3T orthopaedic prototype magnet and its RF and gradient coil sub-system using Magnetica's patented asymmetric proprietary design approach will now be returned to Brisbane. We will complete the development work necessary to produce clinical images as final proof of concept and establish the system at our Eagle Farm facility for developmental, research and promotional activities.

Once a commercialization partner is decided on, this product is ready for commercial trials, and there is interest in the USA to trial a 3T orthopaedic system in radiology practices.

Magnetica has now successfully applied for an extension to the Federal Commercialisation Australia grant to fund commercialisation of the new 3T magnet system. The grant funding will now be available until 30 June 2015.

Our 1.5T Orthopaedic product

JASTEC royalty payments to Magnetica continued, albeit at a low volume this year in light of GE's decision to phase their MR 430 1.5T system out. This was disappointing news for Magnetica, with an installed base of over 220 systems globally, and a good reputation for the 1.5T system with specialists.

Jastec managed the GE relationship, and GE's decision has not been explained satisfactorily. The sales volume may have been too small for a huge systems provider like GE, and/or the increasing requirement for 3T imaging quality by orthopaedic specialists may have been a factor. If the latter, the case for our optimized 3T extremity product is even stronger, but we remain of the view that the market established by GE for the 1.5T system will remain viable with the right partner.

Our New Head Scanner Magnet

The Magnet engineering team continued work on one of our longer term projects which utilises all the company's experience and developed knowledge in MRI superconducting extremity magnet engineering design. We believe our 'Head Scanner' product is now ready to prototype. The team have designed a versatile multipurpose 3T magnet that will suit a variety of applications including head, neck and neurological, orthopaedic extremities, and neonatal/paediatric imaging.

The MRI industry has been looking for a solution for a compact magnet such as we have designed, and if successfully prototyped we believe it will be a truly disruptive product. The 'head scanner' magnet, will cater for 50% of all imaging procedures with greatly reduced system cost, increased patient comfort, reduction in claustrophobia, and reliable targeted 3T images. We intend to move forward with the project and construct a prototype magnet. We have the capability to do this on our own now, and will own 100% of the Intellectual Property.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Gradient and RF Coil Manufacturing

Magnetica's gradient and RF coil design and manufacturing business is progressing well. We are pleased to have provided quotations for in excess of $0.5 million dollars' worth of equipment, and have received purchase orders to date valued at around $0.25 M. With no promotion of our services to industry undertaken as yet, we expect we can grow this business in time within the constraints of our resources.

The University of Queensland

Magnetica's partnership with UQ and Professor Crozier's team continues to be healthy and strong and has enabled Magnetica to continue to innovate in the design of MRI components and equipment.

China Engagement

China engagement has been a focus for Magnetica this year. The MRI industry in China is expanding rapidly in an attempt to service the huge growth in the government backed expansion of the China healthcare system. Assembling a healthcare system for 1.2 billion people creates demand, and we believe there are significant opportunities for Magnetica's skills in China.

Funding

Finally, as contemplated last financial year, but delayed due to the uncertainty in our Alltech 3T development project, we intend to raise capital via a rights issue. The amount needs to be sufficient to progress the company's projects and preferably join with a strategic partner with complementary skills and channels to assist in bringing our products to market, A $2.0M capital injection, via rights issue, with the Directors undertaking to place any shortfall to new investors is expected to be sufficient to achieve these goals. .

Thank you for your continued support.



Howard Stack
Chairman

Brisbane, 17th September 2014

DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2014.

DIRECTORS

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

Howard Stack
Philip Dubois
Charles Ho
Justin Schaffer
Andrew Davis (resigned 16 July 2013)

Howard Stack
BA LLB
(Non-Executive Chairman, Member of Audit & Risk Committee)

Mr Stack is a leading professional corporate director with significant experience in high growth corporations.

He previously has served amongst others as a Director of Eastern Corporation Limited (2006 to July 2007; Chairman March-July 2007), Australian National Industries (1987-1997) and Data #3 Limited (Chairman from 1997 until September 2000); as Chairman of Southern Cross Pumps and Irrigation (1996-1997); Voxson Limited as Chairman (1999-2003); and Waratah Coal Inc (2009). He presently serves as Chairman of ASX Listed Redflow Limited.

Mr Stack had a long and highly successful career as a partner in the Brisbane based commercial law firm Feez Ruthning from 1969, and was its Managing Partner from 1992 until its merger with Allen Allen and Hemsley in 1996. He retired from Allens in 2001.

In the community he has been Chairman of Brisbane Grammar School Board of Trustees since 1991, and served as a Director of Queensland Events Corporation (1996-1998).

Dr Philip Dubois
MBBS FRCR FRACR FAICD (Radiologist)
(Non-Executive Director, Member of Audit & Risk Committee)

Dr Dubois is the Chairman and CEO of Queensland X-Ray and is a Director of ASX Listed Sonic Healthcare Ltd. He is the Chairman of the Sonic Imaging Executive and is a member of their Risk Management Committee. He is a neuro-radiologist and nuclear imaging specialist having spent ten years in academic radiology in the United States. He is the author of over fifty scientific publications and has been an invited speaker at many national and international conferences in the field of diagnostic radiology.

Dr Dubois is currently an Associate Professor of Radiology at the University of Queensland Medical School. He has represented his profession on numerous government and craft group committees. He is currently a Vice-President of the Australian Diagnostic Imaging Association (ADIA), a Councillor and the National Radiology Craft Group Representative of the Australian Medical Association (AMA).

Dr Charles P Ho
MD PhD (Radiologist)
(Non-Executive Director)

Dr Ho is Co-Medical Director of National Orthopaedic Imaging Associates (NOIA) with imaging centres located in California, Washington and Colorado. He has served as Regional Medical Advisor to the USA/VISA Decathlon Team and currently serves on the Medical Advisory Board of the Steadman Hawkins Sports Medicine Foundation. He and the other NOIA doctors are radiologic consultants to a number of high-profile sports organisations, including the San Francisco 49ers, San Francisco Giants, US Ski Team, Cleveland Indians and the Denver Broncos.

Dr Ho has published over 150 Articles, many of them relating to the application of MRI and has previously worked with MRI systems developers assisting them in specification and proto-type testing.

He is a resident of the United States, a graduate of MIT with a BS and MS in Electrical Engineering from MIT. He has a Ph D in electrical engineering and an MD from Stanford University, and underwent his radiology training at University of California, San Diego.

Justin Schaffer
BA(Econ) MBA (Tulane, USA)
(Non-Executive Director)

Justin Schaffer joined the Magnetica Board as a Non-Executive Director in July 2008.

Mr Schaffer has a great depth of business experience internationally, as a Chairman, Executive Director and CEO of numerous large organisations. He is also very familiar with technology start-ups and has founded and run a number of successful high-tech companies.

Early in his career, as a shareholder and CEO he built Duropenta Plastics to become the largest plastics manufacturer in South Africa, with 500 employees and 12,000 tons per annum production. He sold this business to AECI Ltd, a listed public company associated with ICI plc. He remained as CEO under contract and set up a Joint Venture with French and Israeli partners to establish a Drip Irrigation business in Spain and the U.S.A.

At the request of AECI Chairman, Harry Oppenheimer, who was also Chairman of DeBeers & Anglo American Corp., Mr Schaffer became CEO of South African Nylon Spinners Ltd. Within three years this company had been turned around to be the largest producer of nylon and polyester yarns, fibres and PET polymer in the southern hemisphere and one of the most profitable synthetic fibre businesses in the world. The workforce was reduced from 5,000 to 3,500. Investments were made in new Japanese-sourced technology to develop export markets for specialised technologically difficult niche products (e.g. tyre cord, conveyor belt, parachute cord and PET polymer for bottles).

Later in his career Mr Schaffer ran and re-structured the Frame Group, reducing the workforce from 25,000 to 18,000 in two years and restoring profitability.

In 1993 Justin and four partners started a new venture, Tracker Network Ltd, a stolen vehicle recovery business using technology from LoJack Corp., USA, a NASDAQ-listed company. Justin and the four partners served as founding, operating Directors. This Company now employs 800 people with sales revenues exceeding A$500million p.a. After establishment, the founding partners sold 50% of Tracker to a subsidiary of the Rembrandt Group in South Africa, installed professional management and continued to serve as non-executive directors.

Mr Schaffer uses his wealth of knowledge and experience to invest and act as Non-Executive Director in a number of high-tech start up companies in South East Queensland.

COMPANY SECRETARY

Stephen Denaro CA
BA, Grad Dip (Corporate Governance), CA, MAICD

Stephen has extensive experience in mergers and acquisitions, business valuations, accountancy services, and income tax compliance gained from positions as Company Secretary and Chief Financial Officer of various public companies, and with major chartered accountancy firms in Australia and the United Kingdom. He provides Company Secretarial services for a number of start up technology companies.

Stephen has a Bachelor of Business in Accountancy, Graduate Diploma in Applied Corporate Governance, and is a member of the Institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of Magnetica Limited are shown in the table below:

Director	Ordinary Shares	Unlisted options
Howard Stack	1,000,000	-
Philip Dubois	828,125	-
Charles Ho	333,305	-
Justin Schaffer	5,000,000	-

SHARE OPTIONS

Unissued shares

As at the date of this report (and at the end of the reporting period) there were 3,000,000 unissued ordinary shares under options as detailed in Note 13 to the financial statements.

Shares issued as a result of the exercise of options

During the year ended 30 June 2014, and up to the date of this report, no shares were issued as a result of the exercise of an option over unissued shares. However it is the Company's intention to implement a Staff Share Option scheme in the near future.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

CORPORATE INFORMATION

Corporate structure

Magnetica Limited is a company limited by shares which is incorporated and domiciled in Australia. Magnetica Limited has prepared a consolidated financial report which consolidates its wholly owned subsidiaries NMR Holdings No. 1 Pty Limited and NMR Holdings No. 2 Pty Limited.

Nature of operations and principal activities

The principal activities of the Company during the financial year were in design, development and commercialisation of superconducting magnets and magnet systems aimed at niche and emerging global human magnetic resonance imaging (MRI) markets.

Employees

As at 30 June 2014, the Company employed 3 full-time and 6 part-time employees (excluding the Directors and the Company Secretary). The Company also engages external consultants, particularly for research and development work, as required. The most important of these are from The University of Queensland's Biomedical Engineering Group.

REVIEW OF FINANCIAL CONDITION

Capital structure

During the period to 30 June 2014 no new shares were issued.

Treasury policy

The Company does not have a formally established treasury function. The Board is responsible for managing the Company's currency risks and finance facilities. The Company does not currently undertake hedging of any kind.

OPERATING RESULTS

For the year ended 30 June 2014, the loss from ordinary activities for the consolidated entity after providing for income tax was $214,868 (2013: $34,007).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year.

FUTURE DEVELOPMENTS

Likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have been discussed under Review of Operations.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Company's operations in subsequent financial years other than information which the Directors believe comment on or disclosure of, would prejudice the interests of the Group.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Magnetica has accepted orders to supply RF coil components totalling $119,981.

The company intends to undertake a capital raising of $2M by the end of November 2014 with the Directors undertaking to place any shortfall to new investors.

ENVIRONMENTAL REGULATIONS

The consolidated entity is not subject to any significant environmental regulation under a law of the Commonwealth or Queensland State governments.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company and certain indemnities to those Directors and Secretary.

The Company has not indemnified its auditor.

No insurance premiums have been paid, during or since the end of the financial year for any person who is or has been a director or officer of the Company.

DIRECTORS' MEETINGS

The number of meetings of directors held during the period and the number of meetings attended by each director are as follows:

	Board meetings		Audit & risk management committee		Remuneration and Nomination committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Howard Stack	1	1	1	1	-	-
Justin Schaffer	1	1	n/a	n/a	n/a	n/a
Philip Dubois	1	1	1	1	-	-
Charles Ho	1	1	n/a	n/a	n/a	n/a
Andrew Davis	-	-	-	-	-	-

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 11 of the Annual Report.

Signed at Brisbane this 17th day of September 2014 in accordance with a resolution of the directors.

Howard Stack
Chairman

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 year ended 30 June 2014 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck (Qld)
ABN 11 603 627 400

J A Latif
A Member of the Firm

Brisbane, 17th day of September, 2014

CHARTERED ACCOUNTANTS & ADVISORS

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William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNETICA LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising Magnetica Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit of loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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, the directors also state, in accordance with 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 about 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 entity'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 entity'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.

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.

CHARTERED ACCOUNTANTS
& ADVISORS

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Auditor's Opinion
In our opinion:

a) the financial report of the consolidated entity 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 2014 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Matters Relating to the Electronic Presentation of the Audited Financial Report
This auditor's report relates to the financial report of Magnetica Limited and its controlled entities for the year ended 30 June 2014 included on Magnetica Limited's web site. The company's directors are responsible for the integrity of Magnetica Limited's web site. We have not been engaged to report on the integrity of the Magnetica Limited's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck
William Buck (Qld)
ABN 11 603 627 400

J A Latif
A Member of the Firm

Brisbane, 17th day of September, 2014

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 15 to 38 are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
   b. give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. in the directors' opinion, the financial statements and notes to the financial statements are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

Signed at Brisbane this 17th day of September 2014 in accordance with a resolution of the directors.

Howard Stack
Chairman

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 $	2013 $
Revenue	2	1,192,799	930,294
Finance costs		-	-
Expenses	3	(1,407,667)	(964,301)
Loss before income tax		(214,868)	(34,007)
Income tax expense	4	-	-
Loss attributable to members of Magnetica Limited		(214,868)	(34,007)
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the members of Magnetica Limited		(214,868)	(34,007)

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

Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	21	255,907	393,119
Trade and other receivables	5	2,833	-
Inventories	6	38,543	-
Other current assets	7	35,926	44,687
TOTAL CURRENT ASSETS		**333,209**	**437,806**
NON-CURRENT ASSETS			
Property, plant and equipment	9	72,410	20,560
Intangible assets	10	297,217	320,679
TOTAL NON-CURRENT ASSETS		**369,627**	**341,239**
TOTAL ASSETS		**702,836**	**779,045**
CURRENT LIABILITIES			
Trade and other payables	11	187,870	446,752
TOTAL CURRENT LIABILITIES		**187,870**	**446,752**
NON-CURRENT LIABILITIES			
Loans from related parties	19	1,882,689	1,471,983
Long term provisions	12	17,504	30,669
TOTAL NON-CURRENT LIABILITIES		**1,900,193**	**1,502,652**
TOTAL LIABILITIES		**2,088,063**	**1,949,404**
NET LIABILITIES		**(1,385,227)**	**(1,170,359)**
EQUITY			
Issued capital	13	52,435,396	52,435,396
Reserves	14	281,000	281,000
Accumulated losses		(54,101,623)	(53,886,755)
TOTAL EQUITY		**(1,385,227)**	**(1,170,359)**

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

Consolidated Statements of Changes in Equity

For the year ended 30 June 2014

Consolidated	Share capital	Reserves	Accumulated losses	Total equity
	Ordinary	Share option reserve		
	$	$	$	$
Balance at 30 June 2012	52,435,396	281,000	(53,852,748)	(1,136,352)
Total comprehensive income for the year	-	-	(34,007)	(34,007)
Balance at 30 June 2013	52,435,396	281,000	(53,886,755)	(1,170,359)
Total comprehensive income for the year	-	-	(214,868)	(214,868)
Balance at 30 June 2014	52,435,396	281,000	(54,101,623)	(1,385,227)

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Inflows (Outflows)	
	2014 $	2013 $
Cash flows from operating activities		
Receipts from customers and grants	1,257,633	1,025,345
Payments to suppliers and employees	(1,480,527)	(1,041,293)
Interest received	11,835	2,783
Net cash used in operating activities (Note 22)	**(211,059)**	**(13,165)**
Cash flows from investing activities		
Payments for property, plant and equipment	(76,153)	(21,005)
Payment for development costs	-	(138,740)
Net cash used in investing activities	**(76,153)**	**(159,745)**
Cash flows from financing activities		
Proceeds from related party loans	150,000	493,000
Net cash provided by financing activities	**150,000**	**493,000**
Net (decrease) increase in cash and cash equivalents held	(137,212)	320,090
Cash and cash equivalents at the beginning of the financial year	393,119	73,029
Cash and cash equivalents at the end of the financial year (Note 21)	**255,907**	**393,119**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements 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.

The financial statements cover the consolidated entity comprising of Magnetica Limited and its controlled entities. Magnetica Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial statements of Magnetica Limited and its controlled entities were authorised for issue on the date of signing of the Director's Declaration.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Magnetica Limited ("parent entity") as at 30 June 2014 and the results of all controlled entities for the year then ended. Magnetica Limited and its controlled entities together are referred to in the financial statements as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 8 to the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides 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 consolidated entity.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates are recognised in the consolidated statement of profit or loss and other comprehensive income, and its share of post acquisition movements in reserves are recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(b) **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) **Basis of preparation**

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors are satisfied that the going concern basis is appropriate due to the following:

- The balance of funding of $165,686 available under the Commercialisation Australia grant;
- The company has received commitments from existing shareholders to convert existing loans amounting to $1,882,689 (disclosed in Note 19) to equity upon completion of a capital raising;
- The directors will continue to manage operational cash flow requirements to meet existing business and associated obligations;
- The directors expect future royalty streams from the commercialisation of the company's intellectual property to produce sufficient cash inflows;
- The company intends to undertake a capital raising of $2M by the end of November 2014 with the Directors undertaking to place any shortfall to new investors; and
- The continued financial support from various shareholders to help meet ongoing financial obligations. Two of the company's shareholders have agreed to provide ongoing funding to ensure the company can meet its obligation for a period of at least 12 months from the date of signing the 30 June 2014 financial statements.

The directors consider this will provide sufficient working capital for at least the next twelve months from the date of this report.

(d) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Control of the goods has passed to the buyer.

Interest
Control of the right to receive the interest payment.

Royalties
Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Sale of non-current assets
The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. Any gain is recognised as other income and any loss as an expense.

Research and development tax offset

Refundable research and development tax offsets are recognised as grant income in the year the Australian Taxation Office approves the claim. Non-refundable research and development tax offsets are treated as tax credits in accordance with *AASB 112 Income Taxes* but only to the extent that they exceed the company's income tax rate.

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

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The carrying value of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their net present values in determining recoverable amounts.

Depreciation

Depreciation is calculated on a straight line basis so as to write off the net cost of each item of property, plant and equipment over its useful life. Additions are depreciated from the date they are installed ready for use.

The principal rates of depreciation in use are:-

Plant and equipment	33.33%

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(f) **Impairment**

At the end of each reporting period, the consolidated entity 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 statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash generating unit.

(g) **Inventories**

All inventories including work in progress is valued at the lower of cost and net realisable value. Cost includes direct materials, direct labour and an appropriate proportion of fixed and variable factory overhead expenditure. Overheads are applied on the basis of normal operating activity.

(h) **Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-allowable items. It is calculated using tax rates that have been enacted or are substantively enacted as at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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, or where it is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged in the statement of profit or loss and other comprehensive income except where it relates to items that may be charged directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be claimed.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated entity and its constituent member entities as applicable, will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Magnetica Limited and its wholly-owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 23 December 2004. The tax consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(i) **Financial instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs where the financial instrument is not carried at fair value through the profit and loss, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(i) **Financial instruments (continued)**

Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity, unless an impairment has been determined by the Board.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of profit or loss and other comprehensive income unless they are designated as hedges.

Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Subsequent increases in value are recognised directly in equity.

(j) **Foreign currency**

Functional and presentation currency

The functional currency of each of the members of the consolidated entity is measured using the currency of the primary economic environment in which that member entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(k) **Employee benefits**

Wages, salaries and annual leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees services up to the reporting date and are measured at the amount expected to be paid when the liabilities are settled.

Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, as at the end of the reporting period, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Equity-settled compensation

The consolidated entity previously operated a share option arrangement with its directors. The bonus element over the exercise price of the director services rendered in exchange for the grant of shares and options is recognised as an expense in the statement of profit or loss and other comprehensive income. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options granted which is determined using the Black Scholes Model.

(l) **Provisions**

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) **Intangible assets**

Intellectual property

Intellectual property is recorded in the financial statements at acquisition cost less accumulated impairment losses. Intellectual property costs, having a benefit or relationship to more than one accounting period, are deferred and amortised to the statement of profit or loss and other comprehensive income using the straight line method of calculation over the period of time during which the benefits are expected to arise.

Carrying values are assessed at the end of each reporting period for impairment and any write down included in the statement of profit or loss and other comprehensive in the period determined.

Research and development

Expenditure during the research phase of the project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised over 5 years.

Patents and trademark expenditure

All patent and trademark expenditure is expensed as incurred. Patent and trademark expenditure is capitalised only when technical feasibility studies identify that the intellectual property to which they relate will deliver future economic benefits and those benefits can be measured reliably. Capitalised expenditures are then amortised over the period of their expected benefits.

(n) **Government grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(o) **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount within short-term borrowings in current liabilities in the statement of financial position.

(p) **Leases**

Leases where substantially all of the risks and rewards of ownership transfer to the consolidated entity are classified as finance leases. Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments including any residual values. Lease payments are allocated between the reduction of the lease liabilities and the lease interest expense for the period.

Leases where substantially all of the risks and rewards are not transferred to the consolidated entity are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the period of the lease.

(q) **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either in the principle market or in the absence of a principle market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, and used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(r) **Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current knowledge. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

There are no estimates or judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

		2014 $	2013 $
2.	**REVENUE**		
	Sales	20,608	-
	Royalties	64,340	157,409
	Interest received	11,835	2,783
	Grant income	557,337	695,102
	Research and development tax offset	523,679	-
	Other income	15,000	75,000
		1,192,799	**930,294**
3.	**EXPENSES**		
	Consultancy	293,338	417,571
	Travel	54,587	30,104
	Employee benefits expense	706,901	307,405
	Operating lease rentals	48,630	21,150
	Depreciation	24,303	445
	Amortisation	23,462	18,041
	Other	256,446	169,585
		1,407,667	**964,301**
4.	**INCOME TAX**		
a)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Loss before income tax expense	(214,868)	(34,007)
	Tax at the Australian tax rate of 30% (2013: 30%)	(64,460)	(10,202)
	Research and development tax offset	(157,104)	-
	Deferred tax assets not recognised	221,564	10,202
	Income tax expense	**-**	**-**
b)	**Tax losses**		
	Unused tax losses for which no deferred tax asset has been recognised	30,904,860	30,166,313
	Potential tax benefit @ 30% (2013: 30%)	9,271,458	9,049,894

Realisation of the potential tax benefit is dependent upon:

a) the ability of the consolidated entity to derive future assessable income of a nature and of sufficient amount to enable the benefit to be realised;

b) the ability of the consolidated entity to continue to comply with the conditions for deductibility imposed by law; and

c) an expectation that legislation will not change in a manner which would adversely affect the consolidated entity's ability to realise the benefit.

		2014 $	2013 $
5.	**TRADE AND OTHER RECEIVABLES**		
	Other debtors	2,833	-
		2,833	**-**
6.	**INVENTORIES**		
	Raw materials	10,825	-
	Work in progress	27,718	-
		38,543	**-**
7.	**OTHER CURRENT ASSETS**		
	Refundable deposits	15,595	24,761
	Prepayments	20,331	19,926
		35,926	**44,687**

8. **CONTROLLED ENTITIES**

The consolidated financial statements include the assets, liabilities and results of the following subsidiaries:

	Country of Incorporation	Class of Share	2014 % holding	2013 % holding
NMR Holdings No. 1 Pty Ltd	Australia	Ordinary	100%	100%
NMR Holdings No. 2 Pty Ltd	Australia	Ordinary	100%	100%

		2014 $	2013 $
9.	**PROPERTY, PLANT AND EQUIPMENT**		
	Plant and equipment		
	Cost	169,924	93,770
	Less: Accumulated depreciation	(97,514)	(73,210)
	Total plant and equipment	**72,410**	**20,560**
	Reconciliations		
	Reconciliations of the movements in carrying amounts for each class of property, plant and equipment are set out below:		
	Plant and equipment		
	Carrying amount at beginning of year	20,560	-
	Additions	76,153	21,005
	Depreciation	(24,303)	(445)
	Carrying amount at end of year	**72,410**	**20,560**

		2014 $	2013 $
10.	**INTANGIBLE ASSETS**		
	Computer software		
	At cost	16,400	16,400
	Less: Accumulated amortisation	(5,511)	(45)
	Total computer software	**10,889**	**16,355**
	Patents		
	At cost	32,340	32,340
	Less: Accumulated impairment losses	-	-
	Total patents	**32,340**	**32,340**
	Development costs		
	Pilot magnets at cost	424,950	424,950
	Less: Accumulated amortisation	(170,962)	(152,966)
	Total development costs	**253,988**	**271,984**
	Total intangible assets	**297,217**	**320,679**
	Reconciliations		
	Carrying amount at beginning of year	320,679	199,980
	Additions	-	138,740
	Amortisation	(23,462)	(18,041)
	Carrying amount at end of year	**297,217**	**320,679**
11.	**TRADE AND OTHER PAYABLES**		
	Trade creditors – Uniquest Pty Limited (note 19)	-	260,706
	– Other	102,107	156,076
	Unearned revenue	42,300	-
	Employee entitlements – Annual leave	43,463	29,970
		187,870	**446,752**
12.	**LONG TERM PROVISIONS**		
	Employee entitlements – Long service leave	**17,504**	**30,669**

		No. of Shares	2014 $	No. of Shares	2013 $
13.	**ISSUED CAPITAL**				
(a)	**Ordinary shares**				
	Balance 1 July	**69,713,637**	**52,435,396**	**69,713,637**	**52,435,396**
	Shares issued during the year:	-	-	-	-
	Balance 30 June	**69,713,637**	**52,435,396**	**69,713,637**	**52,435,396**

		No. of Options	2014 $	No. of Options	2013 $
(b)	**Options**				
	Balance 1 July	3,000,000	**281,000**	3,000,000	**281,000**
	Options lapsed	-	**-**	-	**-**
	Balance 30 June	**3,000,000**	**281,000**	**3,000,000**	**281,000**

Details of the share options are included in Note 15 Share-Based Payments.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. Fully paid ordinary shares have no par value and entitle each shareholder to one vote upon a poll for each share held or on a show of hands one vote per shareholder.

Capital Risk Management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

14. **RESERVES**

Share Option Reserve

The reserve records items recognised as expenses on valuation of employee and director share options.

15. **SHARE-BASED PAYMENTS**

No options were granted or exercised during the current financial year (2013: Nil).

In 2005 options were granted as equity compensation benefits to certain directors in office at that time. The options were issued at no cost. Each of the granted options entitled the holder to subscribe for one fully paid ordinary share in the entity at various exercise prices and various option periods.

Set out below are summaries of options previously granted to directors.

15. **SHARE-BASED PAYMENTS (continued)**

Grant date	First exercise date	Last exercise date	Exercise price per share	Balance at 30 June 2014	Balance at 30 June 2013
20-May-05	Relisting date	Relisting date+3yr	$0.50	1,000,000	1,000,000
20-May-05	Relisting date+1yr	Relisting date+4yr	$0.54	1,000,000	1,000,000
20-May-05	Relisting date+2yr	Relisting date+5yr	$0.60	1,000,000	1,000,000
				3,000,000	**3,000,000**

Options outstanding at year-end	3,000,000	3,000,000
Options exercisable at year-end	-	-
Weighted average exercise price of outstanding options	$0.54	$0.54
Weighted average fair value of outstanding options	$0.09	$0.09

The options granted have been valued using the Black-Scholes option pricing model applying the following assumptions: -

- Risk free interest rate 5.37%
- Expected share price volatility 78.00%
- Underlying share price $0.40
- Expiry date see last exercise date above.

16. **CONTINGENT LIABILITIES**

The directors are not aware of any material contingent liability that the consolidated entity may be exposed to.

	2014 $	2013 $
17. **COMMITMENTS**		
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements or payable:		
Not longer than one year	63,235	60,803
Longer than one year but not longer than five years	57,257	128,054
	120,492	**188,857**
18. **AUDITOR'S REMUNERATION**		
Remuneration of the auditors of the parent entity for:		
- auditing or reviewing the financial report	19,340	19,550
- taxation and other services	15,175	3,750
19. **RELATED PARTIES**		
Directors and specified executives:		
Disclosure relating to directors and key management personnel remuneration are included in note 24.		
Aggregate amounts payable to directors at the end of the reporting period:		
Long term loans: -		
- Justin Schaffer (Director)		
Opening balance	349,650	165,650
Loans advanced	75,000	184,000
Closing balance	424,650	349,650

19. RELATED PARTIES (continued)	Consolidated 2014 $	Consolidated 2013 $
- Howard Stack (Director)		
Opening balance	344,229	165,229
Loans advanced	75,000	179,000
Closing balance	419,229	344,229
The above loans are interest free and unsecured.		
Other related entities		
Aggregate amounts payable to Uniquest Pty Limited (a shareholder) at the end of the reporting period:		
- Trade and other payables		
Opening balance	260.706	260,706
Transfer to long term loan	(260,706)	-
Closing balance	-	260,706
- Long term loan		
Opening balance	778,104	648,104
Loans advanced	-	130,000
Transfer from trade and other payables	260,706	-
Closing balance	1,038,810	778,104
The loan is interest free and unsecured.		
Aggregate amounts included in the determination of loss before income tax that resulted from transactions with Uniquest Pty Limited:		
Consultancy fees	103,942	259,500
Wholly Owned Group:		
The wholly owned group consists of Magnetica Limited and its wholly owned controlled entities.		
Information relating to the controlled entities is set out in note 8.		

20. EVENTS OCCURRING SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Magnetica has accepted orders to supply RF coil components totalling $119,981.

The company intends to undertake a capital raising of $2M by the end of November 2014 with the Directors undertaking to place any shortfall to new investors.

21. RECONCILIATION OF CASH	2014 $	2013 $
For the purpose of the statement of cash flows, cash includes cash on hand and at banks and investments in the money market, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	**255,907**	**393,119**

		2014 $	2013 $
22.	**RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO LOSS AFTER INCOME TAX**		
	Loss after income tax	(214,868)	(34,007)
	Depreciation	24,303	445
	Amortisation	23,462	18,041
	Change in assets and liabilities		
	(Increase) decrease in assets		
	Trade debtors	(2,833)	8,747
	Inventory	(38,543)	-
	Other current assets	8,761	(12,845)
	Increase (decrease) in liabilities		
	Trade creditors	(53,969)	(1,916)
	Unearned revenue	42,300	-
	Employee entitlements	328	8,370
	Net cash used in operating activities	**(211,059)**	**(13,165)**

23. **FINANCIAL INSTRUMENTS**

(a) **Financial Risk Management**

The consolidated entity's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payables.

The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating debt. Management continuously monitors the debt profile of the consolidated entity in the context of the most recent economic conditions.

Liquidity risk

The directors regularly monitor the consolidated entity's cash position and on an ongoing basis consider a number of strategic and operational plans and initiatives to ensure that adequate funding continues to be available to meet the consolidated entity's business objectives.

Credit risk

The consolidated entity did not have material credit risk exposure to any single debtor or group of debtors at the end of the reporting period.

23. **FINANCIAL INSTRUMENTS (continued)**

b) **Financial Instruments**

i. The net fair values of other assets and liabilities approximate their carrying values.

ii. Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities is as follows:

2014	Weighted Average Interest Rate	Floating Interest Rate $	Fixed Interest maturing in less than 1 year $	Fixed Interest maturing in 1 - 5 years $	Non-interest Bearing $	Total $
Financial assets						
Cash	2.37%	255,607	-	-	300	255,907
Receivables		-	-	-	2,833	2,833
Total financial assets		**255,607**	-	-	**3,133**	**258,740**
Financial liabilities						
Trade & sundry creditors		-	-	-	102,107	102,107
Total financial liabilities		-	-	-	**102,107**	**102,107**
2013						
Financial assets						
Cash	2.35%	392,819	-	-	300	393,119
Receivables		-	-	-	-	-
Total financial assets		**392,819**	**-**	**-**	**300**	**393,119**
Financial liabilities						
Trade & sundry creditors		-	-	-	416,782	416,782
Total financial liabilities		**-**	**-**	**-**	**416,782**	**416,782**

Interest Rate Sensitivity Analysis

At 30 June 2014 if interest rates had moved, as illustrated in the table below, with all other variables remaining constant, pre-tax profit and equity would have been affected as follows:

	Pre-tax Profit increase (decrease)		**Equity increase (decrease)**	
	2014	**2013**	**2014**	**2013**
	$	$	$	$
+ 1%	2,556	3,928	2,556	3,928
- 1%	(2,556)	(3,928)	(2,556)	(3,928)

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Details of Directors

Howard Stack - Non-Executive Chairman
Philip Dubois - Non-Executive Director
Charles Ho - Non-Executive Director
Andrew Davis - Non-Executive Director (resigned 16 July 2013)
Justin Schaffer - Non-Executive Director

(ii) Details of Other Key Management Personnel

Richard Aird – Chief Executive Officer (commenced 22 July 2013)
Nicky Milsom - General Manager (resigned 19 July 2013)
Riyu Wei - Lead Engineer

	2014 **$**	2013 $
Short term employee benefit	278,597	254,997
Post-employment employee benefit	25,770	22,948
Total	304,367	277,945

During the 2006 financial year the directors resolved to stop accruing directors' fees in respect of Howard Stack, Philip Dubois, Charles Ho and Justin Schaffer. In the future the directors may take into consideration past services performed by directors when recommending future remuneration policies. As a representative of Uniquest Pty Ltd, Mr Andrew Davis was not entitled to remuneration or to participate in any executive option plans.

(b) Option Holdings of Directors and Other Key Management Personnel

There were no options over ordinary shares in the company held during the financial year by any director or other key management personnel (2013: Nil).

24. **KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

(c) Shareholdings of Directors and Other Key Management Personnel

The number of shares in the company held during the financial year by each director of Magnetica Limited and other key management personnel are set out below.

30 June 2014	Balance 1 July 2013	Granted as Remunera-tion	Options Exercised	Net Change Other	Balance 30 June 2014
Directors					
Howard Stack	1,000,000	-	-	-	1,000,000
Philip Dubois	828,125	-	-	-	828,125
Charles Ho	333,305	-	-	-	333,305
Andrew Davis	-	-	-	-	-
Justin Schaffer	5,000,000	-	-	-	5,000,000
Other Key Management Personnel					
Richard Aird	-	-	-	312,500	312,500
Nicky Milsom	-	-	-	-	-
Riyu Wei	-	-	-	-	-
Total	**7,161,430**	**-**	**-**	**312,500**	**7,473,930**

30 June 2013	Balance 1 July 2012	Granted as Remunera-tion	Options Exercised	Net Change Other	Balance 30 June 2013
Directors					
Howard Stack	1,000,000	-	-	-	1,000,000
Philip Dubois	828,125	-	-	-	828,125
Charles Ho	333,305	-	-	-	333,305
Andrew Davis	-	-	-	-	-
Justin Schaffer	5,000,000	-	-	-	5,000,000
Other Key Management Personnel					
Nicky Milsom	-	-	-	-	-
Riyu Wei	-	-	-	-	-
Total	**7,161,430**	**-**	**-**	**-**	**7,161,430**

25. **PARENT ENTITY INFORMATION**

	2014 $	2013 $
Net loss attributable to members of Magnetica Limited	(214,868)	(34,007)
Other comprehensive income	-	-
Total comprehensive income for the year	**(214,868)**	**(34,007)**
Current assets	333,208	437,805
Total assets	**702,835**	**779,044**
Current liabilities	187,869	446,751
Total liabilities	**2,088,062**	**1,949,403**
Issued capital	52,435,396	52,435,396
Share option reserve	281,000	281,000
Accumulated losses	(54,101,623)	(53,886,755)
Total Equity	**(1,385,227)**	**(1,170,359)**

26. NEW STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

AASB 9: Financial Instruments, AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127], AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8], AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Part C] and AASB 2014-1 Amendments to Australian Accounting Standards [Part E] (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 9 includes requirements for the classification and measurement of financial assets and the accounting requirements for financial liabilities.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- 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;
- financial assets will need 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;
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's own credit risk to be presented in other comprehensive income;
- adding Chapter 6 Hedge Accounting which supersedes the general hedge accounting requirements as they exist in AASB 139 and the addition of new disclosure requirements. The Chapter 6 requirements include a new approach to hedge accounting, intended to more closely align hedge accounting with risk management activities.

The Group has not yet assessed the impact of this standard.

26. **NEW STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (continued)**

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2014)

This standard adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The standard is not expected to impact the Group.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014)

This Standard amends the disclosure requirements in AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The standard is not expected to impact the Group.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] (applicable for annual reporting periods commencing on or after 1 January 2014)

This Standard makes amendments to AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The standard is not expected to impact the Group.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139] (applicable for annual reporting periods commencing on or after 1 January 2014)

This standard makes amendments to define an investment entity and require that, with limited exceptions, an investment entity not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities to AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements*. The standard is not expected to impact the Group.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Part B] (applicable for annual reporting periods commencing on or after 1 January 2014) and AASB 2014 -1 Amendments to Australian Accounting Standards [Part C] (applicable for annual reporting periods commencing on or after 1 July 2014)

The changes made to AASB 1031 in respect of materiality withdraw the substantive content contained within the standard and provide signpost references to materiality in other Australian Accounting Standards. The standard is not expected to impact the Group.

26. **NEW STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (continued)**

AASB 2014 -1 Amendments to Australian Accounting Standards [Part A] (applicable for annual reporting periods commencing on or after 1 July 2014)

Part A of this Standard makes various amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle, including:

- AASB 1 – clarification in the basis of conclusion.
- AASB 2 – amendments to certain definitions contained within the standard.
- AASB 3 – clarification that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date and clarification that AASB 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- AASB 8 – amendments to disclosures.
- AASB 13 – clarification regarding the measurement of short-term receivables and payables and clarification that the scope of the portfolio exception in paragraph 52 of AASB 13 includes all contracts accounted for within the scope of AASB 139 or AASB 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in AASB132.
- AASB 116 and AASB 138 – clarification that when an item of property, plant and equipment or intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- AASB 124 – clarification that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- AASB 140 – clarification that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 Business Combinations and investment property as defined in AASB140 Investment Property requires the separate application of both standards independently of each other.

The standard is not expected to impact the Group.

AASB 2014 -1 Amendments to Australian Accounting Standards [Part B] (applicable for annual reporting periods commencing on or after 1 July 2014)

Part B of this Standard makes amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method applied to the gross benefit.

The standard is not expected to impact the Group.

IFRS 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017)

IFRS 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

IFRS 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

26. NEW STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (continued)

IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Group has not yet assessed the impact of this standard.

The Group does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

27. CHANGE IN ACCOUNTING POLICY

The consolidated entity has adopted all of the new, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new revised or amending accounting standards or interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the account policies of the consolidated entity from the adoption of these accounting standards and interpretations are disclosed below. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following accounting standards and interpretations are most relevant to the consolidated entity.

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from is involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 13 Fair Value Measurement and AASB 2011-8 amendments to Australian Accounting Standards arising from AASB 13.

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and ASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.