ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Magnetica Limited
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Eagle Farm QLD 4009
Tel: (07) 3188 5445

Magnetica Limited & Controlled Entities

NEXT GENERATION MRI TECHNOLOGIES

Resolve / Evolve / Productise

Contents

Corporate Information

DIRECTORS
Howard Stack
Philip Dubois
Charles Ho
Justin Schaffer
Richard Aird

SECRETARY
Stephen Denaro

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William Buck (Qld)
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307 Queen Street
Brisbane QLD 4000

LEGAL ADVISERS
Thomson Geer
Level 16
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1 Eagle Street
Brisbane QLD 4000

BANKERS
National Australia Bank
255 George Street
Sydney NSW 2000

SHARE REGISTRY
Link Market Services Limited
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Brisbane QLD 4000

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Units 3 & 4
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MAGNETICA

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Overview

Magnetica has completed the 2015 financial year with solid progress on several fronts, and with exciting opportunities emerging in all areas of Magnetica's business.

Such highlights include comprehensive patenting of the asymmetric head scanner magnet, with the PCT filing completed, fully integrating the 3T alpha extremity magnet and producing MRI images inhouse at Eagle Farm, attaining ISO 9001 quality management status, and also further developing advanced Gradient and RF Coil manufacturing capabilities.

The Commercialisation Australia project Magnetica has been involved in the past two years officially finished as at 30 June 2015. A successful project outcome has been achieved, although not all milestones were specifically met due to well reported difficulties with the original systems integrator partner in China. The Commonwealth funding along with our matching investment has led to the development of low volume Gradient and RF coil manufacturing capabilities leading to export sales, and the establishment of Magnetica's Alpha 3 Tesla MRI system at Eagle Farm to provide robust validation of the viability and performance of compact 3 Tesla MRI application to major systems integrators.

The OIS rights issue document in late 2014 to raise $2.0M funding for the 'Head Scanner' magnet project was undersubscribed, raising approximately $0.8M including participation of new shortfall subscribers who we have welcomed to the share register, in addition to funds committed under this offer but received post balance date. The shortfall led to a rethink of the company's development strategy by the Directors, but the intent to fully develop the Head Scanner magnet as originally proposed remains undiminished and we are actively pursuing alternate sources of funding for this exciting project.

It was decided to not immediately progress with the detailed engineering and build of the Head Scanner magnet as originally proposed (due to the funding shortfall). Rather that the more prudent use of available resources was further development of the existing alpha 3T asymmetric magnet and coils which use the same asymmetric engineering. All developments and learnings from the (existing, already built) asymmetric 3T alpha system are directly transferrable to the new head scanner product.

The 3T alpha magnet and the gradient and RF coil subsystems are ready for commercialisation, and we are well advanced in discussions with an international integrator to take this product to market.

The gradient coil manufacturing capability has advanced, with CNC prototype equipment successfully developed and gradient assembly processes validated. An opportunity exists in the new Accelerating Commercialisation programme (replacing CA) for Magnetica to make an application for a grant, requiring matching funding, to establish and further develop advanced manufacturing capabilities. UK customer, MR Solutions, has provided a purchase order for 12 gradients, to be delivered in groups of 3. The delivery dates are yet to be advised by the customer.

RF Coil development for 3rd party customers has continued with most resources in the last six months going toward an advanced 3T Head RF Coil product used for research and development of new treatments for the brain using magnetic stimulation. Magnetica has successfully built and sold two of these specialist coils this year with a quote provided for a third. Other specialist RF coil orders have been taken and are progressing.

The current enquiry for RF (and Gradient) coils is very much by word of mouth and at this point Magnetica has not developed a sales capability due to the limited (and very specialised) resources available to design, simulate and build Coils for commercial sale. Manufacturing of coils, both Gradient and RF, and Systems Integration of MRI, are all areas Magnetica is lacking human resources and will need to address if (any of) the opportunities currently being assessed, come to fruition.

The Balance Sheet of the company was significantly strengthened by the conversion of $1.9M of debt to equity. The net asset position of the company at year end was $769K.

MAGNETICA

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Financial reporting of the company was bought internal with the appointment of Ms Karen Hudson as CFO on a consulting basis. All management and statutory accounting functions are now in house. Karen has developed systems and processes suitable for adequate financial control of the growing business. The

Directors appointed the current CEO, Mr Richard Aird to the Board. Richard now represents the company in the position of Managing Director.

Magnetica is in the process of a brand refresh with a newer more representative look to be presented, including a new website and logo. The refresh project is expected to be complete before calendar year end.

In conclusion, Magnetica has made significant progress this financial year. The opportunity for creation of significant shareholder value continues, and is supported by the calibre of global technology companies actively and seriously seeking to engage with Magnetica. The Directors thank you for your continued support.

Howard Stack

Chairman

HS 24th

Brisbane, September 2015

MAGNETICA

DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2015.

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
Richard Aird (appointed 12/5/2015)

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 the CEO of Sonic Healthcare's Imaging Division. 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.

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 PhD in electrical engineering and an MD from Stanford University, and underwent his radiology training at University of California, San Diego.

DIRECTORS' REPORT (CONTINUED)

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.

Richard Aird
Managing Director

Richard Aird became Magnetica CEO on 22/07/2013, and was appointed as a Director on 12/05/15.

Mr Aird is a professional operations manager with over twenty years' experience in commercial development and operations. He is also a non-executive director of Redflow Limited. Prior to joining Magnetica, he spent five years as executive operations manager at Redflow, working with the product development, prototype deployment and commercialisation of technology within the electrochemical and plastics industry. This included demonstration projects, establishment of pilot manufacturing, quality systems, and scoping of outsourced manufacturing opportunities both offshore and in Australia.

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.

DIRECTORS' REPORT (CONTINUED)

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	5,692,290	-
Philip Dubois	906,250	-
Charles Ho	333,305	-
Justin Schaffer	11,246,501	-
Richard Aird	312,500	-

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 2015, 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 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 2015, the Company employed 5 full-time and 4 part-time employees (excluding the Non Executive 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 2015, a total of 8,069,074 shares were issued. A further 18,826,885 shares were issued as a result of a shareholder loan conversion.

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.

Directors' Report (Continued)

OPERATING RESULTS

For the year ended 30 June 2015, the loss from ordinary activities for the consolidated entity after providing for income tax was $512,469 (2014: $214,868).

DIVIDENDS PAID OR RECOMMENDED

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the issue of shares under the rights issue and the conversion of shareholder loans, 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 progressed to 'draft agreement' stage for productisation of the 3T Compact Extremity MRI system with a high profile and reputable MRI systems integrator. Following several months of detailed technology due diligence and subsequent commercial discussions held recently in Brisbane, the project architecture is agreed in principle and when executed will lead to a commercial clinical MRI system using Magnetica's technology.

Magnetica received further investment funds of $450K as part of previously committed investment under the shortfall provisions of the 2014 Rights Issue conducted by the company.

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.

MAGNETICA

Directors' Report (Continued)

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	2	2	-	-	-	-
Justin Schaffer	2	2	n/a	n/a	n/a	n/a
Philip Dubois	2	2	-	-	-	-
Charles Ho	2	2	n/a	n/a	n/a	n/a
Richard Aird	1	1	-	-	-	-

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 24th day of September 2015 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 2015 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, 24th day of September, 2015

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNETICA LIMITED AND ITS 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 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 2015 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 2015 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 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, 24th day of September, 2015

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MAGNETICA

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 15 to 37 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 2015 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 24th day of September 2015 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 2015

	Notes	2015 $	2014 $
Revenue	2	801,819	1,192,799
Finance costs		-	-
Expenses	3	(1,314,288)	(1,407,667)
Loss before income tax		(512,469)	(214,868)
Income tax expense	4	-	-
Loss attributable to members of Magnetica Limited		(512,469)	(214,868)
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the members of Magnetica Limited		(512,469)	(214,868)

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 2015

	Notes	2015 $	2014 $
CURRENT ASSETS			
Cash and cash equivalents	21	361,838	255,907
Trade and other receivables	5	40,638	2,833
Inventories	6	45,555	38,543
Other current assets	7	30,574	35,926
TOTAL CURRENT ASSETS		**478,605**	**333,209**
NON-CURRENT ASSETS			
Property, plant and equipment	9	242,831	72,410
Intangible assets	10	480,682	297,217
TOTAL NON-CURRENT ASSETS		**723,513**	**369,627**
TOTAL ASSETS		**1,202,118**	**702,836**
CURRENT LIABILITIES			
Trade and other payables	11	433,044	187,870
TOTAL CURRENT LIABILITIES		**433,044**	**187,870**
NON-CURRENT LIABILITIES			
Loans from related parties	19	-	1,882,689
Long term provisions	12	-	17,504
TOTAL NON-CURRENT LIABILITIES		**-**	**1,900,193**
TOTAL LIABILITIES		**433,044**	**2,088,063**
NET LIABILITIES		**769,074**	**(1,385,227)**
EQUITY			
Issued capital	13	55,102,166	52,435,396
Reserves	14	281,000	281,000
Accumulated losses		(54,614,092)	(54,101,623)
TOTAL EQUITY		**769,074**	**(1,385,227)**

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 2015

Consolidated	Share capital	Reserves	Accumulated losses	Total equity
	Ordinary	Share option reserve		
	$	$	$	$
Balance at 1 July 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)
Shares issued during the period (note 13)	2,689,596	-	-	2,689,596
Share issue costs	(22,826)	-	-	(22,826)
Total comprehensive income for the year	-	-	(512,469)	(512,469)
Balance at 30 June 2015	55,102,166	281,000	(54,614,092)	769,074

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Inflows (Outflows) 2015 $	2014 $
Cash flows from operating activities		
Receipts from customers and grants	884,230	1,257,633
Payments to suppliers and employees	(1,258,530)	(1,480,527)
Interest received	8,824	11,835
Net cash used in operating activities (Note 22)	**(365,476)**	**(211,059)**
Cash flows from investing activities		
Payments for property, plant and equipment	(203,868)	(76,153)
Payment for development costs	(208,806)	-
Net cash used in investing activities	**(412,674)**	**(76,153)**
Cash flows from financing activities		
Proceeds from related party loans	-	150,000
Share application monies received	100,000	-
Proceeds from capital raising	806,907	-
Share issue costs	(22,826)	-
Net cash provided by financing activities	**884,081**	**150,000**
Net increase (decrease) in cash and cash equivalents held	105,931	(137,212)
Cash and cash equivalents at the beginning of the financial year	255,907	393,119
Cash and cash equivalents at the end of the financial year (Note 21)	**361,838**	**255,907**

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 Directors' 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 2015 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.

(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%

(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.

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

(f) **Inventories**

All inventories including work in progress are 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.

(g) **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.

(h) **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.

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.

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

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

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.

(g) **Financial 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.

(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 corporate bonds 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.

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

(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 notes 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.

(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.

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

(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.

Key Estimates

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. When an impaired trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

There are no other 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.

		2015 $	2014 $
2.	**REVENUE**		
	Sales	262,198	20,608
	Royalties	104,180	64,340
	Interest received	8,824	11,835
	Grant income	110,030	557,337
	Research and development tax offset	315,487	523,679
	Other income	1,100	15,000
		801,819	**1,192,799**
3.	**EXPENSES**		
	Consultancy	232,200	293,338
	Travel	59,392	54,587
	Employee benefits expense	643,179	706,901
	Operating lease rentals	57,487	48,630
	Depreciation	33,447	24,303
	Amortisation	25,341	23,462
	Cost of Goods sold	118,353	-
	Other	317,251	256,446
		1,486,650	**1,407,667**
	Less Development costs capitalised applicable to costs above	(172,362)	-
		1,314,288	**1,407,667**
4.	**INCOME TAX**		
a)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Loss before income tax expense	(512,469)	(214,868)
	Tax at the Australian tax rate of 30% (2014: 30%)	(153,740)	(64,460)
	Research and development tax offset	(94,646)	(157,104)
	Deferred tax assets not recognised	248,386	221,564
	Income tax expense	-	-
b)	**Tax losses**		
	Unused tax losses for which no deferred tax asset has been recognised	30,861,407	30,707,907
	Potential tax benefit @ 30% (2014: 30%)	9,258,422	9,212,372

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.

		2015 $	2014 $
5.	**TRADE AND OTHER RECEIVABLES**		
	Accrued Revenue	30,175	-
	Other debtors	10,463	2,833
		40,638	**2,833**
6.	**INVENTORIES**		
	Raw materials	38,184	10,825
	Work in progress	7,371	27,718
		45,555	**38,543**
7.	**OTHER CURRENT ASSETS**		
	Refundable deposits	15,595	15,595
	Prepayments	14,979	20,331
		30,574	**35,926**

8. **CONTROLLED ENTITIES**

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

	Country of Incorporation	Class of Share	2015 % holding	2014 % holding
NMR Holdings No. 1 Pty Ltd	Australia	Ordinary	100%	100%
NMR Holdings No. 2 Pty Ltd	Australia	Ordinary	100%	100%

The controlled entities did not trade during the year.

		2015 $	2014 $
9.	**PROPERTY, PLANT AND EQUIPMENT**		
	Plant and equipment		
	Cost	373,791	169,924
	Less: Accumulated depreciation	(130,960)	(97,514)
	Total plant and equipment	**242,831**	**72,410**
	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	72,410	20,560
	Additions	203,868	76,153
	Depreciation	(33,447)	(24,303)
	Carrying amount at end of year	**242,831**	**72,410**

		2015 $	2014 $
10.	**INTANGIBLE ASSETS**		
	Computer software		
	At cost	35,110	16,400
	Less: Accumulated amortisation	(12,857)	(5,511)
	Total computer software	**22,253**	**10,889**
	Patents		
	At cost	43,642	32,340
	Less: Accumulated impairment losses	-	-
	Total patents	**43,642**	**32,340**
	Development costs		
	At cost	603,745	424,950
	Less: Accumulated amortisation	(188,958)	(170,962)
	Total development costs	**414,787**	**253,988**
	Total intangible assets	**480,682**	**297,217**
	Reconciliations		
	Carrying amount at beginning of year	297,217	320,679
	Additions	208,806	-
	Amortisation	(25,341)	(23,462)
	Carrying amount at end of year	**480,682**	**297,217**
11.	**TRADE AND OTHER PAYABLES**		
	Trade Creditors	209,189	102,107
	Unearned revenue	52,909	42,300
	Employee entitlements – Annual leave	48,914	43,463
	Employee entitlements – Long Service leave	22,032	-
	Share application monies	100,000	-
		433,044	**187,870**
12.	**LONG TERM PROVISIONS**		
	Employee entitlements – Long service leave	**-**	**17,504**

		No. of Shares	2015 $	No. of Shares	2014 $
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 at $0.10 per share	8,069,074	806,907	-	-
	Share Issue costs	-	(22,826)	-	-
	Shareholder loan conversion at $0.10 per share	18,826,885	1,882,689	-	
	Balance 30 June	**96,609,596**	**55,102,166**	**69,713,637**	**52,435,396**

		No. of Options	2015 $	No. of Options	2014 $
(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 the 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 (2014: 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.

Grant date	First exercise date	Last exercise date	Exercise price per share	Balance at 30 June 2015	Balance at 30 June 2014
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**

	30 June 2015	30 June 2014
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.

	2015 $	2014 $
17. COMMITMENTS		
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements or payable:		
Not longer than one year	57,257	63,235
Longer than one year but not longer than five years	-	57,257
	57,257	**120,492**
18. AUDITOR'S REMUNERATION		
Remuneration of the auditors of the parent entity for:		
- auditing or reviewing the financial report	17,250	20,990
- taxation and other services		
	4,315	15,175

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 end of the reporting period:

Long term loans -		
- Justin Schaffer (Director)		
Opening Balance	424,650	349,650
Loans advanced	-	75,000
Conversion to equity at $0.10c per share	(424,650)	-
Closing balance	-	424,650
- Howard Stack (Director)		
Opening balance	419,229	344,229
Loans advanced	-	75,000
Conversion to equity at $0.10c per share	(419,229)	-
Closing balance	-	419,229

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
Transfer to long term loan	-	(260,706)
Closing balance	-	-
- *Long term loan*		
Opening balance	1,038,810	778,104
Transfer from trade and other payables	-	260,706
Conversion to equity at $0.10c per share	(1,038,810)	-
Closing balance	-	1,038,810

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

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 progressed to 'draft agreement' stage for productisation of Magnetica's 3T Compact Extremity MRI system with a high profile and reputable MRI systems integrator. Following several months of detailed technology due diligence and subsequent commercial discussions held recently in Brisbane, the project architecture is agreed in principle and when executed will lead to a commercial clinical MRI system using Magnetica's technology.

Magnetica received further investment funds of $450K as part of previously committed investment under the shortfall provisions of the 2014 Rights Issue conducted by the company. Since 30 June 2015, the company has lodged its income tax return and expects to receive in excess of $355k in research and development tax offset.

		2015 $	2014 $
21.	**RECONCILIATION OF CASH**		
	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	**361,838**	**255,907**
22.	**RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO LOSS AFTER INCOME TAX**		
	Loss after income tax	(512,469)	(214,868)
	Depreciation	33,447	24,303
	Amortisation	25,341	23,462
	Change in assets and liabilities		
	(Increase) decrease in assets		
	Trade debtors	(37,805)	(2,833)
	Inventory	(7,012)	(38,543)
	Other current assets	5,352	8,761
	Increase (decrease) in liabilities		
	Trade creditors	107,082	(53,969)
	Unearned revenue	10,609	42,300
	Employee entitlements	9,979	328
	Net cash used in operating activities	**(365,476)**	**(211,059)**

23. **FINANCIAL INSTRUMENTS**

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.

24. **KEY MANAGEMENT PERSONNEL DISCLOSURES**

(a) Details of Key Management Personnel

(i) Details of Other Key Management Personnel

Howard Stack - Non-Executive Chairman
Philip Dubois - Non-Executive Director
Charles Ho - Non-Executive Director
Justin Schaffer - Non-Executive Director
Richard Aird – Executive Director and Chief Executive Officer

(ii) Details of Other Key Management Personnel

Riyu Wei - Lead Engineer

	2015 $	2014 $
Short term employee benefit	245,400	278,597
Post-employment employee benefit	23,313	25,770
Other long term employee benefits	4,528	4,794
Total	273,241	309,161

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.

(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 (2014: 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 2015	Balance 1 July 2014	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2015
Directors					
Howard Stack	1,000,000	-	-	4,692,290	5,692,290
Philip Dubois	906,250	-	-	-	906,250
Charles Ho	333,305	-	-	-	333,305
Justin Schaffer	5,000,000	-	-	6,246,501	11,246,501
Richard Aird	312,500	-	-	-	312,500
Other Key Management Personnel					
Riyu Wei	-	-	-	-	-
Total	**7,552,055**			**10,938,791**	**18,490,846**

30 June 2014	Balance 1 July 2013	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2014
Directors					
Howard Stack	1,000,000	-	-	-	1,000,000
Philip Dubois	906,250	-	-	-	906,250
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	**7,239,555**	**-**	**-**	**312,500**	**7,552,055**

25. **PARENT ENTITY INFORMATION**

	2015 $	2014 $
Net loss attributable to members of Magnetica Limited	(512,469)	(214,868)
Other comprehensive income	-	-
Total comprehensive income for the year	**(512,469)**	**(214,868)**
Current assets	478,604	333,208
Total assets	**1,202,117**	**702,835**
Current liabilities	433,043	187,869
Total liabilities	**433,043**	**2,088,062**
Issued capital	55,102,166	52,435,396
Share option reserve	281,000	281,000
Accumulated losses	(54,614,092)	(54,101,623)
Total Equity	**769,074**	**(1,385,227)**

26. NEW ACCOUNTING STANDARDS 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 (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018)*

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

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 and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
- 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 won credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

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

— *AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2015)*

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

This standard limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015.

— *AASB 14 Regulatory Deferral Accounts and AASB 2014 -1 Amendments to Australian Accounting Standards [Part D] (applicable for annual reporting periods commencing on or after 1 January 2016)*

AASB 14 applies only to an entity's first Australian-Accounting-Standards financial statements where they conduct rate regulated activity and recognise amounts that qualify as regulatory deferral account balances. AASB 2014-1 [Part D] makes consequential amendments to AASB 1 First-time Adoption of Australian Accounting Standards. This standard will not impact the entity.

This standard is not expected to impact the group.

— *AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2017)*

AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue—Barter Transactions Involving Advertising Services.

AASB 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.

AASB 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 company has not yet assessed the impact of this standard.

— *AASB 1056 Superannuation Entities (applicable for annual reporting periods commencing on or after 1 July 2016)*

AASB 1056 is applicable for superannuation entities which are regulated by APRA and increase the level of integration between AASB 1056 and other AASB standards. Some of the changes in AASB 1056 include:

- A revised definition of a superannuation entity
- Revised and consistent content for the financial statements
- Use of fair value rather than net market value for measuring assets and liabilities
- Revised member liability recognition and measurement requirements
- Revised disclosure principles

This standard is not expected to impact the group.

— *AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable for annual reporting periods commencing on or after 1 January 2016)*

This standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 in accounting for the acquisition. AASB 2014-3 also requires disclosure of the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This standard is not expected to impact the group.

— *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 January 2016)*

This standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset and to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The standard also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

This standard is not expected to impact the group.

— *AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141] (applicable for annual reporting periods commencing on or after 1 January 2016)*

This standard amends the accounting for bearer plants to now be the same as property, plant and equipment in AASB 116 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of AASB 116, instead of AASB 141 and therefore entities can choose to measure them at cost or fair value. The produce growing on bearer plants will remain within the scope of AASB 141.

This standard is not expected to impact the group.

- *AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2016)*

  This standard will allow entities to use the equity method to account for its interest in subsidiaries, joint ventures and associates in separate financial statements and makes editorial corrections to AASB 127.

  This standard is not expected to impact the group.

- *AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable for annual reporting periods commencing on or after 1 January 2016)*

  The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  This standard is not expected to impact the group.

- *AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140] (applicable for annual reporting periods commencing on or after 1 January 2016)*

  This Standard makes various amendments to Accounting Standards as part of the International Accounting Standards Board (IASB) International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2012–2014 Cycle including:

  - IFRS 5 – reclassification from held for sale to held for distribution to owners or from held for distribution to owners to held for sale is considered to the continuation of the original plan of disposal;
  - IFRS 7 – adds basis of conclusion to clarify disclosure requirements for transferred financial assets and offsetting arrangements;
  - IAS 19 – confirms that high quality corporate bonds or national government bonds used to determine discount rates must be in the same currency as the benefits paid to the employee; and
  - IAS 34 – clarifies information about cross references in the interim financial report.

    This standard is not expected to impact the group.

- *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016)*

  The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports

  This standard is not expected to impact the group.

- *AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (applicable for annual reporting periods commencing on or after 1 July 2015)*

  This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

  This standard is not expected to impact the group.

- *AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127 & AASB 128] (applicable for annual reporting periods commencing on or after 1 July 2015)*

  This Standard amends AASB 128 to require that, notwithstanding paragraphs 17 and Aus17.1 of AASB 128, the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

  This standard is not expected to impact the group.

- *AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128] (applicable for annual reporting periods commencing on or after 1 January 2016)*

  This Standard amends AASB 10, AASB 12 and AASB 128 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of AASB 10 is available to a parent entity that is a subsidiary of an investment entity, to clarify the applicability of AASB 12 to the financial statements of an investment entity and to introduce relief in AASB 128 to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries..

  This standard is not expected to impact the group.

- *2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (applicable for annual reporting periods commencing on or after 1 July 2016)*

  This standard makes amendments to AASB 124 to specify consistent related party disclosure requirements for the Australian Government, State Governments, local councils and other not-for-profit public sector entities.

  This standard is not expected to impact the company.

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