Magnetica Limited

ACN 010 679 633

Offer Information Statement

In relation to an offer of shares under a **Share Purchase Plan**

It is important that potential investors read this Offer Information Statement in its entirety and seek professional investment advice before deciding to apply for Shares. This Offer Information Statement is not a prospectus and has a lower level of disclosure than a prospectus.

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IMPORTANT INFORMATION

This Offer Information Statement is dated 1 December 2017 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. ASIC takes no responsibility for the contents of this Offer Information Statement or the merits of the investment to which it relates.

It is important that potential investors read this Offer Information Statement in its entirety and seek professional investment advice before deciding to apply for New Shares. The New Shares offered under this Offer Information Statement are illiquid and potential investors are urged to seek independent professional advice in relation to the material contained in this Offer Information Statement.

The expiry date of this Offer Information Statement is the date which is 13 months after the date of this document. No New Shares will be issued on the basis of this Offer Information Statement after the expiry date.

This Offer Information Statement does not constitute an Offer in any place where, or to any person to whom, it would not be lawful to make such an Offer. The distribution of this Offer Information Statement in jurisdictions outside of Australia and New Zealand may be restricted by law and persons who come into possession of it should seek advice on and observe any such restriction. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

The Offer Information Statement is issued pursuant to section 709(4) of the Corporations Act and is not a prospectus for the purposes of the Corporations Act. The level of disclosure required in this Offer Information Statement is specified in section 715 of the Corporations Act, and those disclosure requirements are lower than those for a prospectus.

This Offer Information Statement neither purports to be exhaustive nor 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.

No person is authorised to give any information or to make any representations in connection with this Offer that is not contained in this Offer Information Statement. Any information or representation that is not contained in this Offer Information Statement may not be relied upon as having been authorised by the Company or its Directors.

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

MESSAGE FROM THE CHAIR

1 December 2017

Dear Shareholder

On behalf of the Board, I am pleased to invite you to participate in the Magnetica Limited Share Purchase Plan.

The Share Purchase Plan is part of a wider equity capital raising being undertaken by the Company comprising:

- a placement of up to 6,666,666 Shares at AU$0.15 per Share to sophisticated, professional and other investors to whom no disclosure is required under the Corporations Act, to raise up to AU$1,000,000 before costs (**Placement**); and
- this Share Purchase Plan,

(together the **Capital Raising**).

Update

Technical development of the Company's products for a new compact, dedicated, 3T musculoskeletal MRI System ("MRI System") is now almost complete, as are commercial negotiations with a major world MRI Systems Integrator ("MRI Systems Integrator") for the commercialisation of the MRI System. Clinical images are to be produced prior to execution of commercialisation agreements.

Development to this point has been funded by government grants, and equity placements to the Company's major shareholders. This offer is made to allow shareholders generally to participate in the funding of this key development stage upon the same terms as to price which are intended to be offered in a parallel Placement to major shareholders.

Use of Capital Raising proceeds

Details of the uses proposed for the funds raised from the Capital Raising are set out in Clause 2.8 of this Offer Information Statement.

Details of the Share Purchase Plan

Under the Share Purchase Plan, all Eligible Shareholders will be able to purchase additional Shares in the capital of the Company at an Offer Price of AU$0.15 per New Share.

Participation in the Share Purchase Plan is optional and is open to all Eligible Shareholders who were registered holders of ordinary shares in the Company as at 5:00pm (Brisbane time) on Wednesday, 29 November 2017 (**Record Date**).

This Offer Information Statement contains details about the Share Purchase Plan, instructions on how to participate in the Share Purchase Plan and risk factors relevant to a further investment in Magnetica. Please also refer to the investor presentation enclosed with this Offer Information Statement for further information on Magnetica.

Actions required to participate in the Share Purchase Plan

The Share Purchase Plan closes at 5.00pm (Brisbane time) on Tuesday, 19 December 2017, unless extended. To participate, you need to ensure that either your completed Application Form and Application Money, or your Application Money submitted by BPAY®, are received before this time in accordance with the instructions set out on the Application Form and in section 3 of this Offer Information Statement.

It is important that you carefully read the risk factors set out in section 4 of this Offer Information Statement before making any investment decision.

With this Offer Information Statement you will also find your Application Form which provides instructions on how to participate in the Share Purchase Plan.

On behalf of the Board, I invite you to consider this opportunity and thank you for your continued support.

Yours sincerely

Howard Stack
Chair

KEY FEATURES OF THE SHARE PURCHASE PLAN

Summary of Offer

Offer Price	AU$0.15 per New Share

Key dates

Record Date	5:00pm (Brisbane time) on Wednesday, 29 November 2017
Announcement of the Share Purchase Plan	Friday, 1 December 2017
Opening date of the Share Purchase Plan	Friday, 1 December 2017
Closing Date — last date for lodgement of Applications and payment of Application Money	5:00pm (Brisbane time) on Tuesday, 19 December 2017
Issue and allotment of New Shares	Wednesday, 27 December 2017

Eligible Shareholders that wish to participate in the Share Purchase Plan are encouraged to subscribe for New Shares as soon as possible after the Share Purchase Plan opens. The Company reserves the right, subject to the Corporations Act, and other applicable laws, to vary the dates of the Share Purchase Plan (including extending the Share Purchase Plan or accepting late applications) without notice.

1 About Magnetica

Magnetica Limited specialises in the development of next generation Magnetic Resonance Imaging (**MRI**) technologies, including key extremity MRI Systems and MRI System components.

Magnetica has been based in Brisbane, Australia since its inception in 2005 and has remained at the forefront of extremity MRI Systems technology, successfully designing and commercialising a 1.5T extremity MRI magnet that is now the heart of hundreds of extremity MRI Systems sold world-wide.

Through continuing strategic partnerships with the University of Queensland, Magnetica has developed a 3T extremity cryogen-cooled superconducting magnet, Gradient Coil and RF Coils. Magnetica has successfully built and tested its complete 3T extremity MRI System, raising the bar for all existing commercial extremity MRI Systems.

Magnetica is 100% committed to unlocking new capabilities, new markets and new possibilities. We resolve, evolve and productise next generation MRI technologies globally to provide class-leading solutions to MRI System Integrators worldwide.

Enclosed with this Offer Information Statement is an investor presentation which contains further information on Magnetica. The Company recommends that Eligible Shareholders read this document in its entirety.

2 Details of the Share Purchase Plan

2.1 The Share Purchase Plan

Eligible Shareholders are invited to participate in a Share Purchase Plan.

Participation in the Share Purchase Plan is voluntary and not transferrable, which means that a right to participate in the Share Purchase Plan cannot be transferred to a third party.

Please refer to section 2.8 of this Offer Information Statement for information regarding the purpose of the Share Purchase Plan and section 4 for the risks factors.

2.2 Offer Price

The Offer Price per New Share is AU$0.15.

2.3 No minimum amount to be raised

There is no minimum amount to be raised under the Share Purchase Plan.

2.4 Eligible Shareholders

This Offer Information Statement contains an Offer of New Shares to Eligible Shareholders only. 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 or New Zealand; and

(c) are eligible under all applicable securities laws to receive an offer under the Share Purchase Plan.

Shareholders that are not Eligible Shareholders are Ineligible Shareholders.

2.5 Participation by Eligible Shareholders

Eligible Shareholders may participate by selecting one of the following parcels of New Shares:

Parcel	Amount payable	Number of New Shares
A	AU$2,500	16,667
B	AU$5,000	33,333
C	AU$7,500	50,000
D	AU$10,000	66,667
E	AU$12,500	83,333
F	AU$15,000	100,000

If you make a payment for a parcel of New Shares which is:

(a) less than AU$2,500 – the Company will not allot any New Shares to you and the Application Money received will be refunded without interest;

(b) greater than AU$15,000 – subject to scale back, the Company will allocate 100,000 New Shares to you in relation to AU$15,000 and will refund the excess application money to you; or

(c) for an amount between AU$2,500 and AU$15,000 that is not a multiple of AU$2,500 – subject to scale back, the Company will allocate to you the number of New Shares that would have been allocated had you applied for a multiple of AU$2,500 that is nearest to but less than the amount of payment, and will refund the excess application money to you.

If the amount received is less than AU$2,500, the Company will not allot any New Shares to the Eligible Shareholder and the money received will be refunded without interest.

Please see section 3 for further details on how to participate in the Share Purchase Plan.

2.6 Applications may be scaled back

The Company reserves the right (in its absolute discretion) to scale back Applications.

If there is a scale back, Eligible Shareholders may receive less than the parcel of New Shares for which they applied. If a scale back produces a fractional number of New Shares when applied to a parcel, the number of New Shares will be rounded up to the nearest whole number of New Shares.

In the event of a scale back, the difference between the Application Money received, and the number of New Shares allotted to an Eligible Shareholder multiplied by the Offer Price, will be refunded to the Eligible Shareholder without interest following allotment of the New Shares.

2.7 Effect of the Share Purchase Plan on Magnetica's capital structure

(a) **Share capital**

The principal effect of the Share Purchase Plan on the Company's capital structure will be to increase the total number of issued Shares. The current Shares on issue as at the date of this Share Purchase Plan is 110,219,598.

(b) **Other securities**

As at the date of this Offer Information Statement, the Company has 3,000,000 options on issue.

2.8 Application of funds

Funds raised under the Capital Raising will be used to meet working capital requirements and also will be applied towards:

(a) 3T Extremity MRI System – Integration of Magnetica's magnet, gradient and RF coils with the MRI Systems Integrator's software and hardware to produce clinical images; preparatory to entering into commercialisation agreement with the MRI Systems Integrator;

(b) Completing negotiations for and executing Sales and Purchase and Licensing Agreement with the MRI Systems Integrator;

(c) Engaging additional personnel and scaling up manufacturing to build out production capabilities for manufacture of gradient and RF coils in Brisbane for supply to the MRI Systems Integrator;

(d) Progressing regulatory and certification activities; and

(e) Ordering the Alpha Magnet for prototype Head and Neck MRI System (Head Scanner); subject to quantum of funds raised and agreement by the Systems Integrator to participate in the Head Scanner project.

The precise activities undertaken and the allocation of total funds to each activity may change without notice depending on market conditions and circumstances generally from time to time. There is no guarantee that funds will be applied to all or any of the matters set out above, and in particular to the Head Scanner Project which is subject to MRI System Integrator participation.

2.9 Withdrawal of Share Purchase Plan

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

2.10 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.

2.11 Opening and Closing Date for applications

The Share Purchase Plan opens for acceptances on Friday, 1 December 2017 and all Applications and payments of Application Money must be received by no later than 5:00pm (Brisbane time) on Tuesday, 19 December 2017, subject to any variation of the Closing Date by the Directors.

2.12 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 Wednesday, 27 December 2017. However, if the Closing Date is extended, the date for allotment may also be extended.

2.13 Share rights

The New Shares issued under this Offer Information Statement will be fully paid ordinary shares in the capital of the Company and will rank equally with ordinary shares in the Company currently on issue. A summary of the rights that the New Shares confer on the holder is set out below.

This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of any of the Company's shareholders. For full details of the rights attaching to New Shares, potential investors should refer to the Constitution of the Company, a copy of which can be obtained from the Company on request.

(a) **Notices of meeting, dividends and capital rights**

Every Shareholder in the Company has a right to:

(i) receive notice of and to attend general meetings of the Company;

(ii) receive dividends as determined from time to time by the Directors; and

(iii) repayment of capital and participation in distribution of the surplus assets of the Company in a winding up or reduction of capital of the Company.

(b) **Voting rights**

Each Shareholder has the right to vote at a general meeting of the Company.

(c) **Transfer of Shares**

Generally, fully paid Shares in the Company are freely transferable. However, where permitted or required to do so by law, the Company may or shall (as applicable) refuse to register any transfer of securities.

(d) **Variation of rights**

The rights and restrictions attaching to a class of shares in the Company may only be varied with the consent in writing of the holders of 75% of the issued shares in that class or by special resolution passed at a separate general meeting of the holders of shares in that class.

(e) **Meetings of Members**

Directors may call a meeting of members of the Company at any time or if required to do so by the Corporations Act. All members are entitled to receive notices of meetings.

2.14 Fees and commissions

There are no amounts payable in respect of the New Shares under this Offer Information Statement by way of fee, commission or other similar charge.

3 How to participate

3.1 If you wish to apply for New Shares

Before taking any action you should carefully read this Offer Information Statement and consider the risk factors set out in section 4.

If you wish to apply for New Shares under the Share Purchase Plan, please do one of the following:

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 Application Form with your payment.

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. The Company will not re-present any dishonoured cheques. The Share Registry must receive your completed Application Form together with full payment for the number of New Shares for which you are applying by no later than **5:00pm (Brisbane time) on Tuesday, 19 December 2017**.

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 SPP A/c'** and crossed 'Not Negotiable'.

or:

Pay by BPAY®

If you are paying for your New Shares by BPAY®, please refer to your personalised instructions on your Application Form. Please note that should you choose to pay by BPAY® you do not need to complete or return the Application Form, but are taken to have made the declarations on that personalised Application Form.

When completing your BPAY® payment, please make sure to use the specific Biller Code and unique reference number provided on your personalised Application Form.

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 **5:00pm (Brisbane time) on Tuesday, 19 December 2017**.

3.2 **Acceptance of the Share Purchase Plan**

By the Company receiving your Application, in the form of either your personalised Application Form with the requisite Application Money or you making a payment of the Application Money 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 your personalised Application 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 Share Purchase Plan;

(e) acknowledge that once the Company receives your Application, 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 of Application Money will pay for at the Offer Price;

(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 your Application Form;

(h) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Application 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, and that the Offer Information Statement is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing disclosure announcements;

(j) acknowledge the statement of risks contained in section 4, and that investments in the Company are subject to risks;

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

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

3.3 Address details and enquiries

Completed Applications (including payment of Application Money) should be forwarded by mail to the following addresses:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney, NSW 2000
Australia

If you would like further information you can contact your stockbroker, accountant or other professional adviser.

3.4 If you do not wish to participate in the Share Purchase Plan

If you do not wish to participate in the Share Purchase Plan you should do nothing.

The offer to participate in the Share Purchase Plan is non-renounceable by Eligible Shareholders. This means that you cannot transfer your right to purchase New Shares to any other person. Shareholders who do not participate will have their percentage shareholding in the Company reduced as a result of the issue of New Shares to participating Shareholders.

4 Risks

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.

4.1 Specific risks

(a) Valuation of the Company

The Company does not have a sufficient track record in relation to revenue, 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) Losses into the Future

The Company expects to incur losses 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.

(c) Ongoing Financial Requirements

The Company anticipates that its existing resources, together with the net proceeds of the Capital Raising, 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.

(d) **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 US, 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 US 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, for example, the US, China and Europe. Delays in the regulatory approval process, or difficulty in achieving regulatory approval in the US, Europe or China, for example, could significantly impact on sales in one or more regions.

(e) **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.

(f) **Development risks and costs**

Development of prototype superconducting magnets presents risk, due to the advanced engineering required to manage the stresses, uncertain time and cost involved in prototyping. Furthermore, designing and manufacturing gradient coils and RF coils for use in compact MRI Systems is more complex than other larger scale MRI Systems. The development process is iterative; hence the operational management of overheads and cost control is an estimate based on Magnetica’s significant experience.

(g) **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.

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

Magnetica is in well advanced commercial negotiations with a systems integration partner, however, there is a risk that these negotiations may not be successful. Magnetica may also enter contractual and joint venture arrangements with large multi-national system integrators or similar in the future. There is always some risk associated with such collaborations.

(i) **Feasibility and market risks**

Project feasibility with system integrators is dependent on time to market, technical risks, manufacturing costs, market price sensitivity and demand, and government policy and regulation. The cost of the end MRI System produced from Magnetica’s collaborations with Systems Integrator(s) will affect demand, and the size of the available market, and at worst result in a decision not to commercialise the end product.

(j) **Unforeseen expenses**

Unforeseen costs can always materialise. For example, supplies and price of helium which is critical for MRI, and superconducting wire (including raw components) can cause delays and cost increases. Nevertheless, a successful move by Magnetica to a conduction-cooled magnet design should mostly mitigate the helium-related risk.

(k) **Reliance on key personnel**

The key management team is central to Magnetica’s reputation and performance; 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.

(l) **Technical risks**

It may prove to be technically or economically unfeasible to manufacture large runs of Magnetica’s designs for magnets, componentry, 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.

(m) **General 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.

(n) **Commercialisation risk**

There can be no assurance that the Company's existing products or any new products or services that it develops will achieve market acceptance or will be commercialised, either on a timely basis or at all. Successful commercialisation will also depend on whether any unanticipated adverse effects result from using the Company's products, or any unfavourable publicity develops in respect of the products, as well as the emergence of new or existing products as competition for the Company's products, which are proven to be more clinically or cost effective.

(o) **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 the 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.

(p) **Warranty risk and product liability**

There is an inherent risk of defective workmanship or materials in the manufacture of the Company's products and for exposure to product liability for damages suffered by third parties attributable to the use of the product. Defective products may have a materially adverse impact on the Company's reputation, its ability to achieve sales and commercialise its products and on its financial performance due to warranty obligations.

(q) **Research and development risk**

A principal component of the Company's business strategy is to expand its product offering to fully exploit its underlying imaging platform. As such, the Company's organic growth and long-term success is partially dependent on its ability to successfully develop and market new products. Accordingly, the Company will likely incur significant research and development expenditures. However, there is no certainty that any investment in research and development will yield technically feasible or commercially viable products. Product development is subject to regulatory overview and approval at significant costs. Failure to introduce new products, or delays in obtaining regulatory approvals could materially and adversely affect the Company's business and financial condition.

(r) **Market competition and technological advancement risk**

Industrial technology in medical diagnostics and therapeutics is evolving rapidly and competition is intense. In addition to products currently in the market, additional products may be introduced to compete with those of the Company. Some products may use entirely different approaches or means to obtain diagnostics information and could be found to be more clinically effective or less expensive than those products being developed and/or commercialised by the Company. In addition, many competitors, both current and potential, may have considerably greater resources at their disposal than the Company. Accordingly, there can be no assurance that the Company can successfully compete with present or potential competitors or that such intense competition will not have a materially adverse effect on the Company.

Additionally, since the Company's products are designed to diagnose specific medical conditions, it is possible that medical or scientific advancement with respect to the treatment of these conditions could render the Company's products obsolete.

(s) **Reverse engineering risk and trade secret risk**

There is a risk of the Company's products being reverse engineered or copied. The Company relies on trade secrets to protect its proprietary technologies, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. The Company relies in part on confidentiality agreements with its employees, contractors, consultants, outside scientific collaborators and other advisors to protect its trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect the Company's competitive business position.

(t) **Protection of proprietary technology**

Wherever possible, the Company has obtained protection for intellectual property by registering patents in Australia as well as various overseas jurisdictions, including the United States, Europe, Japan, China, the United Kingdom and Germany. The Company will continue to seek appropriate patent protection in relation to its technologies and products through a commitment to the filing, maintenance and management of its intellectual property portfolio.

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.

(u) **Litigation risk**

The Company is presently not involved in litigation and the Directors are not aware of any basis on which any litigation against the Company may arise. However, there is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.

(v) **Regulatory risk**

Products intended for diagnostic use for humans are governed by a wide array of regulatory agencies. For most of these products, applicable regulations require testing and government review and approval prior to marketing that product in a particular jurisdiction. This procedure can take a number of years and involves the expenditure of substantial resources. Any failure or delay by the Company to obtain regulatory approvals or clearances could adversely affect the marketing of any products the Company develops and its ability to generate further revenue. There can be no guarantee that any of the Company's planned products will be approved by any regulatory authority on a timely basis, or at all.

(w) **Cash flow and requirements for capital**

There can be no certainty that the Company will have access to available financial resources that will be sufficient to fund its working capital and capital expenditure requirements. If the Company is unable to obtain additional financing as and when needed, it may be required to reduce the scope of its operations or limit expansion.

(x) **Capital raising risk**

The Company may not be able to raise the required capital under the Capital Raising to implement and complete its business plan under this Offer Information Statement.

(y) **Illiquidity**

The Offer made by the Company in this Offer Information Statement is for fully paid ordinary shares in the Company. There is no recognised market for the Shares as the Company is an unlisted public company and the Shares are not currently quoted on any stock exchange. The lack of a recognised market for the Shares may affect the liquidity of the New Shares and the price that might be obtained upon selling the Shares. If the Shares did become freely tradeable on a recognised market, there is a risk that the price will rise or fall in accordance with market forces and other factors outside the control of the Directors.

4.2 General risks of an investment in the Company

(a) **Economic conditions**

Material adverse changes in the general domestic and international economic climate may have an adverse impact on the performance of the Company. These general economic conditions are influenced by such things as economic growth, interest rates, inflation, employment levels and consumer and business sentiment.

(b) **Changes to government policy and regulatory conditions**

Governmental action, including delay, inaction, failure to grant necessary approvals, policy change or the introduction of new, or amendment of existing, legislation or regulations, may adversely affect the Company’s operations and financial performance.

(c) **Regulatory and tax**

There is a risk that the fiscal regime of a country in which any assets of the Company are located, including taxes and levies, could change in the future and have a material impact on the future of the Company.

(d) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(e) **Insurance**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company’s insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

If any of the risks outlined in sections 4.1 and 4.2 or other negative events impacting the Company's business were to eventuate, the Company may be unable to sustain growth and remain viable.

Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Company's business. The information set out above does not purport to be, nor should it be construed as representing, an exhaustive summary of the risks affecting the Company.

5 Additional information

5.1 Financial information

The Company's audited financial statements for the 12 month period ending 30 June 2017 are set out in the Annexure to this Offer Information Statement.

5.2 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.

5.3 Foreign jurisdictions

(a) General restrictions

This Offer Information Statement and accompanying Application 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 and New Zealand. The New Shares may not be offered in a jurisdiction outside Australia and New Zealand 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 Australia or New Zealand 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 Application 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 or New Zealand.

(b) Ineligible Shareholders

The Company is not extending the Share Purchase Plan to Ineligible Shareholders having regard to the cost of complying with legal and regulatory requirements outside Australia and New Zealand, 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.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Ineligible Shareholders, provided the Company is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

5.4 Eligible Shareholders in New Zealand – important information

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* and Part 9 of the *Financial Markets Conduct Regulations 2014*.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001* (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

5.5 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.

5.6 Privacy

The information about Eligible Shareholders included on an Application is used for the purposes of processing the Application and to administer the Eligible Shareholder's holding of New Shares. By submitting an Application, each Eligible Shareholder agrees that the Company may use the information provided by an Eligible Shareholder on the Application 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 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. For further details, including how to access your personal information, and information on the privacy complaints handling procedure, please contact the Share Registry Privacy Officer at privacyofficer@boardroomlimited.com.au or see Share Registry's Privacy Policy at boardroomlimited.com.au/privacy-policy.

5.7 Future performance and forward looking statements

This document may contain certain forward looking statements with respect to the financial condition, results of operations, projects and business of the Company. These forward looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved.

Forward looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these 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 Share Purchase Plan.

5.8 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) Williams Hall Chadwick 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) Thomson Geer have given their consent to be named as the solicitors of the Company in the form and context in which they are named.

(c) Boardroom Pty Limited have 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 Williams Hall Chadwick, Thomson Geer or Boardroom Pty Limited 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.

5.9 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 the ASIC and has not withdrawn his consent prior to lodgement.

5.10 Electronic Offer Information Statement

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

5.11 Governing law

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

5.12 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.

6 Definitions

Application	(a) Completed Application Form and Application Money: or (b) Application Money submitted via BPAY®,
Application Form	The personalised application form accompanying this Offer Information Statement
Application Money	The payment of the Offer Price under the Share Purchase Plan submitted by an Eligible Shareholder for the purposes of making an Application
ASIC	The Australian Securities and Investments Commission
Board	The Board of Directors
Capital Raising	This Share Purchase Plan and the Placement
Closing Date	5:00pm (Brisbane time) on Tuesday, 19 December 2017
Company or Magnetica	Magnetica Limited ACN 010 679 633
Constitution	The constitution of the Company as amended from time to time
Corporations Act	*Corporations Act 2001* (Cth) (Australia)
Director	A director of the Company
Eligible Shareholder	The meaning stated in section 2.4
Exposure Period	The period during which Magnetica cannot accept Applications as described in Section 727(3) of the Corporations Act
Ineligible Shareholder	A Shareholder who is not an Eligible Shareholder
New Shares	Shares issued under the Share Purchase Plan
Offer	The offer contained in this Offer Information Statement to participate in the Share Purchase Plan
Offer Information Statement	This booklet as modified or varied by any supplementary Offer Information Statement given by the Company from time to time
Offer Price	AU$0.15 per New Share
Placement	A placement of up to 6,666,666 Shares at AU$0.15 per Share to sophisticated, professional and other investors to whom no disclosure is required under the Corporations Act, to raise up to AU$1,000,000 before costs.
Record Date	5:00pm (Brisbane time) on Wednesday, 29 November 2017
Register	The register of Shareholders required to be kept under the Corporations Act
Share	A fully paid ordinary share in the Company
Share Purchase Plan	The offer of New Shares in accordance with the terms and conditions of this Offer Information Statement
Share Registry	Boardroom Pty Limited
Shareholder	A holder of Shares

CORPORATE DIRECTORY

Directors

Mr Howard Stack – Non Executive Director and Chair
Mr Richard Aird – Non Executive Director
Dr Philip Dubois – Non Executive Director
Dr Charles Ho – Non Executive Director
Mr Justin Schaffer – Non Executive Director
Mr Jonathan Schaffer – Non Executive Alternate Director to Mr Justin Schaffer

Management

Mr Duncan Stovell – Chief Executive Officer
Prof. Stuart Crozier – Chief Technology Officer
Mrs Karen MacLachlan – Chief Financial Officer
Mr Stephen Denaro – Company Secretary

Registered office

Unit 4, 55 Links Avenue North
Eagle Farm, Queensland, 4009
Australia

Website

http://www.magnetica.com

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Australia

Auditors

Williams Hall Chadwick
Level 19, 144 Edward Street
Brisbane QLD 4000
Australia

Legal advisors

Thomson Geer
Level 16, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Australia

ANNEXURE – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

MAGNETICA

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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

Magnetica Limited & Controlled Entities

NEXT GENERATION MRI TECHNOLOGIES

Resolve / Evolve / Productise

MAGNETICA

Contents

CORPORATE INFORMATION

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

SECRETARY
Stephen Denaro

AUDITORS
Hall Chadwick QLD Audit
Level 19, 144 Edward St
Brisbane QLD 4000, Australia

LEGAL ADVISERS
Thomson Geer
Level 16
Waterfront Place
1 Eagle Street
Brisbane QLD 4000, Australia

BANKERS
National Australia Bank
255 George Street
Sydney NSW 2000, Australia

SHARE REGISTRY
Boardroom Pty Ltd
Level 12
225 George St
Sydney NSW 2000, Australia

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Units 3 & 4
55 Links Avenue North
Eagle Farm QLD 4009, Australia
Telephone: +61 (7) 3188 5445

FY16/17 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Magnetica team has made significant progress during FY16/17. The focus has been maintained on developing our market-disrupting MRI technology, with the acceleration of commercialisation activities and preparation for market entry being key themes.

January 2017 saw Duncan Stovell join our existing high-calibre management team in the role of CEO. Duncan is an experienced executive, having held a range of business and technical roles over the last 20 years in high-tech companies based in both Australia and the UK. Richard Aird continues in the role of Managing Director, ensuring both an efficient transition of responsibilities to Duncan and ongoing access to Richard's value-adding skill-set and experience.

Magnetica was successful in securing a AU$1M AusIndustry Accelerating Commercialisation Grant which, together with matched funding from the company, is financing the commercialisation of our compact very high field 3T (Tesla) extremity MRI system, together with our collaborating system integration partner. Whilst resolving claustrophobia concerns related to whole-body MRI systems, the availability of smaller, lighter and faster dedicated MRI systems will also accelerate the delivery of high-performance medical imaging closer to the point-of-care for patients.

The Beta Project Agreement signed in September 2016 between Magnetica and our collaborating system integration partner continues to be successfully executed by the two parties, with our next generation of superconducting magnet, gradient coils and RF coils currently in manufacture. We anticipate achieving enhanced image quality along with other performance improvements.

An order for pre-production 3T Extremity gradient and RF coil sets was received in June from our integration partner, marking another important commercialisation step. Nevertheless, there have been some delays which tend to come with the territory in commercialisation of high tech products. However, we expect to be in a position to publically announce the project with our partner before year end. Until then, confidentiality continues for competitive reasons.

A Queensland Government Ignite Ideas Grant of AU$0.25M, with matching funding by Magnetica, has enabled us to create high-tech manufacturing jobs in Queensland and development of our advanced manufacturing capabilities, which is pivotal in preparing to scale our production capacity to satisfy demand as products achieve market entry and market-pull increases.

Very positive feedback continues to be received regarding the Musculoskeletal (MSK) images captured using our 3T (alpha) magnet Extremity MRI system. Of note was the reaction from key industry experts attending the Radiological Society of North America (RSNA) annual meeting, RSNA 2016, held in Chicago in November 2016.

Activities are underway to upgrade our existing ISO9001:2008 Quality Management System (QMS), to ISO13485:2016, a QMS specific to medical device organisations. Obtaining this certification is a critical enabler to ensuring we deliver trusted quality products that satisfy the expectations of our partners, MRI-focused clinicians and patients alike.

Our third party RF coil business activities continue, with new orders received and previously supplied advanced coils being successfully operated in a world-leading prototype MRI-Linac system; state-of-the-art cancer therapy equipment. Whilst the focus remains on commercialisation of the 3T Extremity MRI system, the additional revenue and growth in this area of our business is welcome.

Development activities relating to the dedicated 3T Head and Neck MRI system (Head Scanner), our planned follow-on product to the 3T Extremity system, continue as resource availability permits. Preliminary engagement with a manufacturing collaborator is underway. Patent protection for the technology continues, with entry into the National phase in a number of jurisdictions undertaken in early 2017.

FY 16/17 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Some additional capital raisings will be undertaken during the coming 12-month period. Short term delays experienced eat into our capital, and delay future revenue flows. A near-term raise will be completed in coming months to support market entry activities of the disruptive 3T Extremity MRI system and enable scaling of the business including production manufacturing capability. A larger follow-on raise is planned for 2018, to support finalising the design and prototyping of the Head Scanner and other new products.

The following 12-months should deliver significant revenue growth and see the company 'coming-of-age' as a medical device organisation. The Directors acknowledge the ongoing support of shareholders and the broader stakeholder community and thank them for their continued backing of Magnetica and the team as a whole.

Howard Stack
Chair

Brisbane, 6th September 2017

Directors' Report

Your directors present their report for the year ended 30 June 2017.

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
Jonathan Schaffer (appointed as alternate to Justin Schaffer 28 November 16)

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 Deputy 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 experienced and active in musculoskeletal and orthopedic sports medicine imaging and research, particularly in musculoskeletal Magnetic Resonance Imaging. He has been a member of the Radiological Society of North America, the American Roentgen Ray Society, the Society of Skeletal Radiology, the American Academy of Orthopaedic Surgeons, the American Orthopaedic Society for Sports Medicine, and the ACL Study Group, among other professional organizations. He has published numerous papers and book chapters in the radiologic and orthopedic literature, and presented numerous papers internationally in radiologic and orthopedic conference proceedings.

Dr. Ho is Director of Imaging Research and a member of the Scientific Advisory Board of the Steadman Philippon Research Institute in Vail, Colorado. He has served as Radiologic Consultant for the San Francisco 49ers, San Francisco Giants, Cleveland Indians, U.S. Ski Team, U.S. Decathlon Team, Denver Broncos, and Colorado Rockies.

Dr. Ho received his BS and MS in Electrical Engineering from MIT, PhD in Electrical Engineering from Stanford University, and MD from Stanford University School of Medicine.

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.

Jonathan Schaffer – Alternate Director to Justin Schaffer

Jonathan Schaffer joined the Magnetica board as an alternate to Justin Schaffer in 2017.

Having qualified as a Chemical Engineer, Jonathan worked for 4 years in South Africa's nuclear industry in the Uranium Enrichment Corporation facility near Pretoria. Thereafter he joined a boutique agency business importing chemicals and plastics before emigrating with his wife, Diane to the UK in 1985.

After working with an international trading company specialising in barter and counter trade operations, he started his own trading business in 1988. The company later specialised in the toy industry, created its own brand and changed its name to Plum Products Ltd.

He migrated with his family to Australia in 2009 and established Plum Products Australia Pty Ltd as a sister company to the UK company, and later Plum Products Hong Kong Ltd.

Today he is Chairman of the same business, which he owns 50/50 with Diane, a solicitor qualified in South Africa and the UK.

The group has sales under its Plum brand of activity toys in excess of US $20 million in more than 40 countries. It employs about 50 full time staff in four countries. www.plumplay.com

Richard Aird
Managing Director

Richard Aird served as Magnetica CEO from 22 July 2013 until 15 January 2017, when he became Managing Director. He was appointed as a Director on 12 May 2015.

Mr Aird is a professional operations manager with over twenty years' experience in commercial development and operations. He is Executive Director, Company Secretary and COO 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.

DIRECTORS' REPORT (CONTINUED)

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	8,522,286	-
Philip Dubois	906,250	-
Charles Ho	333,305	-
Justin Schaffer	12,579,835	-
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 12 to the financial statements.

Shares issued as a result of the exercise of options

During the year ended 30 June 2017, 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.

DIRECTORS' REPORT (CONTINUED)

Employees

As at 30 June 2017, the Company employed 9 full-time and 3 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 2017, no 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 2017, the profit from ordinary activities for the consolidated entity after providing for income tax was $973,773 (2016: loss ($714,127)).

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

The Company received $641,255 in August 2017 from the Australian Taxation Office (ATO) for the 2016/17 Research and Development tax rebate.

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' 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	4	4	1	1	-	-
Justin Schaffer	4	4	n/a	n/a	n/a	n/a
Philip Dubois	4	4	1	1	-	-
Charles Ho	4	4	n/a	n/a	n/a	n/a
Richard Aird	4	4	1	1	n/a	n/a
Jonathan Schaffer	2	-	-	-	n/a	n/a

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 6th day of September 2017 in accordance with a resolution of the directors.

Howard Stack
Chair

HALL CHADWICK QLD AUDIT
CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Level 19/144 Edward St
Brisbane Qld 4000
GPO Box
389
Brisbane Qld 4001

07 3221 2416 **T**
07 3221 8341 **F**

hallchadwickassociation.com.au

Magnetica Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Magnetica Limited and controlled entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Geoffrey Stephens
Director

HALL CHADWICK QLD AUDIT

Chartered Accountants

Dated this ...6th..... day of September 2017

Level 19/144 Edward St
Brisbane Qld 4000
GPO Box 389
Brisbane Qld 4001

07 3221 2416 **T**
07 3221 8341 **F**

hallchadwickassociation.com.au

Independent Auditor's Report

To the members of Magnetica Limited

Report on the Financial Report

Opinion

We have audited the financial report of Magnetica Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended; and

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Geoffrey Stephens
Director

HALL CHADWICK QLD AUDIT
Chartered Accountants

GPO Box 389
BRISBANE
QLD 4001

Dated this ……6th…. day of September 2017

MAGNETICA

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 15 to 34 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 2017 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 6th day of September 2017 in accordance with a resolution of the directors.

Howard Stack
Chair

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue	2	1,901,619	447,879
Expenses	3	927,846	1,162,006
Profit/(loss) before income tax		973,773	(714,127)
Income tax expense	4	-	-
Profit/(loss)attributable to members of Magnetica Limited		973,773	(714,127)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year attributable to the members of Magnetica Limited		973,773	(714,127)

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 2017

	Notes	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents		763,275	730,879
Trade and other receivables	5	109,745	20,119
Inventories		47,632	34,887
Other assets	6	27,294	33,068
TOTAL CURRENT ASSETS		**947,946**	**818,953**
NON-CURRENT ASSETS			
Property, plant and equipment	8	186,130	200,392
Intangible assets	9	2,464,909	1,030,977
TOTAL NON-CURRENT ASSETS		**2,651,039**	**1,231,369**
TOTAL ASSETS		**3,598,985**	**2,050,322**
CURRENT LIABILITIES			
Trade and other payables	10	758,048	202,317
Employee Benefits	11	79,525	65,302
TOTAL CURRENT LIABILITIES		**837,573**	**267,619**
NON-CURRENT LIABILITIES			
Employee Benefits	11	4,936	-
TOTAL NON-CURRENT LIABILITIES		**4,936**	**-**
TOTAL LIABILITIES		**842,509**	**267,619**
NET LIABILITIES		**2,756,476**	**1,782,703**
EQUITY			
Issued capital	12	56,829,922	56,829,922
Reserves	13	281,000	281,000
Accumulated losses		(54,354,446)	(55,328,219)
TOTAL EQUITY		**2,756,476**	**1,782,703**

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

MAGNETICA

Consolidated Statements of Changes in Equity

For the year ended 30 June 2017

Consolidated	Share capital	Reserves	Accumulated Profit/(losses)	Total equity
	Ordinary	Share option reserve		
	$	$	$	$
Balance at 1 July 2016	56,829,922	281,000	(55,328,219)	1,782,703
Shares issued during the period	-	-	-	-
Share issue costs	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	973,773	973,773
Balance at 30 June 2017	56,829,922	281,000	(54,354,446)	2,756,476

Consolidated	Share capital	Reserves	Accumulated losses	Total equity
	Ordinary	Share option reserve		
	$	$	$	$
Balance at 1 July 2015	55,102,166	281,000	(54,614,092)	769,074
Shares issued during the period (note 12)	1,766,500	-	-	1,766,500
Share issue costs	(38,744)	-	-	(38,744)
Total comprehensive income/(loss) for the year	-	-	(714,127)	(714,127)
Balance at 30 June 2016	56,829,922	281,000	(55,328,219)	1,782,703

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Inflows (Outflows)	
	2017	**2016**
	$	**$**
Cash flows from operating activities		
Receipts from customers and grants	1,977,688	453,162
Payments to suppliers and employees	(483,737)	(1,233,714)
Interest received	9,567	6,302
Net cash used in operating activities (Note 21)	**1,503,518**	**(774,249)**
Cash flows from investing activities		
Payments for property, plant and equipment	(19,190)	(15,660)
Payment for development costs	(1,451,932)	(568,807)
Net cash used in investing activities	**(1,471,122)**	**(584,467)**
Cash flows from financing activities		
Proceeds from capital raising	-	1,765,850
Share issue costs	-	(38,093)
Net cash provided by financing activities	**-**	**1,727,757**
Net increase (decrease) in cash and cash equivalents held	32,396	369,041
Cash and cash equivalents at the beginning of the financial year	730,879	361,838
Cash and cash equivalents at the end of the financial year (Note 20)	**763,275**	**730,879**

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 2017 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 7 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.

. **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
Revenue includes the initial amount agreed in the transaction/contract to the extent that is probable that it will result in revenue and can be measured reliability. As soon as the outcome of a contract for the order of particular goods or services can be measured reliabily, contract revenue is recognised in the profit or loss in proportion to the stage of completion of the contract.

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.

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.

(s) **Going Concern**

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

Magnetica Ltd is an emerging technology company and is in the continuing process of fund raising to develop the technology to a stage where the company becomes profitable and self-sufficient. The Company has made a net profit over the last 12 months of $973,773 and a loss of ($714,127) in the corresponding prior period.

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

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

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

(1.) The directors have continued to contribute further share capital on a periodic basis.

(2.) The company has historically had the ability to secure Government grant funding and to secure share capital as needed.

(3.) The company is entitled to a substantial annual research and development tax rebate.

(4.) Periodic coil sales are expected to occur throughout the financial year and an arrangement is pending for funding and a partnering arrangement with a multinational company.

(5.) The company has no debt apart from trade creditors and in fact had a surplus of net current assets at period end and as the date of this report.

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

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.

		2017 $	2016 $
2.	**REVENUE**		
	Sales	26,715	29,737
	Development Contribution	500,000	-
	Interest received	9,567	6,302
	Grant income	830,410	55,656
	Research and development tax offset	526,074	355,375
	Other income	8,853	809
		1,901,619	**447,879**
3.	**EXPENSES**		
	Consultancy	475,688	371,433
	Travel	26,681	49,984
	Employee benefits expense	993,975	794,402
	Operating lease rentals	62,329	59,488
	Depreciation	33,452	57,999
	Amortisation	18,000	18,612
	Cost of Goods sold	11,270	22,057
	Other	268,605	289,827
		1,890,000	**1,663,802**
	Less Development costs capitalised applicable to costs above	(962,154)	(501,796)
		927,846	**1,162,006**
4.	**INCOME TAX**		
a)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit/(loss) before income tax expense	973,773	(714,127)
	Tax at the Australian tax rate of 28.5% (2016: 30%)	277,525	(203,526)
	Research and development not assessable	(149,931)	(101,282)
	Depreciation and amortisation	(14,625)	(5,881)
	Prepayments	1,134	(724)
	Research and development expenses capitalised	(413,892)	(143,012)
	Black hole expenditure	(876)	(896)
	Research and development expenses non-deductible	508,640	333,180
	Movements in provisions and accruals	12,313	1,609
	Deferred tax assets (recognised)/not recognised	(7,729)	120,532
	Losses Utilised	(212,559)	-
	Income tax expense	**-**	**-**
b)	**Tax losses**		
	Unused tax losses for which no deferred tax asset has been recognised	30,511,384	31,284,324
	Potential tax benefit @ 28.5% (2016: 28.5%)	8,695,744	8,916,032

4b) Tax losses (continued)

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.

	2017 $	2016 $
5. TRADE AND OTHER RECEIVABLES		
Trade receivables	109,745	-
GST receivable	-	20,119
	109,745	**20,119**
6. OTHER CURRENT ASSETS		
Refundable deposits	**13,750**	**15,550**
Prepayments	**13,544**	**17,518**
	27,294	**33,068**

7. CONTROLLED ENTITIES

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

	Country of Incorporation	Class of Share	2017 % holding	2016 % 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.

	2017 $	2016 $
8. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
Cost	391,645	378,690
Less: Accumulated depreciation	(205,515)	(178,298)
Total plant and equipment	**186,130**	**200,392**

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	200,392	242,831
Additions	19,190	15,560
Depreciation	(33,452)	(57,999)
Carrying amount at end of year	**186,130**	**200,392**
	2017 $	**2016 $**

9.	**INTANGIBLE ASSETS**		
	Computer software		
	At cost	35,110	35,110
	Less: Accumulated amortisation	(30,366)	(24,130)
	Total computer software	**4,744**	**10,980**
	Patents		
	At cost	53,868	53,868
	Less: Accumulated impairment losses	-	-
	Total patents	**53,868**	**53,868**
	Development costs		
	At cost	2,631,255	1,173,087
	Less: Accumulated amortisation	(224,958)	(206,958)
	Total development costs	**2,406,297**	**966,129**
	Total intangible assets	**2,464,909**	**1,030,977**
	Reconciliations		
	Carrying amount at beginning of year	1,030,976	480,682
	Additions	1,451,933	568,907
	Amortisation	(18,000)	(18,612)
	Carrying amount at end of year	**2,464,909**	**1,030,977**

10.	**TRADE AND OTHER PAYABLES**		
	Trade payables	68,115	133,968
	Unearned revenue	206,283	52,909
	PAYG withholding payable	46,050	15,440
	Accrued expenses	409,002	-
	GST payable	1,312	-
	Superannuation payable	24,046	-
	Other current payables	3,240	-
		758,048	**202,317**

		2017 $	2016 $
11.	**EMPLOYEE BENEFITS**		
	Current		
	Provision for Long Service Leave	28,484	25,449
	Provision for Annual leave	51,041	39,853
		79,525	65,302
	Non Current		
	Provision for Long Service Leave	4,936	-

		No. of Shares	2017 $	No. of Shares	2016 $
12.	**ISSUED CAPITAL**				
(a)	*Ordinary shares*				
	Balance 1 July	110,219,598	56,829,922	96,609,596	55,102,166
	Shares issued during the year at $0.10 per share		-	5,500,000	550,000
	Shares issued during the year at $0.15 per share		-	8,110,002	1,216,500
	Share issue costs		-	-	(38,744)
	Balance 30 June	**110,219,598**	**56,829,922**	**110,219,598**	**56,829,922**

		No. of Options	2017 $	No. of Options	2016 $
(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 13 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.

13. **RESERVES**

Share Option Reserve

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

14 **SHARE-BASED PAYMENTS**

No options were granted or exercised during the current financial year (2016: 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 2017	Balance at 30 June 2016
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**

	2017	2016
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.

15 **CONTINGENT LIABILITIES**

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

		2017 $	2016 $
16.	**COMMITMENTS**		
	Operating lease commitments		
	Future operating lease rentals not provided for in the financial statements or payable:		
	Not longer than one year	25,530	-
	Longer than one year but not longer than five years	-	-
		25,530	**-**
17.	**AUDITOR'S REMUNERATION**		
	Remuneration of the auditors of the parent entity for:		
	- auditing or reviewing the financial report	18,717	15,074
	- taxation and other services	7,000	9,571

18. **RELATED PARTIES**

Directors and specified executives:

Disclosure relating to directors and key management personnel remuneration are included in note 23.

Aggregate amounts payable to directors at end of the reporting period:

There were no aggregate amounts payable to the directors during the financial year.

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 7.

19. **EVENTS OCCURRING SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

The Company received $641,255 in August 2017 from the Australian Taxation Office (ATO) for the 2016/17 Research and Development tax rebate. With exception to the above matter, there were no other events occurring subsequent to the end of the reporting period.

		2017 $	2016 $
20.	**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	**763,275**	**730,879**
21.	**RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO LOSS AFTER INCOME TAX**		
	Profit(loss) after income tax	973,773	(714,127)
	Depreciation	33,452	57,999
	Amortisation	18,000	18,612
	Change in assets and liabilities		
	(Increase) decrease in assets		
	Trade debtors	(89,626)	(9,666)
	Inventory	(12,745)	10,668
	Other current assets	5,774	27,681
	Increase (decrease) in liabilities		
	Trade creditors	(65,853)	(75,221)
	Unearned revenue	153,374	-
	Employee entitlements	19,159	(5,644)
	Other current liabilities	468,210	(84,560)
	Net cash used in operating activities	**1,503,518**	**774,249**

22. 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.

23. MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel

(i) 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 – Managing Director

(ii) Details of Other Key Management Personnel

Duncan Stovell – Chief Executive Officer
Riyu Wei

(iii) Directors Fees

	2017 $	2016 $
Short term employee benefit	287,707	247,708
Post-employment employee benefit	32,108	27,925
Other long term employee benefits	28,484	25,449
Total	348,299	301,082

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 (2016: Nil).

23. **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 2017	Balance 1 July 2016	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2017
Directors					
Howard Stack	8,522,286	-	-		8,522,286
Philip Dubois	906,250	-	-		906,250
Charles Ho	333,305	-	-		333,305
Justin Schaffer	12,579,835	-	-		12,579,835
Richard Aird	312,500	-	-		312,500
Other Key Management Personnel					
Duncan Stovell	-	-	-		-
Riyu Wei	-	-	-		-
Total	**22,654,176**				**22,654,176**

30 June 2016	Balance 1 July 2015	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2016
Directors					
Howard Stack	5,692,290	-	-	2,829,996	8,552,286
Philip Dubois	906,250	-	-		906,250
Charles Ho	333,305	-	-		333,305
Justin Schaffer	11,246,501	-	-	1,333,334	12,579,835
Richard Aird	312,500	-	-		312,500
Other Key Management Personnel					
Duncan Stovell	n/a	n/a	n/a	n/a	n/a
Riyu Wei	-	-	-		-
Total	**18,490,846**	**-**	**-**	**4,163,330**	**22,654,176**

	2017 $	2016 $
24. PARENT ENTITY INFORMATION		
Net loss attributable to members of Magnetica Limited	973,773	(714,127)
Other comprehensive income	-	-
Total comprehensive income for the year	**973,773**	**(714,127)**
Current assets	947,946	818,953
Total assets	**3,598,985**	**2,050,322**
Current liabilities	837,573	267,619
Total liabilities	**842,509**	**267,619**
Issued capital	56,829,922	56,829,922
Share option reserve	281,000	281,000
Accumulated losses	(54,354,446)	(55,382,703)
Total Equity	**2,756,476**	**1,782,703**

25. **NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Company. The following new standards to be applied in future periods are not expected to have a significant impact on the Company:

(i) AASB 9 Financial instruments (application date 1 January 2018). This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes, which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures.

(ii) AASB 15 Revenue from Contracts with Customers (application date 1 January 2018). Establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

(iii) AASB 16 Leases (application date 1 January 2019). This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.by lessees and lessors.