



ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Magnetica Limited
ACN 010 679 633
Units 3 & 4, 55 Links Avenue North
Eagle Farm QLD 4009, Australia
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Magnetica Limited & Controlled Entities



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CORPORATE INFORMATION

DIRECTORS

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

SECRETARY

Stephen Denaro

AUDITORS

Hall Chadwick QLD
Level 4, 240 Queen 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



FY20 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

REVIEW OF OPERATIONS

Similar to many businesses, the global pandemic has had a notable impact upon our activities during the latter stage of the 2020 financial year.

On the down side, business development activities were significantly impacted, with customers deferring a range of opportunities. On the upside, however, we are delighted that we have been able to maintain the whole team during the period, and thus progress forward with a range of internal product development and commercialisation activities. Further, our actions earlier in the year to migrate our IT systems into the cloud enabled effective online collaboration, making for a fairly seamless and efficient transition to a work-from-home focus for the team for a number of weeks.

In the mid-year financial statements we reported that our Extremity MRI system completed a range of Voice-of-the-Customer (VoC) testing. The in-house volunteer scanning undertaken produced strong support for the system from all of the Radiologists, Radiographers and volunteers ("patients") involved. The system performance was proven and the clinical workflow for the system validated. We remain confident that such a product will deliver a positive impact for patients and clinicians in the radiology community alike, bringing high-quality imaging closer to the patient point-of-care.

We continue to be encouraged by the genuine interest and belief in the applicability of the Extremity MRI product in the market, which was further evidenced by the interest from several of the VoC testing participant organisations in becoming early adopters of the product.

With such a positive outcome from the range of VoC testing activities of the Extremity MRI system, it was surprising and deeply disappointing to be advised by our Systems Integration Partner that, following their final internal stage-gate review, and four years of development, they had decided not to complete the commercialisation of the Extremity product. Furthermore, as a result of their commercialisation decision, they decided that they would not take up their option to have the AU\$3.8M of funds previously contributed converted into equity in Magnetica.

The reasons for the decisions are opaque and mystifying, given the System Integrator acknowledged the quality of the imaging outputs, and the market demand. Being one of the major Systems Integrators, our best estimate is that they decided the system did not fit within the product range they wished to concentrate upon.

Negotiation to either amend or exit the commercial relationship with our partner upon mutually satisfactory terms are coming to a friendly and agreed conclusion.

This apparent setback has, however, presented an exciting new opportunity to us.

In June a Heads of Agreement was signed with another party under which we would merge our respective operations and together enter the Extremity MRI system market in our own right. Whilst negotiations are ongoing, due to the inherent commercial sensitivities, further details in relation to this matter must remain confidential for the next few months.

A significant milestone for Magnetica was reached this year, with the shipping of our first regulatory compliant (Class 1) medical device to a European customer. Previous products supplied to customers were for research applications and thus not approved for clinical use. The product shipped to the European customer is a CE marked Radio Frequency (RF) coil for use as an MRI accessory with a whole-body MRI system. The coil enables the user to undertake effective Transcranial Magnetic Stimulation (TMS) and/or functional MRI (fMRI) studies.



FY20 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

In working to broaden our market presence and develop stronger industry links, a Memorandum of Understanding (MoU) was signed in June with PulseTeq Limited, a UK based RF coil company. It is anticipated that the MoU will foster cross-marketing and collaboration on product commercialisation activities, as well as providing enhanced support for our global customer bases in the longer term.

In another area of the business, our IP portfolio was strengthened during the year through the granting of our 'Magnet for Head and Extremity Imaging' patent application in the jurisdictions of Australia, China, Japan and the USA. With other jurisdictions still to complete their review, we are continuing to ensure our market offerings maintain a competitive advantage in key geographic regions.

The financial contributions from our former partner, together with ongoing government grants and R&D subsidies leaves us with a reasonable balance sheet position into the second half of the financial year. A further capital raising may be necessary to take us through to completion of the new opportunity foreshadowed above.

As always, the Directors wish to acknowledge and thank our customers, partners, suppliers, shareholders and other stakeholders for their continued support and confidence in the Magnetica team as we work to finalise a new and exciting pathway forward for the company and our products.

Howard Stack
Chair

Brisbane, 25th September 2020



DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2020.

DIRECTORS

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

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

Howard Stack

BA LLB

(Non-Executive Chair, Chair of Audit & Risk Management 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); Waratah Coal Inc (2009); and Redflow Limited (2012- June 2019; Chairman 2012 - 2015).

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 from 1991 to 2019, and served as a Director of Queensland Events Corporation (1996-1998) and as a Director, Flight Centre Limited 1995-2005.

Dr Philip Dubois

MBBS FRCR FRANZR FAICD (Radiologist)

(Non-Executive Director, Member of Audit & Risk Management Committee)

Dr Dubois is a Director of ASX Listed Sonic Healthcare Ltd. 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 orthopaedic 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 orthopaedic literature and presented numerous papers internationally in radiologic and orthopaedic conference proceedings.

Dr. Ho is Professor of Radiology, University of Colorado School of Medicine, in Aurora, Colorado. He is Director of Imaging Research and a member of the Research Advisory Committee 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, Colorado Rockies, and Denver Nuggets.

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 South Africa.

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

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

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

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

Richard Aird Non Executive Director (Resigned as Executive Managing Director effective 29 October 2017)

Richard Aird became Magnetica CEO in July 2013, and was appointed as a Director in May 2015. He held the position of Managing Director until 29 October 2017. He continues with Magnetica as a non-executive director.

Mr Aird is a professional operations manager with over twenty years' experience in commercial development and operations. He is currently the Chief Operating Officer at 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.

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 \$USD 20 million in more than 40 countries. It employs about 50 full time staff in four countries. www.plumplay.com



DIRECTORS' REPORT (CONTINUED)

Thomas Stack – Alternate Director to Howard Stack

Mr Stack joined the Magnetica board in 2020 as an alternate to Mr Howard Stack.

Mr Stack is an experienced corporate lawyer specialising in public and private acquisitions, disposals and joint ventures. He has practiced law in Melbourne at Blake Dawson Waldron (now Ashurst), in London at Linklaters and in Sydney and Brisbane at the US firm Jones Day.

Mr Stack has strong experience advising on cross-border transactions, having advised companies on corporate transactions in the United States, the United Kingdom, France, Germany, the United Arab Emirates, Singapore, South Africa and Australia. He can also advise companies and boards on their corporate governance and disclosure obligations (both in Australia and in the United Kingdom).

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, Chief Financial Officer and Non-Executive Director 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 | “Series A” Performance Rights | “Series C” Performance Rights |
|-------------------|------------------------|-------------------------|--------------------------------------|--------------------------------------|
| Howard Stack | 8,806,540 | - | - | 500,000 |
| Philip Dubois | 906,250 | - | - | 500,000 |
| Charles Ho | 333,305 | - | - | 500,000 |
| Justin Schaffer | 13,579,835 | - | - | 500,000 |
| Richard Aird | 312,500 | - | 500,000 | 1,000,000 |
| Jonathan Schaffer | - | - | - | - |
| Thomas Stack | - | - | - | - |

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 15(a) to the financial statements. During the year ended 30 June 2020, and up to the date of this report, no shares were issued as a result of the exercise of an option over unissued shares.



DIRECTORS' REPORT (CONTINUED)

Performance Rights Plan

Under the Performance Rights Plan instituted by the company in previous years to incentivise staff, directors and contractors, the following Performance Rights are on issue as at year end (as detailed in Note 15(b) to the financial statements):

- "Series A" (issued for past performance – vested upon issue in December 2017) – 1,800,000;
- "Series B" (issued for past performance, condition unfulfilled, rights have now lapsed);
- "Series C" (subject to personal performance hurdles achieved – vested in December 2019) – 2,312,500; and
- "Series C" (Subject to company wide hurdle to be achieved in the future) – 5,312,500.

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, gradient coils and RF (Radio Frequency) Coils, aimed at niche and emerging global human magnetic resonance imaging (MRI) markets.

Employees

As at 30 June 2020, the Company employed 9 full-time and 1 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 notable of these are from The University of Queensland's Biomedical Engineering Group.

REVIEW OF FINANCIAL CONDITION

Capital structure

During the period to 30 June 2020, nil shares were issued (2019: Nil).

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 2020, the loss from ordinary activities for the consolidated entity after providing for income tax was \$(881,485). (2019: \$(34,107)).

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.

DIRECTORS' REPORT (CONTINUED)

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.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no significant developments after the end of the reporting period.

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, Officers 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, Officers and Secretary.

The Company has not indemnified its auditor.

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

DIRECTORS' MEETINGS

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

| | Board meetings | | Audit & Risk Management committee | | Remuneration and Nomination committee | |
|-------------------|---|-------------------|---|-------------------|---|-------------------|
| | Number of meetings held while in office | Meetings attended | Number of meetings held while in office | Meetings attended | Number of meetings held while in office | Meetings attended |
| Howard Stack | 11 | 11 | 1 | 1 | - | - |
| Justin Schaffer | 11 | 11 | n/a | n/a | n/a | n/a |
| Dr Philip Dubois | 11 | 11 | 1 | 1 | - | - |
| Dr Charles Ho | 11 | 10 | n/a | n/a | n/a | n/a |
| Richard Aird | 11 | 10 | n/a | n/a | n/a | n/a |
| Jonathan Schaffer | 11 | 3 | - | - | n/a | n/a |
| Thomas Stack | 0 | 0 | - | - | 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 25th day of September 2020 in accordance with a resolution of the directors.



Howard Stack
Chair

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

As lead auditor for the audit of the financial report of Magnetica Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Magnetica Limited and entities it controlled during the financial period.



Clive Massingham
Director

HALL CHADWICK QLD
Chartered Accountants

Dated this 25th day of September 2020

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 and controlled entities (the Company), which comprises the statement of financial position as at 30 June 2020, 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 the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 2020, 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.



Clive Massingham
Director

HALL CHADWICK QLD
Chartered Accountants

Dated this 25th day of September 2020



Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 16 to 41 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 2020 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 25th day of September 2020 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 2020

| | Notes | 2020 \$ | 2019 \$ |
|---|-------|-------------|-------------|
| Revenue | 2 | 751,158 | 970,057 |
| Expenses | 3 | (1,632,643) | (1,004,164) |
| Profit/(loss) before income tax | | (881,485) | (34,107) |
| Income tax expense | 4 | - | - |
| Profit/(loss) attributable to members of Magnetica Limited | | (881,485) | (34,107) |
| Other comprehensive income | | | - |
| Total comprehensive income/(loss) for the year attributable to the members of Magnetica Limited | | (881,485) | (34,107) |
| <i>The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.</i> | | | |



Consolidated Statement of Financial Position

As at 30 June 2020

| | Notes | 2020 \$ | 2019 \$ |
|--------------------------------------|-------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 21 | 1,579,632 | 1,436,040 |
| Trade and other receivables | 5 | 16,676 | 84,009 |
| Inventories | | 73,772 | 72,308 |
| Other assets | 6 | 118,505 | 141,870 |
| TOTAL CURRENT ASSETS | | 1,788,585 | 1,734,227 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 192,742 | 156,691 |
| Right-of-use assets | 11 | 27,085 | - |
| Intangible assets | 9 | 5,856,892 | 5,000,218 |
| TOTAL NON-CURRENT ASSETS | | 6,076,719 | 5,156,909 |
| TOTAL ASSETS | | 7,865,304 | 6,891,136 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 164,706 | 226,696 |
| Lease liabilities | 11 | 27,085 | - |
| Employee Benefits | 12 | 74,244 | 57,733 |
| TOTAL CURRENT LIABILITIES | | 266,035 | 284,429 |
| NON-CURRENT LIABILITIES | | | |
| Employee Benefits | 12 | 2,739 | 1,192 |
| TOTAL NON-CURRENT LIABILITIES | | 2,739 | 1,192 |
| TOTAL LIABILITIES | | 268,744 | 285,261 |
| NET ASSETS | | 7,596,530 | 6,505,515 |
| EQUITY | | | |
| Issued capital | 13 | 58,088,535 | 58,088,535 |
| Reserves | 14,15 | 903,500 | 2,831,000 |
| Accumulated losses | | (51,395,505) | (54,314,020) |
| TOTAL EQUITY | | 7,596,530 | 6,605,515 |

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



Consolidated Statements of Changes in Equity

For the year ended 30 June 2020

| Consolidated | Share capital | Reserves | Reserves | Reserves | Accumulated losses | Total equity |
|---|---------------|----------------------|--------------------|----------------------|--------------------|--------------|
| | Ordinary | Share option reserve | Performance Rights | Share Based Payments | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2019 | 58,088,535 | 281,000 | 270,000 | 2,280,000 | (54,314,020) | 6,605,515 |
| Reserve against performance rights issued during year | - | - | 352,500 | - | - | 352,500 |
| Development Contributions | - | - | - | 1,520,000 | - | 1,520,000 |
| Transfer of Development Contributions on lapse of option to convert to shares | | | | (3,800,000) | 3,800,000 | - |
| Share issue costs | - | - | - | - | - | - |
| Total comprehensive income/(loss) for the year | - | - | - | - | (881,485) | (881,485) |
| Balance at 30 June 2020 | 58,088,535 | 281,000 | 622,500 | - | (51,395,505) | 7,596,530 |

| Consolidated | Share capital | Reserves | Reserves | Reserves | Accumulated Profit/(losses) | Total equity |
|--|---------------|--------------|--------------------|----------------------|-----------------------------|--------------|
| | Ordinary | Share option | Performance Rights | Share Based Payments | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2018 | 58,151,914 | 281,000 | 270,000 | | (54,279,913) | 4,423,001 |
| Development Contributions | - | - | - | 2,280,000 | - | 2,280,000 |
| Share issue costs | (63,379) | - | - | - | - | (63,379) |
| Total comprehensive income/(loss) for the year | - | - | - | - | (34,107) | (34,107) |
| Balance at 30 June 2019 | 58,088,535 | 281,000 | 270,000 | 2,280,000 | (54,314,020) | 6,605,515 |



Consolidated Statement of Cash Flows

For the year ended 30 June 2020

| | Inflows/(Outflows) | |
|--|--------------------|--------------------|
| | 2020 \$ | 2019 \$ |
| Cash flows from operating activities | | |
| Receipts from customers and grants | 903,463 | 950,153 |
| Payments to suppliers and employees | (1,337,246) | (1,394,270) |
| GST Recovered/(Paid) | 77,915 | 85,005 |
| Interest Received | 5,159 | 9,895 |
| Net cash used in operating activities (Note 21) | (350,709) | (349,217) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (72,194) | (15,535) |
| Payments for Right-of-use Assets | (96,559) | - |
| Payment for development costs | (856,946) | (1,336,673) |
| Net cash used in investing activities | (1,025,699) | (1,352,208) |
| Cash flows from financing activities | | |
| Proceeds from Capital Raising | - | 2,280,000 |
| Proceeds from Development Contributions | 1,520,000 | - |
| Share issue costs | - | (63,380) |
| Net cash provided by financing activities | 1,520,000 | 2,216,620 |
| Net increase (decrease) in cash and cash equivalents held | 143,592 | 515,195 |
| Cash and cash equivalents at the beginning of the financial year | 1,436,040 | 920,845 |
| Cash and cash equivalents at the end of the financial year (Note 21) | 1,579,632 | 1,436,040 |
| <i>The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.</i> | | |

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 2020 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. New and Amended Standards Adopted

AASB 16 Leases

The group has adopted AASB 16 Leases from 1 July 2019. The standard replaces existing accounting requirements under AASB 17 Leases and eliminates the classification between operating and finance leases, introducing a single lessee accounting model.

Previously, leases were classified based on their nature as either finance leases or operating leases. Finance leases were recognised in the Consolidated Statement of Financial Position and operating leases were recognised on a straight-line basis over the term of the lease.

Under AASB 16, the Group's accounting for operating leases as a lessee will now result in the recognition of a right-of-use (ROU) asset and a corresponding lease liability, with the exception of short term leases under 12 months



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and where the underlying ROU asset is of a low value. The lease liability will represent the present value of future lease payments. There will be a separate recognition of the depreciation charge on the ROU asset and interest expense on the lease liability, where it is material.

The group adopted AASB 16 using the modified retrospective method of adoption. The reclassifications and adjustments arising from the new leasing standard are therefore recognised in the opening statement of financial position on 1 July 2019. As the group adopted this approach, there was no restatement of previous financial statements required. When applying this modified approach, the Group has elected to apply practical expedients allowed under the standard, including the use of hindsight in determining the lease term where the contract contains options to extend the lease. The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as an operating lease under AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at date of transition.

For more information, please refer to Note 11.

c. 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.

d. 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.

e. Revenue Recognition

Revenue arises mainly from the sale of goods and services, Research and Development (R&D) tax rebates, interest and various grants.

To determine whether to recognise revenue, the company follows a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligations are satisfied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue generated by the Company is categorised into the following reportable segments:

- Manufacturing segment – sale of Gradient and Radio Frequency (RF) Coils;
- Interest;
- R&D Tax Offsets; and
- Grants.

Gradient and RF Coils

The Company manufactures and sells Gradient and RF Coils.

Revenue from these sales is based on the price stipulated in the contract. Revenue is only recognised to the extent that there is a high probability that the company will collect the consideration to which it will be entitled to, in exchange for goods and services that will be transferred to the customer.

Revenue is recognised either at a point in time or over time, when (or as) the company satisfies performance obligations.

As many of the contracts involve purpose-built goods and services unique to that customer (which have no alternate use for the company), and the company usually has an enforceable right to payment for the performance completed, most contract revenue is recognised over time. The company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. It measures progress by using reliable methods such as milestones reached, surveys of performance completed to date, and appraisals of results achieved, with reference to value to the customer of goods or service promised under the contract.

In the event that the above-mentioned conditions are not fulfilled, the company recognises revenue at a point in time. In determining the appropriate point in time at which revenue is recognised, the company considers factors such as when the customer obtains control of the promised goods/services, and when the company has satisfied its performance obligations. Determined on a case by case basis, the factors to be considered include whether the company has a present right to payment for the goods; whether the company has transferred physical possession of the asset, and whether the customer has accepted the asset – all having reference to the contracted terms and conditions.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations, and reports these amounts as liabilities in its Statement of Financial Position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the Group recognises a receivable in its Statement of Financial Position.

Interest

Interest is recognised when the company has the right to receive the interest payment.

Research and Development Tax Offset

Refundable research and development tax offsets are recognised when the Australian Taxation Office approves that year's claim. Non-refundable R&D 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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Grants are recognised as revenue when grant submission has been approved and relevant payment has been received.

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.

f. 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 for plant and equipment are the rate which corresponds to the company's assessment of the particular asset's useful life, eg if it is assessed to have a 5 year life, it is depreciated 20% each year.

Impairment

At the end of each reporting period, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

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

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

g. Inventories

All inventories including work in progress are valued at the lower of cost and net realisable value. Cost includes direct materials, direct labour and relevant freight costs.

h. Income tax

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

Deferred tax is accounted for using the liability method in respect of differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss, or where it is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

i. Financial Instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest in the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(i) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

The Company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortised cost.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 31(i)), and foreign currency differences on available-for-sale equity instruments (see note 3(a)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(iii) Financial assets – Assessment of contractual cash flows as principal or interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:



1, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(iv) Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company's financial assets are classified as loan and receivables.

(v) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

b. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) 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.

j. 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.

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.

k. 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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

l. 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.

m. Leases

See note (1) (b).

n. 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.

o. Comparatives

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. 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 loss over the last 12 months of \$(881,485) and a loss of \$(34,107) 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 in relation to collaborating on the commercialisation of the Extremity MRI system, and other dedicated compact MRI market offerings.
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.

(q) 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.

(r) New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Company. There are no new standards to be applied in future periods that are expected to have a significant impact on the Company.



| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| 2. REVENUE | | |
| Sales | 4,341 | 217,158 |
| Interest received | 5,159 | 9,895 |
| Grant income | - | 178,000 |
| Research and development tax offset | 636,851 | 566,218 |
| Other income | 104,807 | (1,214) |
| | 751,158 | 970,057 |
| 3. EXPENSES | | |
| Consultancy | 395,988 | 462,004 |
| Travel | 31,096 | 49,082 |
| Employee benefits expense | 1,185,547 | 1,134,555 |
| General and Admin – Premises and Facilities | 29,709 | 120,822 |
| General and Admin – Corporate and other costs | 241,949 | 152,322 |
| Standards and Approvals | 15,547 | 14,503 |
| Marketing and Sales | 17,612 | 27,826 |
| Depreciation | 105,617 | 26,800 |
| Cost of Goods sold | 11,896 | 145,524 |
| Amortisation | 272 | - |
| Share based payments | 352,500 | |
| Other | 82,306 | 207,400 |
| | 2,470,039 | 2,340,838 |
| Less Development costs capitalised applicable to costs above | (837,396) | (1,298,480) |
| Less IP costs capitalised applicable to costs above | - | (38,194) |
| | 1,632,643 | 1,004,164 |
| 4. INCOME TAX | | |
| a) Numerical reconciliation of income tax expense to prima facie tax payable | | |
| Profit/(loss) before income tax expense | (881,485) | (34,107) |
| Tax at the Australian tax rate of 27.5% (2019: 27.5%) | (242,408) | (9,379) |
| Research and development not assessable | (175,134) | (155,710) |
| Non-deductible entertainment | 327 | - |
| Depreciation and amortisation | 16,595 | (10,079) |
| Prepayments | (467) | (791) |
| Research and development expenses capitalised | (230,284) | (357,082) |
| Lease payments – right of use | (17,659) | - |
| Research and development expenses non-deductible | 355,266 | 423,547 |
| Share based payments | 96,938 | - |
| Movements in provisions and accruals | 15,062 | 1,337 |
| Income not assessable – other | (13,750) | - |
| Net Capital Gain – lapse of offer | 913,444 | - |
| Deferred tax assets (recognised)/not recognised | - | 108,157 |
| Losses Utilised | (717,930)) | - |
| Income tax expense | - | - |



4b) Tax losses (continued)

Unused tax losses for which no deferred tax asset has been recognised

Potential tax benefit @ 27.5% (2019: 27.5%)

Realisation of the potential tax benefit is dependent upon:

- 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;
- the ability of the consolidated entity to continue to comply with the conditions for deductibility imposed by law; and
- an expectation that legislation will not change in a manner which would adversely affect the consolidated entity's ability to realise the benefit.

| 2020 | 2019 |
|------------|------------|
| \$ | \$ |
| 28,414,488 | 31,025,145 |
| 7,613,984 | 8,531,915 |

5. TRADE AND OTHER RECEIVABLES

Trade receivables

GST receivable

| 2020 | 2019 |
|---------------|---------------|
| \$ | \$ |
| - | 52,294 |
| 16,676 | 31,715 |
| 16,676 | 84,009 |

6. OTHER CURRENT ASSETS

Refundable deposits

Deposits paid

Prepayments

| 2020 | 2019 |
|----------------|----------------|
| \$ | \$ |
| 13,750 | 13,750 |
| 53,365 | - |
| 51,390 | 128,120 |
| 118,505 | 141,870 |

7. CONTROLLED ENTITIES

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

| | Country of Incorporation | Class of Share | 2020 % holding | 2019 % 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.

8. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

Cost

Less: Accumulated depreciation

Total plant and equipment

| 2020 | 2019 |
|----------------|----------------|
| \$ | \$ |
| 414,868 | 342,674 |
| (222,126) | (185,983) |
| 192,742 | 156,691 |

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

Additions

Depreciation

Carrying amount at end of year

| 2020 | 2019 |
|----------------|----------------|
| \$ | \$ |
| 156,691 | 167,956 |
| 72,194 | 15,535 |
| (36,143) | (26,800) |
| 192,742 | 156,691 |



| | 2020 \$ | 2019 \$ |
|--|---------------------------|------------------|
| 9. INTANGIBLE ASSETS | | |
| Computer software | | |
| At cost | 19,551 | - |
| Less: Accumulated amortisation | (272) | - |
| Total computer software | 19,279 | - |
| Patents | | |
| At cost | 517,011 | 517,011 |
| Less: Accumulated impairment losses | (224,950) | (224,950) |
| Total patents | 292,061 | 292,061 |
| Development costs | | |
| At cost | 5,545,552 | 4,708,157 |
| Less: Accumulated amortisation | - | - |
| Total development costs | 5,545,552 | 4,708,157 |
| Total intangible assets | 5,856,892 | 5,000,218 |
| Reconciliations | | |
| Carrying amount at beginning of year | 5,000,218 | 3,645,536 |
| Additions | 856,946 | 1,354,682 |
| Amortisation | (272) | - |
| Carrying amount at end of year | 5,856,892 | 5,000,218 |
| 10. TRADE AND OTHER PAYABLES | | |
| Trade payables | 18,465 | 49,395 |
| Unearned revenue | 52,909 | 53,912 |
| PAYG withholding payable | 25,772 | 21,184 |
| Accrued expenses | 67,560 | 102,205 |
| | 164,706 | 226,696 |
| 11. LEASES | | |
| Impact of the adoption of AASB 16 Leases on the Statement of financial Position (increase/decrease) as at 1 July 2019. | 1 July 2019 \$ | |
| Assets | | |
| Right-of-use-assets | 31,555 | |
| Total Assets | 31,555 | |
| Liabilities | | |
| Lease liabilities | 31,555 | |
| Total Liabilities | 31,555 | |
| Equity | | |
| Retained earnings | - | |
| Total equity | - | |

NOTE 11 – LEASES (CONTINUED)

The group has recognised depreciation and interest costs where material in relation to right-of-use assets and lease liabilities. Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period.

| | Right of use Assets | Lease Liabilities |
|--------------------------------|---------------------|-------------------|
| As at 30 June 2019 | - | - |
| Additions on transition | 31,555 | 31,555 |
| Additions during the half year | 65,004 | 65,004 |
| Depreciation expense | (69,474) | - |
| Interest expense | - | - |
| Payments | - | (69,474) |
| As at 30 June 2020 | 27,085 | 27,085 |

The right-to-use assets represents a 12-month lease of office and factory premises at Eagle Farm.

Set out below, are the amounts recognised in the Group's consolidated Statement of Profit and Loss in relation to leases:

| | 30/06/2020 |
|--|------------|
| | \$ |
| Depreciation expense right to use assets | 69,474 |
| Interest Expense | - |
| Total amount recognised in Profit and Loss | 69,474 |



| | | 2020 \$ | 2019 \$ |
|-----|----------------------------------|------------|------------|
| 12. | EMPLOYEE BENEFITS | | |
| | Current | | |
| | Provision for Long Service Leave | - | 1,630 |
| | Provision for Annual leave | 74,244 | 56,103 |
| | | 74,244 | 57,733 |
| | Non Current | | |
| | Provision for Long Service Leave | 2,739 | 1,192 |
| | | 2,739 | 1,192 |

| | | No. of Shares | 2020 \$ | No. of Shares | 2019 \$ |
|-----|---|-----------------------|--------------------|-----------------------|--------------------|
| 13. | ISSUED CAPITAL | | | | |
| (a) | <i>Ordinary shares</i> | | | | |
| | Balance 1 July | 119,567,184 | 58,088,535 | 119,567,184 | 58,151,914 |
| | Shares issued during the year at \$0.15 per share | | | | (63,379) |
| | Share issue costs | | | | |
| | Balance 30 June | 119,567,184 | 58,088,535 | 119,567,184 | 58,088,535 |
| | | No. of Options | 2020 \$ | No. of Options | 2019 \$ |
| (b) | Options | | | | |
| | Balance 1 July | 3,000,000 | 281,000 | 3,000,000 | 281,000 |
| | Options lapsed | - | - | - | - |
| | Balance 30 June | 3,000,000 | 281,000 | 3,000,000 | 281,000 |

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

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

Capital Risk Management

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

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

There are no externally imposed capital requirements.

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

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



14. RESERVES

Share Option Reserve

The reserves record items recognised as expenses on valuation of employee and director share options and Performance Rights.

15(a) SHARE-BASED PAYMENTS - OPTIONS

No options were granted or exercised during the current financial year (2019: 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 2020 | Balance at 30 June 2019 |
|--|---------------------|--------------------|--------------------------|-------------------------|-------------------------|
| 20-May-05 | Relisting date | Relisting date+3yr | \$0.50 | 1,000,000 | 1,000,000 |
| 20-May-05 | Relisting date+1yr | Relisting date+4yr | \$0.54 | 1,000,000 | 1,000,000 |
| 20-May-05 | Relisting date+2yr | Relisting date+5yr | \$0.60 | 1,000,000 | 1,000,000 |
| | | | | 3,000,000 | 3,000,000 |
| Options outstanding at year-end | | | | 3,000,000 | 3,000,000 |
| Options exercisable at year-end | | | | - | - |
| Weighted average exercise price of outstanding options | | | | \$0.54 | \$0.54 |
| Weighted average fair value of outstanding options | | | | \$0.09 | \$0.09 |

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

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

15(b) SHARE – BASED PAYMENTS – PERFORMANCE RIGHTS

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

- “Series A” rights, which were issued for past performance and vested immediately;
- “Series B” rights, which were subject to various company-wide/individual performance hurdles to be achieved by 30 June 2019 (as these hurdles were not achieved to the satisfaction of the Board of Directors, these rights lapsed); and
- “Series C” rights, which were issued in November 2018, which are subject to various company-wide/individual hurdles to be achieved at nominated dates in the future. As at 31 December 2019, following a board of director’s determination, 50% of these rights which were issued to recipients with individual hurdles were considered to be vested at that date.



SHARE - BASED PAYMENTS - PERFORMANCED RIGHTS (Continued)

Shares issued or transferred under the Plan on exercise of a Performance Right (Plan Shares) may not be disposed of, transferred, or otherwise dealt with without Board approval while they are Restricted Shares, except by way of transmission to legal personal representative.

Plan Shares will be Restricted Shares for the period commencing on their date of issue or transfer and ending on the occurrence of a Liquidity Event.

- Liquidity Event means the first to occur of:
 - the date on which any Shares are either or both allotted or transferred under a prospectus lodged with the Australian Securities and Investments Commission (or other relevant regulatory body) in connection with an IPO;
 - the date on which a takeover bid for all of the Shares not owned by the bidder becomes unconditional;
 - the date on which, following a Trade Sale all or part of the net proceeds of sale are paid to shareholders;
 - a scheme of arrangement is made or undertaken in respect of the company; or
 - any event similar to those described above involving a change in ownership or control of the Company or all or substantial part of the assets of the Company
- Generally speaking, a performance right will lapse when any of the following events occur:
 - the Expiry Date has been reached;
 - the applicable performance conditions are not achieved within the performance period specified; or
 - the recipient of the right ceases to be employed or engaged by the company; or
 - the recipient is dismissed or removed from office for a reason which entitles the company to dismiss the recipient without notice or has committed any act of fraud, defalcation or gross misconduct, or any act which brings the Company into disrepute.

Set out below are details of Performance Rights as at balance date:

| Series | Grant Date | Vesting Date | First possible exercise Date | Expiry Date (unless right otherwise lapses as above) | Balance at 30 June 2020 | Balance at 30 June 2019 |
|--------------|------------|---|------------------------------|--|-------------------------|-------------------------|
| A | 20-12-17 | Immediately | 20-12-17 | 31/3/2022 | 1,800,000 | 1,800,000 |
| B | 20-12-17 | Lapsed 2018 | Lapsed | Lapsed | - | - |
| C | 20-11-18 | When the individual hurdles were met to the satisfaction of the Board of Directors (31/12/19) | 31/12/19 | Series C-1: 7/11/2023 Series C-2: 29/11/2024 | 2,312,500 | 7,425,000 |
| C | 20-11-18 | When Company wide hurdle is met to the satisfaction of the Board of Directors | On vesting date | Series C-1: 7/11/2023 Series C-2: 29/11/2024 | 5,312,500 | |
| TOTAL | | | | | 9,425,000 | 9,225,000 |



SHARE BASED PAYMENT RESERVE

During the period, the company received development contributions of \$1,520,000 under a signed agreement, which forms part of an overarching funding and partnering agreement with a Systems Integration Partner. The partner declined to exercise its option to convert the amount of development contributions into equity as fully paid ordinary shares. The total amount of development contributions of \$3,800,000 was therefore transferred into retained earnings.

16. CONTINGENT LIABILITIES

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

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| 17. AUDITOR'S REMUNERATION | | |
| Remuneration of the auditors of the parent entity for: | | |
| - auditing or reviewing the financial report | 15,700 | 15,962 |

18. RELATED PARTIES

Directors and specified executives:

Disclosure relating to directors and key management personnel remuneration are included in note 24.

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

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

As at the date of this report, the company is in ongoing discussions with a party in relation to the two organisations forging a much closer and more integrated business relationship.

With the exception of these matters, there were no other events occurring subsequent to the end of the reporting period.



| | 2020 | 2019 |
|--|------------------|------------------|
| | \$ | \$ |
| 21 RECONCILIATION OF CASH | | |
| For the purpose of the statement of cash flows, cash includes cash on hand and at banks and investments in the money market, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows: | | |
| Cash and cash equivalents | 1,579,632 | 1,436,040 |
| 22 RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO LOSS AFTER INCOME TAX | | |
| Profit/(loss) after income tax | (881,485) | (34,107) |
| Depreciation – fixed assets | 36,143 | 26,800 |
| Depreciation – Right-of-use Assets | 69,474 | - |
| Amortisation – Intangibles | 272 | - |
| Movements in other reserves | 352,500 | - |
| Change in assets and liabilities | | |
| (Increase) decrease in assets | | |
| Trade debtors | 67,333 | (19,932) |
| Inventory | (1,464) | (870) |
| Other current assets | 23,365 | (108,677) |
| Increase (decrease) in liabilities | | |
| Trade creditors | (82,894) | (175,327) |
| Unearned revenue | - | (20,872) |
| Employee entitlements | 39,242 | (16,322) |
| PAYG withholding | (280) | - |
| Lease liabilities | 27,085 | - |
| Other creditors and accruals | | - |
| Net cash used in operating activities | (350,709) | (349,217) |

23 FINANCIAL INSTRUMENTS

The consolidated entity's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payables. The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

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

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

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



24. MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel

(i) Details of Key Management Personnel

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

(ii) Details of Other Key Management Personnel

Duncan Stovell – Chief Executive Officer
Dr Riyu Wei – Magnet Design Engineer
Dr Sara Eastwood – Product and Operations Manager

(iii) Key Management Personnel Compensation

| | 2020 \$ | 2019 \$ |
|-----------------------------------|----------------|----------------|
| Short term employee benefit | 488,677 | 505,125 |
| Post-employment employee benefit | 50,278 | 31,537 |
| Other long-term employee benefits | 1,390 | 1,200 |
| Share Based Payments | 131,250 | - |
| Total | 671,595 | 537,662 |

(iv) Directors Fees

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 (2019: Nil).

(c) Share Based Payments

Details of share based payment are detailed in note 15.



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 2020 | Balance 1 July 2019 | Granted as Remuneration | Options Exercised | Net Change Other | Balance 30 June 2020 |
|---------------------------------------|------------------------|----------------------------|----------------------|---------------------|-------------------------|
| Directors | | | | | |
| Howard Stack | 8,806,540 | - | - | - | 8,806,540 |
| Dr Philip Dubois | 906,250 | - | - | - | 906,250 |
| Dr Charles Ho | 333,305 | - | - | - | 333,305 |
| Justin Schaffer | 13,579,835 | - | - | - | 13,579,835 |
| Richard Aird | 312,500 | - | - | - | 312,500 |
| Jonathan Schaffer | - | - | - | - | - |
| Thomas Stack | - | - | - | - | - |
| Other Key Management Personnel | | | | | |
| Duncan Stovell | - | - | - | - | - |
| Dr Riyu Wei | - | - | - | - | - |
| Dr Sara Eastwood | - | - | - | - | - |
| | 23,938,430 | - | - | - | 23,938,430 |

| 30 June 2019 | Balance 1 July 2018 | Granted as Remuneration | Options Exercised | Net Change Other | Balance 30 June 2019 |
|---------------------------------------|------------------------|----------------------------|----------------------|---------------------|-------------------------|
| Directors | | | | | |
| Howard Stack | 10,136,540 | - | - | (1,330,000) | 8,806,540 |
| Dr Philip Dubois | 906,250 | - | - | - | 906,250 |
| Dr Charles Ho | 333,305 | - | - | - | 333,305 |
| Justin Schaffer | 13,579,835 | - | - | - | 13,579,835 |
| Richard Aird | 312,500 | - | - | - | 312,500 |
| Jonathan Schaffer | - | - | - | - | - |
| Thomas Stack | - | - | - | - | - |
| Other Key Management Personnel | | | | | |
| Duncan Stovell | - | - | - | - | - |
| Dr Riyu Wei | - | - | - | - | - |
| Dr Sara Eastwood | - | - | - | - | - |
| Total | 25,268,430 | - | - | (1,330,000) | 23,938,430 |



| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| 25. PARENT ENTITY INFORMATION | | |
| Net loss attributable to members of Magnetica Limited | (881,845) | (34,107) |
| Total comprehensive income for the year | (881,845) | (34,107) |
| Current assets | 1,788,585 | 1,734,227 |
| Total assets | 7,865,304 | 6,891,136 |
| Current liabilities | 266,035 | 285,261 |
| Total liabilities | 268,744 | 285,261 |
| Issued capital | 58,088,535 | 58,088,535 |
| Reserves | 903,500 | 2,831,000 |
| Accumulated losses | (51,395,505) | (54,314,020) |
| Total Equity | 7,596,530 | 6,605,515 |