Magnetica Limited
ABN 93 010 679 633

Notice of General Meeting

Date: Friday 29 January 2021
Time: 3.00pm (Brisbane time)
Place: as a virtual meeting via http://web.lumiagm.com/321688671

This is an important document that requires your attention

This Notice of Meeting, Explanatory Memorandum and Independent Expert's Report should be read in its entirety. If you are in doubt about how to deal with this document, please consult your legal, financial or other professional advisor.

The Independent Expert has concluded that the Proposed Merger as set out in the Explanatory Memorandum and Independent Expert's Report is air and reasonable to Non-Associated Shareholders.

Contents

Important Information

Notice to persons outside of Australia

This document has been prepared in accordance with the Corporations Act, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

Forward looking statements

Certain statements in this document relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Magnetica or the Merged Group to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks and considerations described in section 11 of this document. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected.

These statements reflect views only as of the date of this document. While Magnetica believes that the expectations reflected in the forward looking statements are reasonable, neither Magnetica nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this document will occur.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Proposed Merger which is not contained in this document. Any information which is not contained in this document may not be relied on as having been authorised by Magnetica or the Board in connection with the Proposed Merger.

Responsibility for information

The information contained in this document (except the Independent Expert's Report and the information regarding Avingtrans) has been prepared by Magnetica and is the responsibility of Magnetica. Information concerning Avingtrans has been provided by Avingtrans. The Company and none of its Associates or its advisers assumes any responsibility for the accuracy or completeness of that information.

The Independent Expert has prepared the Independent Expert's Report and has consented to the inclusion of that report in this document. The Independent Expert takes responsibility for that report but is not responsible for any other information contained within this document.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Definitions

Capitalised terms in this Explanatory Memorandum are defined in Schedule 1.

Enquiries

Enquiries in relation to the contents of this document can be directed to 1300 737 760 (within Australia) and +61 2 9290 9600 (outside Australia).

Chairman's letter

Dear Shareholder

I am pleased to invite you to a virtual general meeting of Magnetica Limited ACN 010 679 633 to consider a proposed merger of Magnetica with Space Cryomagnetics Limited, trading as Scientific Magnetics (**SciMag**).

Overview

If approved, the Proposed Merger will be transformational and represents a significant change in strategic direction.

It will give Magnetica the opportunity to become in its own right an independent original equipment manufacturer (**OEM**) and supplier of its own proprietary next generation MRI systems.

Instead of being highly dependent on third party collaboration partners, such as systems integrators, and their commercial priorities and timelines, the Proposed Merger will provide Magnetica the internal technical ability to control its own product development program and commercialisation strategy.

The Proposed Merger, critically, also provides the initial funding required to complete in this calendar year a demonstration extremity MRI system ready for human clinical use and a demonstration small companion animal MRI system ready for veterinary use. Importantly, these demonstration systems will utilise Magnetica owned and manufactured key sub-systems, enabling the complete replacement of the “balance of system” previously provided by our former systems integration partner for the Extremity MRI System. These products will provide the platform for further commercialisation globally, expansion and fund raising.

There are naturally risks associated with an OEM strategy. These are set out in Section 11 of the Explanatory Memorandum and shareholders should consider these carefully and seek professional advice as they require.

Your Board unanimously supports the Proposed Merger.

An independent expert has also concluded that it is fair and reasonable to non-associated Shareholders.

Magnetica's Extremity MRI System

Over the last few years, Magnetica has successfully built and tested a completely integrated asymmetric 3T Extremity/Musculoskeletal (MSK) Magnetic Resonance Imaging (MRI) System (**Extremity MRI System**) in collaboration with a leading global medical imaging systems integrator.

Magnetica's collaboration partner acknowledged the high quality of the imaging outputs from the Extremity MRI System and confirmed to Magnetica the commercial opportunity for such a system. The intended next step was to commercialise the Extremity MRI System, together with our collaboration partner.

Those commercialisation steps have not occurred however due to our collaboration partner's decision to withdraw from our collaboration and move in a different direction following a change of ownership and a strategic review by their new owner.

As a result, Magnetica has been looking for a new commercialisation partner. The Proposed Merger is the result of that process.

Proposed Merger

SciMag is based in the United Kingdom and designs, manufactures, tests and installs for academic research and commercial applications:

- bespoke superconducting magnet systems; and
- associated spectrometers and other instrumentation (through its US subsidiary, Tecmag Inc).

The capabilities of Magnetica and SciMag are complementary.

Magnetica currently has the capability to:

- design superconducting magnets;
- design and manufacture gradient coils; and
- design and manufacture Radio Frequency (RF) coils,

for clinical, research and pre-clinical applications. It also holds patents for its asymmetric designs and has the design know how in relation to the development of its Extremity MRI System, and a concept 3T neuro MRI system.

However, on its own, Magnetica does not have the capability to manufacture superconducting MRI magnets and integrate subcomponents of MRI systems. Consequently, Magnetica is reliant on third parties to manufacture its MRI systems.

SciMag has the capability to design, engineer and manufacture superconducting magnets and associated spectrometers used in MRI systems and has designed and built a prototype 1.5T Small Companion Animal (SCA) MRI system.

However, on its own, SciMag does not have Magnetica's capability in relation to gradient coils and RF coils or the know how to build an MRI system for clinical use.

Between them, SciMag and Magnetica will have the technical capability to design and manufacture the “balance of system” for clinical use by clinicians, which until now was supplied by Magnetica's former integration partner and the Merged Group will then have the internal technical ability to design and manufacture next-generation MRI systems in its own right, and the ability to commercialize its own systems globally, especially in the United Kingdom, Europe, the United States and Australia.

This is an exciting opportunity both for SciMag and Magnetica to move up the value chain and become an Original Equipment Manufacturer (**OEM**) and seller of superconducting MRI systems in its own right.

The immediate objective of the Merged Group would be to develop during calendar year 2021:

- a demonstration extremity MRI system ready for human clinical use; and
- a demonstration small companion animal MRI system ready for veterinary use.

The budgeted cost of this work program is in the order of A$7.3 million. It will be funded from existing cash balances in both Magnetica and SciMag at Completion and equity funding from SciMag's owner, Avingtrans plc (**Avingtrans**).

The present intention is that executive management of the Merged Group would be led by the current Magnetica CEO, Duncan Stovell, based out of Brisbane, Australia.

The Board of the Merged Group would comprise a maximum of 6 Board members comprising:

- 2 directors appointed by Magnetica – Duncan Stovell (CEO) and Professor Stuart Crozier (non-executive); and
- 3 directors appointed by Avingtrans – Steve McQuillan (non-executive), Steve King (non-executive) and Clint Gouveia (executive); and
- an independent non-executive Chairman (to be appointed after Completion with the consent of Avingtrans and the two MNA directors).

Merger consideration

SciMag is owned by Avingtrans plc, a precision engineering group, listed on the London Stock Exchange's Alternative Investment Market and key executives, Clint Gouveia and Peter Penfold in the respective proportions of 98.48%, 1.02% and 0.50% respectively (together the **Sellers**).

Under the Proposed Merger, Magnetica proposes to acquire all the shares in SciMag in consideration for the issue of up to 210,093,144 Magnetica Shares, representing approximately 61.98%[1] of Magnetica, comprising:

- **Completion Shares** – the issue and allotment to the Sellers at Completion in their respective proportions of up to a total of 185,478,997 shares[2] in Magnetica, representing 59.0%[3] of the issued share capital of Magnetica immediately after Completion; and
- **Investment Shares** – a legally binding commitment by Avingtrans to provide to Magnetica after Completion, up to £3.2 million (less cash held by SciMag at Completion)[4] by way of additional equity funding at a subscription price of A$0.15 per Magnetica Share, if required for working capital and other corporate purposes.

The Proposed Merger implies a current value of a Magnetica Share of A$0.15 per Share.

Shareholder approval for acquisition of Shares by Avingtrans

As Magnetica is a public company, Avingtrans requires Magnetica Shareholder approval to acquire a relevant interest in more than 20% of Magnetica's issued shares.

Accordingly, this meeting has been convened for the purposes of considering and, if thought fit, approving, the acquisition by Avingtrans of up to 207,344,564 shares in Magnetica comprising:

- **Avingtrans Completion Shares** - the acquisition at Completion of an anticipated 178,079,023[5] Magnetica Shares in consideration for the sale of its shares in SciMag, representing approximately 57.5%[6] of Magnetica's shares immediately after Completion; plus
- **Investment Shares** – the acquisition of up to an additional 29,265,540[7] Magnetica Shares under its equity funding commitment.

If Avingtrans acquired all of the 207,344,564 Magnetica Shares Avingtrans would have approximately 61.17% of the voting power in Magnetica – see Section 7.3 for basis of calculation.

[1] See Section 7.3(b)

[2] See Note 8

[3] See Note 9

[4] See Note 10

[5] See Note 8

[6] See Note 9

[7] See Sections 7.1(c), 7.2(c) and 7.3

Independent Expert's Report

The Board has appointed BDO Corporate Finance Ltd to prepare an independent expert's report in relation to the Proposed Merger in accordance with the *Corporations Act 2001* (Cth).

The Independent Expert has opined that the Proposed Merger is fair and reasonable to non-associated Shareholders.

A copy of the Independent Expert's Report is set out in Annexure A to the Explanatory Memorandum accompanying this Notice of Meeting.

Directors' recommendations

The Directors unanimously recommend that **Shareholders vote in favour** of the Resolution. The reasons for this conclusion are discussed in detail in the Explanatory Memorandum.

Yours sincerely

Howard Stack
Chairman

Notice of General Meeting

Notice is given that an extraordinary general meeting of shareholders in Magnetica Limited ACN 010 679 633 (**Magnetica**) will be held on 29 January 2021 commencing at 3.00pm (Brisbane time) as a virtual meeting at http://web.lumiagm.com/321688671.

The Directors have determined that the meeting will be held virtually due to the COVID-19 pandemic. There will be no physical meeting for shareholders to attend. Regardless, we encourage as many shareholders as possible to attend the virtual Meeting.

How to attend the virtual Annual General Meeting

Shareholders who wish to attend the meeting online may do so:

- From their computer, by entering the URL into their browser: http://web.lumiagm.com/321688671
- From their mobile device by either entering the URL in their browser: http://web.lumiagm.com/321688671 or by using the Lumi app, which is available by downloading the app from the Apple App Store or Google Play Store.

You can log in to the meeting by entering:

- Your username, which is your Voting Access Code (**VAC**), which can be located on the first page of your proxy form or Notice of Meeting email.
- Your password, which is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the user guide for their password details.

If you have been nominated as a third party proxy, please contact Boardroom on 1300 737 760 or +61 2 9290 9600 (Outside Australia) between 8:30 a.m. and 5:30 p.m. (Sydney time (AEDT)) Monday to Friday, to arrange a copy

More information regarding participating in the meeting online can be found in the Virtual Meeting Guide attached at the end of this notice of meeting.

How to participate at the virtual Annual General Meeting

Shareholders will be given a reasonable opportunity to ask questions during the meeting via the online Lumi platform. To ensure as many shareholders as possible have the opportunity to speak, shareholders are requested to observe the following requests:

- All shareholder questions should be clearly stated and should be relevant to the business of the meeting;
- If a shareholder has more than one question on an item of business, all questions should be asked at that one time; and
- Shareholders should not ask any questions at the meeting relating to any matters that are personal to the shareholder or commercial in confidence.

Information on how to use the Lumi platform (including how to vote and ask questions online) is available in the Virtual Platform Guide which is attached at the end of the notice of meeting or by visiting https://magnetica.com/about/investor-downloads/.

The special business to be considered at the meeting is set out below. This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum and Independent Expert Report. Please note terms contained in this Notice of Meeting have the same meaning as set out in Schedule 1 of the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution – acquisition of shares by Avingtrans plc

To consider and, if thought fit, pass the following Resolution as an **ordinary resolution**:

'That for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the acquisition by Avingtrans plc (Company Number 01968354) of a Relevant Interest in up to 207,344,564 *fully paid ordinary shares in Magnetica Limited on completion of the Proposed Merger, as described in the Explanatory Memorandum.'*

Voting exclusion

The Company will disregard any votes cast in favour of this resolution by or on behalf of Avingtrans or an Associate of Avingtrans.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared in respect of the Resolution. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Merger as a whole to Non-Associated Shareholders. The Independent Expert's Report has opined that the Proposed Merger is fair and reasonable to Non-Associated Shareholders. This report is set out in Annexure A to the Explanatory Memorandum accompanying this Notice of Meeting.

BY ORDER OF THE BOARD

Mr Stephen Denaro
Company Secretary
Dated 5 January 2021

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the assistance of Shareholders in relation to business to be conducted at an extraordinary general meeting to be held virtually on 29 January 2021 commencing at 3.00pm (Brisbane time) at http://web.lumiagm.com/321688671. This Explanatory Memorandum should be read with, and form part of, the accompanying Notice of Meeting.

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to Magnetica which is material to a decision on how to vote on the Resolution in the accompanying Notice of Meeting.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolution and Shareholders should seek their own financial or legal advice.

Eligibility to vote

The Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the General Meeting will be as it appears in the share register at 7pm (Brisbane time) on 27 January 2021. Accordingly, those persons are entitled to vote at the General Meeting.

How to vote

If you are eligible, you may vote by voting online during the meeting or the appointment of a proxy.

Voting online

To vote online, visit https://www.votingonline.com.au/mnagm2021 and enter your postcode (or country of residence if outside Australia and your Voting Access Code as shown on your Proxy Form or notice of meeting letter.

Voting by proxy

To vote by proxy, please complete, sign and return the enclosed proxy form in accordance with the following instructions. If you require an additional proxy form, Magnetica will supply it on request.

A member who is entitled to vote at the General Meeting, may appoint one proxy if the member is only entitled to one vote or one or two proxies if the member is entitled to more than one vote. A proxy need not be a member of Magnetica. Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.

The proxy form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.

To be effective, the proxy form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by Magnetica at least 48 hours before the time for holding of the General Meeting or any adjourned meeting (or such lesser period as the Directors may permit):

- By mail to Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia
- Online at https://www.votingonline.com.au/mnagm2021
- By email to enquiries@magnetica.com
- By facsimile to + 612 9290 9655
- By facsimile to + 612 9290 9655
- In person to Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2001 Australia

Any proxy form received after this deadline including at the General Meeting will be treated as invalid.

A person appointed as proxy may vote or abstain from voting as he or she thinks fit except where the proxy holds a Directed Proxy Form or the proxy is required by law or Magnetica's constitution to vote in a certain manner or abstain from voting.

If you appoint the Chairman as your proxy and have not directed him how to vote, you are expressly authorising the Chairman to cast your undirected Proxy Form in favour of the Resolution.

1 Background

On 5 January 2021, Magnetica and Avingtrans entered into:

(a) a Share Purchase Agreement under which Magnetica agreed to purchase 100% of the issued capital of SciMag in consideration for the issue and allotment to the Sellers of up to 185,478,997[8] fully paid ordinary shares in Magnetica representing 59% of the issued share capital of Magnetica immediately after Completion[9]; and

(b) a Subscription and Shareholders Agreement under which Avingtrans has agreed to provide to Magnetica after Completion, up to £3.2 million (less cash held by SciMag at Completion)[10] by way of additional equity funding at a subscription price of A$0.15 per Magnetica Share, if required for working capital and other corporate purposes (**Investment Agreement**).

The practical effect after the Completion of the Share Purchase Agreement and Investment Agreement is the merger of Magnetica and SciMag, with Avingtrans becoming the majority shareholder in the enlarged Magnetica (**Proposed Merger**).

2 Overview of Magnetica

2.1 Business

Magnetica specialises in the development and engineering of next-generational MRI technologies including dedicated extremity MRI systems and MRI system components using intellectual property originally acquired from the University of Queensland (**UQ**).

2.2 Products and capabilities

Magnetica currently has the capability to:

(a) design superconducting magnets;

(b) design and manufacture gradient coils and design; and

(c) design and manufacture RF coils,

for clinical, research and pre-clinical applications. It also holds patents for its asymmetric designs and has the design know how in relation to the development of its Extremity MRI System and a concept 3T neuro MRI system.

However, on its own, Magnetica does not have the capability to manufacture superconducting MRI magnets and integrate subcomponents of MRI systems. Consequently, Magnetica is reliant on third parties to manufacture its MRI systems.

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[8] This is the maximum number of Shares that will be issued to the Sellers at Completion. The actual number will be adjusted to reflect the cash on hand in the SciMag Group at Completion. It is anticipated that this adjustment will result in a slightly lower number of Shares being issued at Completion (180,827,603 Shares which will include 178,079,023 Shares to Avingtrans). See Section 7.1(c) for further details.

[9] The shareholding percentage at Completion is determined on the basis that the total issued ordinary share capital immediately after Completion (a) includes the maximum number of Completion Shares (see Note 8); (b) includes 9,125,000 new Shares issued to replace the cancellation of the same number of performance rights (see Section 5.9(c)); and (c) excludes 3,000,000 out of the money options (see Section 5.9(b)) and the issue of any new Shares from Avingtrans equity funding commitment (see Sections 7.2(c) and 7.3).

[10] There is expected to be approximately £2.4 million of new funding available under this commitment immediately after Completion, being the balance of the total £3.2 million commitment after contribution of cash to SciMag at Completion.

2.3 **Commercialisation**

Magnetica has to date:

(a) partnered with leading independent MRI manufacturers, system integrators and resellers to commercialise its technologies worldwide;

(b) successfully designed and commercialised a 1.5T extremity MRI superconducting magnet that now drives over 200 MRI systems sold by GE Medical Systems world-wide;

(c) through a continuing strategic partnership with UQ, developed a unique 3T extremity superconducting magnet, Gradient Coil and RF Coils, being key components of superconducting MRI systems; and

(d) together with a leading medical imaging systems integrator, successfully built and tested a completely integrated asymmetric 3T Extremity / Musculoskeletal (MSK) MRI System (**Extremity MRI System**), demonstrating clinical-quality extremity imaging which is equal to or better than that produced by a leading whole-body MRI system.

This Extremity MRI system will be much smaller, lighter, and less expensive that whole body MRI systems which presently cater for most of the extremity imaging market, making up 30% or more of all MR imaging undertaken. Independent marketing and feasibility reports have indicated that the Extremity MRI System is now ready for commercialisation world-wide.

However, Magnetica's systems integration partner has decided not to progress the commercialisation of the Extremity MRI System due to its internal strategic priorities. On its own, Magnetica does not have the capability to commercialise the Extremity MRI System.

2.4 **Other information**

Other information regarding the Board, senior management and financial position and performance of Magnetica as at 30 June 2020 is contained in Magnetica's 2020 Annual Report.

3 Profile of Avingtrans

3.1 **Overview**

Avingtrans is a precision engineering group, which is principally engaged in the provision of engineered components, systems and services to the energy, medical and traffic management industries around the world.

3.2 **History**

Avingtrans is a company incorporated in England and Wales in 1985 and listed on the London Stock Exchange's Alternative Investment Market (**AIM**) in 2004.

3.3 **Business**

Avingtrans operates through two main business divisions:

(a) **Energy Division** – designing, manufacturing, integrating and servicing an extensive product portfolio including specialist motors, pumps, turbines, compressors, pressure vessels and containers; and

(b) **Medical Division** – designing and manufacturing innovative equipment for the medical, science and research communities including cutting-edge products for medical diagnostic equipment; high performance pressure, vacuum vessels and composite materials for research organisations; superconducting magnets and helium-free cryogenic systems. The SciMag group operates within the medical division.

3.4 Strategy

Avingtrans aims to deliver shareholder value through its Pinpoint-Invest-Exit strategy by:

(a) identifying and executing prudent deals with precision and speed;

(b) building strong brands and value from constituent parts;

(c) crystallising these gains with periodic sales at advantageous valuations; and

(d) returning the proceeds to shareholders.

3.5 Directors and senior management

As at the date of this Notice of Meeting, the Avingtrans directors and senior management are:

(a) Roger Steven McDowell - Non-Executive Independent Chairman of the Board

(b) Steve McQuillan - Chief Executive Officer, Managing Director, Executive Director

(c) Stephen Michael King - Chief Financial Officer, Company Secretary, Executive Director

(d) John Simon Clarke - Non-Executive Director

(e) Leslie James Thomas - Non-Executive Director

3.6 Ownership of Avingtrans

As at the date of this Notice of Meeting:

(a) Avingtrans has the following Substantial Shareholders:

Shareholder	Number of shares in Avingtrans	Percentage Shareholding
Harwood Capital	3,661,000	11.5%
Funds managed by RBC Trustees Limited	2,208,000	6.9%
Funds managed by Unicorn Asset Management Limited	1,946,000	6.1%
Funds managed by BlackRock	1,946,000	6.0%
Funds managed by British Growth Fund	1,615,000	5.1%
R S McDowell's Pension Fund	1,406,000	4.4%
P McDowell's Pension Fund	1,213,000	3.8%
Funds managed by Threadneedle Investments	1,050,000	3.3%
Funds managed by LGT Bank	972,000	3.0%

(b) Avingtrans Directors held or controlled the following Avingtrans Shares representing approximately 13.3% of the total Avingtrans Shares.

Shareholder	Avingtrans shares	Percentage of total
R S McDowell's Pension Fund	1,406,000	4.4%
S McQuillan	311,000	1.0%
S King	275,000	0.9%
L Thomas	16,000	0.1%
Funds managed by RBC Trustees Limited	2,208,000	6.9%

3.7 **Relevant interests in Magnetica Shares**

As at the date of this Notice of Meeting, neither Avingtrans nor any of its directors have a relevant interest in any Magnetica Shares.

3.8 **Avingtrans information**

Financial and other information regarding Avingtrans can be found at:

https://www.londonstockexchange.com/stock/AVG/avingtrans-plc/analysis

4 Profile of SciMag

4.1 **Overview**

The SciMag group comprises the following entities:

Entity	Activities
Space Cryomagnetics Limited	Incorporated in England and Wales and based in Abingdon, Oxfordshire. SciMag designs, manufactures, tests and installs superconducting magnet systems and associated cryogenic systems for a variety of markets, including: magnetic resonance imaging (**MRI**), nuclear magnetic resonance (**NMR**), magnetic separation, surface science, nano-science etc. These systems are used in medical imaging, bio-molecular imaging and various industrial and research markets, either to enhance image quality or to increase production of scarce minerals. SciMag has also provided consultancy to blue-chip companies such as Siemens plc and Rolls-Royce plc. More recently, SciMag has developed standardised helium-free magnet systems for pre-clinical and UHV applications. SciMag has product in several market areas, including, pre-clinical, research and UHV. Directors – Steve McQuillan (non-executive), Austen Adams (non-executive) and Clint Gouveia (managing director) Senior executives – Peter Penfold (Business Development) and Nicholas Shaw (Technical Director). Avingtrans acquired a majority interest SciMag in 2017. SciMag has two other shareholders who are executives in the company.

Tecmag Inc	Incorporated in Texas, United States and a wholly owned subsidiary of SciMag. Tecmag designs, manufactures, tests and installs spectrometers and other instrumentation, including full consoles, system upgrades, and solid-state probes, mainly for MRI and NMR systems. Directors – Clint Gouveia (executive director) and Scott Riley (executive director)) Senior executive – Sergey Kudriatsev (Operations Manager) Avingtrans acquired Tecmag in 2018.
Scientific Magnetics Limited	Incorporated in England and Wales and based in Abingdon, Oxfordshire and a wholly owned subsidiary of SciMag. Directors – Austen Adams (non-executive) and Clint Gouveia (managing director) This is a non-trading company which has been incorporated as an intellectual property holding company.

4.2 Historical financial information

Draft financial statements for SciMag (excluding its subsidiaries) for the financial year ended 31 May 2020 are attached as **Annexure B**. The draft financial statements are near complete but due to delays in the availability of SciMag's auditors, remain in draft awaiting final adoption by the SciMag directors and auditor sign off.

5 Profile of the Merged Group

5.1 Overview

If the Proposed Merger is implemented:

(a) SciMag will become a wholly owned subsidiary of Magnetica; and

(b) Avingtrans:

(i) at Completion is expected to acquire 178,079,023[11] Magnetica Shares in consideration for the sale of its shares in SciMag, representing approximately 57.5% of Magnetica's shares immediately after Completion[12]; and

(ii) after Completion, may acquire up to an additional 29,265,540[13] Magnetica Shares under its equity funding commitment under the Investment Agreement.

If Avingtrans acquired all of the 207,344,564 Magnetica Shares Avingtrans would have approximately 61.17% of the voting power in Magnetica – see Section 7.3 for basis of calculation.

5.2 Objective

The objective of the Merged Group is to become an original equipment manufacturer and supplier of superconducting MRI systems.

[11] Being Avingtrans' proportion of the expected total number of Completion Shares to be issued. See also Note 8.

[12] See Note 9.

[13] See Sections 7.1(c), 7.2(c) and 7.3

5.3 Strategy

The strategy of the Merged Group is:

(a) to complete during calendar year 2021:

(i) a demonstration 3T dedicated compact extremity MRI system for human clinical applications (including a SciMag manufactured extremity magnet); and

(ii) a demonstration 1.5T small companion animal MRI system for veterinary applications; and

(b) to leverage its two demonstration MRI systems to raise further capital to commercialise its products.

5.4 Operations

The operations will comprise the existing operations of Magnetica (based in Brisbane) and the SciMag Group (in the UK and the US, through SciMag subsidiary, Tecmag).

5.5 Funding

The budgeted cost of the immediate work program is in the order of A$7.3 million. This budget together with any required additional working capital will be funded by:

(a) cash held by Magnetica and SciMag at Completion;[14]

(b) anticipated revenue from the sale of magnets and provision of services by SciMag, the sale of spectrometers and provision of services by Tecmag and the sale of gradient and RF coils by Magnetica;

(c) grant funding and research and development tax rebate(s);

(d) committed equity funding by Avingtrans under the Investment Agreement;[15]

(e) a line of credit available to Tecmag.[16]

5.6 Directors

(a) Proposed Board of Directors

Pursuant to the Transaction Documents, on Completion, the Magnetica Board will comprise a maximum of 6 directors comprising:

(i) 1 independent non-executive Chairman (to be appointed indicatively within 3 months after Completion with the consent of Avingtrans and the two MNA Directors);

(ii) 2 MNA Directors – initially, Duncan Stovell (CEO) and Prof Stuart Crozier (non-executive); and

(iii) 3 directors appointed by Avingtrans – initially Steve McQuillan (non-executive), Steve King (non-executive) and Clint Gouveia (executive).

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[14] Expected to be approximately A$1,485,000

[15] Available additional equity funding expected to be approximately £2.4 million

[16] USD500,000 secured facility provided by HSBC (US)

(b) **Profiles of proposed Merged Group directors**

(i) **Duncan Stovell (CEO)**

Duncan has spent the last 12+ years living and working in Brisbane, having grown up and worked in the UK prior to moving to Australia. Duncan has a business and technical background, with over 20 years of experience gained from high-tech product commercialisation in a range of industries including medtech, energy, mining, defence and satellite communications.

Duncan holds a number of qualifications, including an MBA from The University of Queensland and two technical degrees from Universities in the UK. He is a Graduate of the Australian Institute of Company Directors and a Chartered Engineer.

(ii) **Professor Stuart Crozier (non-executive)**

Stuart is currently Associate Dean (Research) in The Faculty of Engineering Architecture and IT at The University of Queensland. He was UQ's inaugural Professor of Biomedical Engineering. He is an ATSE Fellow and a Fellow of The Institute of Physics (UK). He holds a PhD and higher Doctorate (D.Eng.) in Biomedical Engineering.

Stuart has published over 300 journal papers and holds approximately 30 patents in the field of medical imaging. He has supervised more than 37 PhD students to graduation in the field. In 2012, he was awarded the Clunies Ross medal for research with a societal benefit. His main contributions have been to the development of applications and engineering innovation in Magnetic Resonance Imaging (MRI). Several of his innovations have been adopted by industry with GE and Siemens licensing some of his patents. He is a Deputy Editor of Magnetic Resonance in Medicine.

(iii) **Steve McQuillan (non-executive)**

Steve joined Avingtrans as CEO in October 2008. Over the last twelve years, the market cap of Avingtrans has increased by more than a factor of 10, deriving from multiple acquisitions and disposals and consistent performance improvements, to build shareholder value.

Steve joined Avingtrans from Serco, where he had spent four years as a Director of the National Physical Laboratory and, then as the Managing Director of the Serco Defence Operations business. A graduate engineer, Steve started his career in the oil industry, working for Conoco in the North Sea. A long period at Mars Inc followed, mostly at Mars Electronics, where Steve moved to France to run their Western European operations and ultimately became the general manager of the Swiss banknote recognition business, Sodeco. Subsequently, as sales director, Steve was part of the team that sold Marconi Instruments to IFR Inc., before spending the following six years at Oxford Instruments, as Managing Director of its Superconductivity Division.

Steve is currently a trustee director of the Institute of Export and was previously a non-executive director at EEF, the manufacturers' organisation and at the UK Atomic Energy Authority.

(iv) **Steve King (non-executive)**

Steve was appointed as Finance Director and Company Secretary of Avingtrans in September 2002. Before joining Avingtrans, he was at PricewaterhouseCoopers, where he was a Senior Manager in the Assurance and Specialist Transaction practice. Stephen has a first class degree in Mechanical Engineering.

He has extensive experience in M&A, having overseen over 20 acquisitions and two disposals to date for Avingtrans, as well as the establishment of the Chinese wholly-owned foreign enterprises, restructuring & turnaround of underperforming business, capital raising and reporting.

(v) **Clint Gouveia (executive)**

Clint has worked within the superconducting magnet industry since 1987. He gained significant global commercial and technical experience via numerous customer-facing management roles whilst with Oxford Instruments, coupled with OEM account, product and project management. Subsequently Clint moved into functional management in 2007, running Varian Inc.'s superconducting magnet test facility with responsibility for approximately $80M of revenue per annum. By 2012 Clint was overseeing the entire manufacturing and test functions at Agilent's Yarnton campus, with approximately 100 reports.

Formerly, SciMag's Director of Operations, Clint took over the role of Managing Director of SciMag in February 2018. Clint is a Chartered Scientist, holds a BSc with first class honours, a fellow of The Institute of Science and Technology and CSci registration assessor.

5.7 **Other key management and external consultants**

Other key members of the management and external consultants/advisors are:

(a) **Key management**

(i) **Dr Sara Eastwood – Product and Operations Manager (Magnetica)**

Sara has a wide ranging technical background and experience of project, program, operations and risk management she oversees the day-to-day activities of Magnetica's Brisbane office as well as providing input into strategic and long range activities. Her qualifications include a PhD in Manufacturing Engineering.

(ii) **Kim Lotze – Quality and Regulatory Affairs Manager (Magnetica)**

With over 15 years experience working in various Quality and Regulatory Affairs roles in the pharmaceutical and medical device industry, Kim has gained a wide range of relevant knowledge and a sound understanding of the industry in multiple jurisdiction across the world.

Kim completed her chemistry studies at Malmo University in Sweden where she was born, and commenced her career in analytical chemistry straight there after. She moved to Australia in 2003 for the first time and lived and worked in Brisbane for 4 years before going back to Sweden. In 2012 Kim moved back to Brisbane where she has lived and worked since.

(iii) **Karen MacLachlan – Chief Financial Officer (Magnetica)**

Karen is a chartered accountant specialising in delivering increased shareholder value to high growth/technology entities. For more than twenty-five years she has held financial leadership positions of private, public and government organisations, delivering proven results in various stages of capital raising, mergers and growth scenarios.

Karen also has strong technical background, holding managerial positions with both PWC and EY prior to entering the commercial arena. She has a Bachelor of Business (Accountancy) QUT and has been a member CA ANZ for more than 30 years.

(iv) **Dr Peter Penfold – Business Development Director (SciMag)**

With 40 years of operating in high technology sectors, Peter is an experienced and commercially aware relationship manager with an ability to effectively communicate at all levels and with different cultures. During a career in applied superconductivity spanning 35 years, Peter has a proven track record in leadership, business development, customer relationship management, sales and marketing.

Peter spent 11 years working in the United States in various sales and marketing roles for Oxford Instruments plc.

Peter completed a PHD in spectroscopy studies at the University of Exeter Chemistry Department in 1977.

(v) **Dr Nicholas Shaw – Technical Director (SciMag)**

Nick graduated with a first class degree in Natural Sciences from Cambridge University in 1999 and he was a founding member of the Medical Physics Group at the Cavendish Laboratory. After the conferral of his doctorate in 2003, Nick took on the advanced instrument development, construction and testing of the world's first high resolution, multi-slice simultaneous combined magnetic resonance and positron emission tomography imaging system.

Nick joined Scientific Magnetics in 2005, and has been responsible for some of its most innovative projects, including asymmetric split pairs, vector magnets and its Helium-Free MRI technology.

(vi) **Scott Riley – Sales and Marketing Manager (Tecmag)**

Scott joined Tecmag in 2004 as a research scientist in NMR applications with a Bachelor of Science degree in Chemistry from Westmont College (1997, California, USA) and a Ph.D. in Chemistry from the University of California at Davis (2002, USA). Scott began spearheading global sales for Tecmag beginning in 2017 and became President in early 2020.

(vii) **Sergey Kudriavtsev – Operations Manager (Tecmag)**

Sergey has been with Tecmag for over 20 years. He received his Masters degree in Physics from University in Kiev, Ukraine followed by a Masters degree in Applied Science from the College of William and Mary (Virginia, USA) with a focus on NMR instrumentation. During his tenure at Tecmag, Sergey has demonstrated excellence as a system engineer, procurement officer and production manager.

(b) **External consultants/advisors**

(i) **Professor Stuart Crozier – Lead Technical Advisor (Magnetica)**

See Section 5.6(b)(ii) above.

(ii) **Emeritus Professor Martyn Paley – MRI Consultant (SciMag)**

Martyn is an Emeritus Professor of Biomedical Imaging at the University of Sheffield in the Department of Infection, Immunity and Cardiovascular Disease and is also an independent MRI consultant. He has been involved with Nuclear Magnetic Resonance and Magnetic Resonance Imaging and Spectroscopy (MRI/S) since 1973 when he studied Physics as both an undergraduate and postgraduate at Nottingham University, where MRI was initially developed. He then worked in industry for a number of companies in physics and engineering research including Rolls-Royce Aero- Engines (Combustion Engineering), Kodak (Colour Physics) and Picker International

(MRI/S) in both the UK and the USA where he helped develop the first generation of commercial MRI scanners during the 1980's.

Martyn left industry for academia in 1991, establishing an MR physics research group at University College London to investigate neurological MRI/S as well as the development of interventional MRI. He joined the University of Sheffield in 1997 and has been involved in setting up research from advanced functional MRI to neonatal and in-utero imaging and hyperpolarised gas and fluid enhanced MRI/S.

His major research interest is MR physics and engineering and he has designed complete specialised MR scanners including hardware, software and imaging sequences for orthopaedic and neonatal imaging. The Niche orthopaedic and neonatal MRI system he developed was commercialised internationally. This dedicated MRI system received regulatory clearance from the US FDA for extremity and neonatal MRI use in 1996. It was used to scan many babies in the NICU in Sheffield for almost twenty years and is now featured in the new Wellcome Medical Gallery at the National Science Museum in London.

Professor Paley has published around 200 peer reviewed papers and 5 patents in the fields of NMR and MRI, including one for the complete specialised MRI system.

5.8 Corporate structure

If Shareholders approve the Resolution and Completion occurs, the corporate structure of the Merged Group at Completion will be as set out in Schedule 2.

5.9 Capital Structure and ownership

If Shareholders approve the Resolution and Completion occurs, the capital structure at Completion is expected to comprise:

(a) **Issued Shares**[17]

Ordinary shares (after dilution by Performance Rights)	Number	Percentage
Before Merger – existing shareholders	128,892,184	41.62%
Completion Shares – issued to Sellers[18]	180,827,603	58.38%
Total on Completion	**309,719,787**	**100.0%**

(b) **Options**[19]

Number	First exercise date	Last exercise date	Exercise price
1,000,000	Relisting date	Relisting date + 3 years	A$0.50
1,000,000	Relisting date + 1 year	Relisting date + 4 years	A$0.54
1,000,000	Relisting date + 2 years	Relisting date + 5 years	A$0.60

[17] Assumes (a) issue of an adjusted number of Completion Shares (see Note 8); and (b) issue of 9,125,000 new Shares to replace the cancellation of the same number of performance rights (see Section 5.9(c))

[18] See Notes 8 and 9

[19] For further details, see note 15(a) to Magnetica's 2020 financial statements

(c) **Performance rights**

Nil. It is currently intended that with effect on Completion, 9,125,000 performance rights issued under the Company's performance rights plan will be cancelled and replaced by the issue of 9,125,000 new Shares to the holders of cancelled performance rights. The purpose of this is to continue the equity based remuneration of the current holders of performance rights under the post acquisition structure.

To align with the interests of Magnetica shareholders, the replacement Shares will be issued on the condition that they cannot be sold until a further liquidity event occurs such as a trade sale or listing of the expanded Magnetica.

(d) **Investment Agreement (Avingtrans equity funding commitment)**

Under the Investment Agreement, Avingtrans has a legally binding commitment to provide to Magnetica after Completion, up to £3.2 million (less cash held by SciMag at Completion)[20] by way of additional equity funding at a subscription price of A$0.15 per Magnetica Share, if required for working capital and other corporate purposes.

The precise number of Shares to be issued under the Investment Agreement is uncertain at the date of this Notice of meeting due to the SciMag cash on hand at Completion not currently being known, Magnetica's estimated merger transaction costs, the commitment being denominated in British pounds sterling, the issue price being denominated in Australian dollars and also because the provision of additional funding depends on whether it will be required.

Shareholder approval is being sought for the acquisition by Avingtrans of a maximum number of 207,344,564 Shares under both the Share Purchase Agreement and the Investment Agreement. See Sections 7.2(c) and 7.3 for further details of the equity funding commitment.

(e) **Incentive equity pool**

The Merged Group intends to set aside up to 10% of its ordinary equity for the purpose of providing equity incentive and share based remuneration for executives, employees and key consultants. No decision has been made to issue any additional securities from this equity pool and it will be a decision of the Magnetica Board after Completion.

(f) **Major Shareholders**

Shareholder	Number of Shares	Percentage Shareholding[21]
Avingtrans plc	178,079,023	57.50%
UniQuest Pty Ltd	37,184,975	12.01%

[20] See Note 10

[21] See Note 9

5.10 Directors' interests in Shares and securities

If Shareholders approve the Resolution and Completion occurs, the interests of the Magnetica Directors immediately after Completion in the share capital of the Merged Group is expected to be:

Director	Shares
Duncan Stovell	1,000,000 [22]
Stuart Crozier	1,500,000 [23]
Steve McQuillan	Nil
Steve King	Nil
Clint Gouveia	1,844,442

Magnetica directors may be eligible to receive further securities in Magnetica after Completion by way of equity based remuneration.

5.11 Intentions of Avingtrans in relation to Magnetica

Avingtrans has advised Magnetica of its intentions in relation to Magnetica as follows, if the Proposed Merger is completed. The statements in this section reflect the present intentions of Avingtrans at the date of this Notice of Meeting only:

(a) **Board**

The Magnetica Board will be reconstituted so that it is constituted as described in section 5.6.

(b) **Magnetica business**

The objectives, strategy and operations of the Merged Group will be as set out in section 5.1 - 5.4.

(c) **Head office**

Magnetica's corporate headquarters will be based in Brisbane, Queensland, Australia.

(d) **Further equity funding**

Other than the capital to be provided under the Investment Agreement, Avingtrans has no current intention to inject further capital into Magnetica, but reserves the right to do depending on Magnetica's funding requirements from time to time.

(e) **Financial year**

Avingtrans intends to change Magnetica's financial year to the 12 month period ending 31 May.

[22] Assumes 1,000,000 performance rights are cancelled and replaced by the issue of 1,000,000 Shares – see Section 5.9(c).

[23] Assumes 1,500,000 performance rights are cancelled and replaced by the issue of 1,500,000 Shares – see Section 5.9(c).

(f) **Financial or dividend policies**

Subject to the change of financial year, Avingtrans has no current intention to change Magnetica's financial or dividend policies.

(g) **Reporting**

Subject to the change of financial year, the Merged Group will continue to lodge its annual and half yearly reports in accordance with the timetable required under Australian law for an unlisted public company.

(h) **Other intentions in relation to Magnetica**

The Merged Group will operate as a group but otherwise consistent with past practice and Avingtrans has no current intention to:

(i) transfer any property between Magnetica and Avingtrans (or its respective associates);

(ii) redeploy Magnetica's fixed assets;

(iii) discontinue the employment of Magnetica's present employees.

5.12 Financial effect of the Proposed Merger

Information regarding the valuation of the Merged Group is set out in paragraph 10 of the Independent Expert's Report.

6 Rationale for the Proposed Merger

The rationale for the Proposed Merger is as follows:

(a) (**Opportunity to become an Original Equipment Manufacturer**) Magnetica does not have the ability to manufacture superconducting MRI magnets and integrate subcomponents of MRI systems and is therefore, reliant on third parties to manufacture its MRI systems. The Proposed Merger provides Magnetica with an opportunity to acquire the capability to manufacture MRI magnets and become an original equipment manufacturer and supplier of superconducting MRI systems in its own right. As an OEM, Magnetica will have the ability to design, manufacture and sell its next-generation MRI Technologies without reliance on third parties for channels to market. See also section 2.

(b) (**Commercialisation of Extremity MRI System**) The Proposed Merger provides Magnetica with the opportunity to commercialise its Extremity MRI System in its own right.

(c) (**Capability to manufacture essential sub-systems**) The Proposed Merger provides Magnetica with the capability to design, manufacture, test and install spectrometers and other instrumentation used in MRI systems, through the acquisition of Tecmag (a wholly owned subsidiary of SciMag).

(d) **(Better exposure to global markets)** The Proposed Merger will provide Magnetica with better exposure to global markets including the United Kingdom, Europe, the United States and Australia.

(e) (**Capital raising**) The Proposed Merger will provide funding to Magnetica to progress its business objectives. Magnetica currently requires funding to pursue its current and future business objectives. As at 30 September 2020, Magnetica had A$1.85 million cash on hand which represents approximately 5 months of working capital at its planned activity level. The Company has no reliable sources of revenue as it is commercialising its world leading MRI technology and is at a pre-revenue stage.

Under the Proposed Merger, at Completion, Magnetica is expected to have approximately £2.4 million cash at Completion and further equity funding available under Avingtrans equity funding commitment – see Section 5.5..

(f) (**No superior proposal**) Magnetica is not aware of any superior proposal to the Proposed Merger.

7 Merger terms and conditions

7.1 Share Purchase Agreement

(a) **Background**

Under the terms of the Share Sale Agreement, Magnetica has agreed to acquire the SciMag Shares from Avingtrans and key executives, Clint Gouveia and Peter Penfold in consideration for the issue of the Completion Shares to them in the proportions of 98.48%, 1.02% and 0.50% respectively, subject to Shareholder approval.

(b) **Completion timing and condition precedent**

The Directors anticipate that Completion of the Share Purchase Agreement will occur on the date the Resolution is passed (expected to be 29 January 2021). Completion of the Share Purchase Agreement will not occur unless and until the Resolution is passed by the requisite majority.

(c) **Adjustment to Consideration Shares**

A key agreed commercial principle is that, at Completion, Magnetica and Avingtrans each provide matching cash funding to the Merged Group in the proportions of 41% and 59% respectively calculated in accordance with a formula which takes into account cash balances as at 30 September 2020 and eligible expenditure since then.

Accordingly, if, at Completion, the Merged Group does not have Avingtrans' matching cash (approximately £1.15 million), the Consideration Shares payable at Completion will be adjusted and reduced by such a number of Magnetica Shares equal to the cash difference, divided by A$0.15 per share. Based on estimated cash balances at Completion, Magnetica is expecting that the total number of Completion Shares will need to be reduced by 4,651,394 Shares by way of adjustment reflecting an anticipated cash difference of approximately A$697,709.

The net effect is that, Magnetica expects that approximately 178,079,023 Shares will be issued to Avingtrans at Completion out of a possible total of 185,478,997 Shares.

Avingtrans will be required after Completion to make up the cash difference as part of its equity funding commitment under the Investment Agreement by subscribing for Shares at the issue price of A$0.15 per Share.

(d) **Representations and warranties**

The Share Sale Agreement contains customary representations and warranties in relation to the SciMag Group for a transaction of comparable size and type. The minimum thresholds for warranty claims against Avingtrans are £25,000 per claim and £250,000 in total with a £5,000,000 liability cap on all warranty claims.

(e) **Other**

The Share Sale Agreement otherwise contains provisions which are customary for a transaction of this size and type including provisions requiring the SciMag Group to be debt free at Completion, locked box working capital provisions, limitations on warranty liability, a tax indemnity for pre-Completion taxation liabilities of the SciMag Group and restrictions on the conduct of the SciMag Group's business before Completion.

7.2 Investment Agreement

(a) Background

Under the terms of the Investment Agreement, Avingtrans has committed to acquire the Investment Shares at A$0.15 per Share, subject to completion of the Share Purchase Agreement.

(b) Condition precedent

The Investment Agreement is conditional on completion of the Share Purchase Agreement. As at the date of this Notice of Meeting, the directors are not aware of any reason why this condition precedent will not be satisfied.

(c) Avingtrans equity funding commitment

Magnetica will have the right (but not the obligation) to call for equity funding and require Avingtrans to subscribe for the Investment Shares at an issue price of A$0.15 per Share if:

(i) **Discretionary drawdowns** – resolved by the Board of the Merged Group with the consent of the MNA Directors; and

(ii) **Mandatory drawdown** – the cash held by the Merged Group at the end of any month is less than £500,000, in which case Avingtrans must subscribe for Investment Shares equal to £250,000.

(d) Board of the Merged Group

For so long as Avingtrans has an interest in at least 40% of the issued ordinary shares in Magnetica (**Controlling Interest**), the Magnetica Board will comprise a maximum of 6 directors comprising 3 directors appointed by Avingtrans (**Investor Directors**), 2 directors representing Existing Shareholders (**MNA Directors**) and an independent Chairman. The first Chairman will be appointed by the MNA Directors with the consent of Avingtrans, using reasonable endeavours, within 3 months of completion of the Share Purchase Agreement. If the position is vacated, the replacement will be appointed by the Board with the consent of the MNA Directors. Until the first Chairman is appointed, certain decisions may not be made without the consent of the MNA Directors.

(e) Avingtrans' information rights

Avingtrans will have the right to the following information for so long as it holds 30% or more of the ordinary shares in Magnetica (**Cornerstone Interest**):

(i) monthly management accounts with comparisons to budgets and containing trading and profit and loss accounts, balance sheets, cash flow statements and a rolling 6 month projected cash flow statement;

(ii) annual detailed operating and capital budget and cash flow forecast for each financial year;

(iii) audited accounts of Magnetica and audited consolidated accounts of the Group;

(iv) full details of any offer or proposed offer from any person wishing to enter into any sale of all of the shares of the Company (**Sale**); and

(v) such other information concerning Magnetica and its business as Avingtrans may reasonably require from time to time.

(f) **Veto rights**

Avingtrans has the right to veto Consent Matters for so long that Avingtrans has a Cornerstone Interest. The MNA Directors also have the right to veto Consent Matters for so long that Existing Shareholders have (in aggregate) a Cornerstone interest.

The Consent Matters are:

(i) the issue of equity securities in circumstances which, would require shareholder approval under Chapter 7 of the ASX Listing Rules if the Company was listed on ASX;

(ii) make a material acquisition or dispose of the whole or a substantial part of the undertaking of the Company or merge the Company or any substantial part of its business with any other person or propose to do so;

(iii) permit Magnetica to cease, or propose to cease, to carry on its business or permit the Company or its directors (or any one of them) to take any step to wind up the Company, save where it is insolvent;

(iv) engage a financial adviser under the provisions of the Investment Agreement or any underwriter or broker to provide any services for a sale or IPO;

(v) apply to a stock exchange for a listing or for quotation of any shares or other securities of a Group Company or appoint an underwriter in relation to, or investment bank to manage, an IPO, or both;

(vi) enter into any right of first refusal, negotiation or notification that applies in relation to a sale or IPO which gives a third party a preferential right to negotiate, make an offer or receive information in relation to such sale or IPO;

(vii) incur any capital expenditure (including obligations under hire-purchase and leasing arrangements) which exceeds the amount for capital expenditure in the relevant capital expenditure of the Budget by more than A$250,000;

(viii) dispose (otherwise than in accordance with any relevant capital disposals forecast in the budget) of any asset of a capital nature having a market value greater than A$250,000;

(ix) make any material change to the nature of the business or the jurisdiction where it is managed and controlled or change the name of the Company;

(x) appoint or remove any auditor of the Company;

(xi) mortgage or charge or permit the creation of or suffer to subsist any mortgage or fixed or floating charge, lien (other than certain existing encumbrances at Completion or a lien arising by operation of law) or other encumbrance over the whole or any part of its undertaking, property or assets;

(xii) appoint the chief executive officer except the first chief executive officer or remove the chief executive officer;

(xiii) conduct any litigation material to the Company, save for the collection of debts arising in the ordinary course of the business carried on by the Company or any application for an interim injunction or other application or action (including interim defence) which is urgently required in the best interests of the Company in circumstances in which it is not reasonably practicable to obtain prior consent as aforesaid;

(xiv) enter into or vary either any unusual or onerous contract or any other material or major or long term contract;

(xv) terminate, vary or renew SciMag's current lease (or the terms and conditions of holding over under the SciMag's current ;ease), enter into a new lease or other right to occupy the SciMag's premises in place of SciMag's current lease or enter into a lease or other right to occupy premises as SciMag's principal place of business.

(g) **Investment exit strategy**

The agreed intention is to effect a sale or IPO of the Merged Group as soon as practicable and in any event within 5 year of Completion. Accordingly, if a sale or IPO is not achieved by the 5th anniversary of Completion, Avingtrans may require the Company to appoint a financial adviser to report on exit opportunities and strategy and, if the adviser recommends a sale or IPO and that recommendation is accepted by the Magnetica Board and approved by the Investor, the Company must use its best endeavours to effect the sale or IPO.

(h) **Representations and warranties**

The Investment contains customary representations and warranties in relation to Magnetica for a transaction of comparable size and type. The minimum thresholds for warranty claims against Magnetica are £25,000 per claim and £250,000 in total with a £5,000,000 liability cap on all warranty claims.

(i) **Other**

The Investment Agreement otherwise contains provisions which are customary for a transaction of this size and type including provisions requiring Magnetica to be debt free at Completion, locked box working capital provisions, limitations on warranty liability, a tax indemnity for Magnetica's pre-Completion taxation liabilities and restrictions on the conduct of Magnetica's business before Completion.

7.3 Illustrative example of Merger mechanics

(a) **Acquisition – shareholdings immediately after Completion**

The following tables illustrate the shareholdings of Existing Shareholders and the Sellers immediately after Completion on the basis that:

- 9,125,000 new Shares are issued before Completion to replace the cancellation of the same number of performance rights - see Section 5.9(c);
- an adjusted number of 180,827,603 Completion Shares are issued (and not the maximum number of 185,478,997 - see Section 7.1(c) ; and
- no other Shares are issued before Completion.

Shares	Number	Percentage
Pre Merger – Existing Shareholders	128,892,184	41.62%
Avingtrans' Completion Shares	178,079,023	57.50%
Other Sellers' Completion Shares	2,748,580	0.88%
Post Merger	309,719,787	100.00%

(b) **Avingtrans equity funding commitment**

The following table illustrates the effect on Avingtrans' interest in Magnetica if Avingtrans provides additional funding under its equity funding commitment and subscribes for all of the Investment Shares on the basis set out in Section 7.3(a) above and:

- the subscription for an additional 29,265,540 Investment Shares; and
- an exchange rate of GBP1.00:AUD1.80.

Shares	Number	Percentage
Existing Shareholders	128,892,184	38.02%
Avingtrans' Completion Shares	178,079,023	52.53%
Avingtrans' Investment Shares	29,265,540	8.64%
Other Seller's Completion Shares	2,748,580	0.81%
Expanded share capital	338,985,327	100.00%

8 Shareholder Approval Requirement

8.1 Approval sought

The Resolution seeks Shareholder approval pursuant to item 7 of section 611 of the Corporations Act for the acquisition by Avingtrans of up to 207,344,564 shares in Magnetica through:

(a) **Avingtrans Completion Shares** - the acquisition at Completion of an expected 178,079,023[24] Magnetica Shares in consideration for the sale of its shares in SciMag, representing approximately 57.5% of Magnetica's shares immediately after Completion[25]; plus

(b) **Investment Shares** – the acquisition of up to an additional 29,265,540 Magnetica Shares under its equity funding commitment.

If Avingtrans acquired all of the 207,344,564 Magnetica Shares Avingtrans would have approximately 61.17% of the voting power in Magnetica – see Section 7.3 for basis of calculation.

8.2 Section 606 prohibition

Without the Shareholder approval sought in the Resolution, the acquisition by Avingtrans of the Avingtrans Completion Shares and the Investment Shares under the Investment Agreement would be prohibited by section 606(1) of the Corporations Act.

Under section 606 of the Corporations Act, subject to limited specified exemptions, a person must not acquire a 'Relevant Interest' in issued voting shares in a public company, if as a result of the acquisition, any person’s voting power in the company would increase:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

[24] See Note 8

[25] See Note 9

In broad terms, a person has a 'Relevant Interest' in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its Associates) has a Relevant Interest compared with the total number of voting shares in a company.

A person is only an Associate for the purpose of Chapters 6 to 6C (takeover provisions) of the Corporations Act if they are an Associate under section 12 of the Corporations Act.

Under section 12(2) of the Corporations Act, a person (second person) will be an Associate of the other person (first person) if:

(c) the first person is a body corporate and the second person is:

- (i) a body corporate the first person controls;
- (ii) a body corporate that controls the first person; or
- (iii) a body corporate that is controlled by an entity that controls the first person;

(d) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and

(e) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

8.3 Exception to the section 606 prohibition

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a Relevant Interest in a company's voting shares with shareholder approval.

In order for the exception in item 7 of section 611 of the Corporations Act to apply, the following must be satisfied:

(a) Approval must be given by a simple majority of Shareholders present at the General Meeting at which no votes are cast in favour of the Resolution by Avingtrans or its Associates; and

(b) Shareholders must be given all information known to the person making the acquisition or their Associates, or known to Magnetica, that was material to the decision on how to vote on the Resolution, including:

- (i) the identity of the person proposed to make the acquisition and their Associates;
- (ii) the maximum extent of the increase in that person's voting power in Magnetica that would result from the acquisition;
- (iii) the voting power that person would have as a result of the acquisition;
- (iv) the maximum extent of the increase in the voting power of each of that person's Associates that would result from the acquisition; and
- (v) the voting power that each of that person's Associates would have as a result of the acquisition.

Accordingly, Shareholder approval is being sought by Magnetica for the issue of the Avingtrans Interest which will result in Avingtrans acquiring a Relevant Interest and increasing their voting power in Magnetica to more than 20%.

9 Specific information

9.1 Information required under item 7 of section 611 of the Corporations Act

The following information is provided in compliance with item 7 of section 611 of the Corporations Act:

Item 7 of section 611	Disclosure
Identity of acquirer and their Associates	Avingtrans is the proposed acquirer of the Avingtrans Interest. For more detail on Avingtrans and its subsidiaries see section 3 above. None of Avingtrans' Associates will be issued any Shares comprising the Avingtrans Interest.
Maximum extent of the increase in Avingtrans' voting power in Magnetica that would result from the acquisition of the Avingtrans Interest	As at the date of this Notice of Meeting, Avingtrans' voting power in Magnetica is nil. If Avingtrans acquired all of the Avingtrans Interest, its voting power in Magnetica would increase to up to 61.17% - see Section 7.3 for basis of calculation.
Avingtrans' voting power as a result of the acquisition of the Avingtrans Interest	If this Resolution is passed Avingtrans will acquire voting power in Magnetica of up to 61.17% - see Section 7.3 for basis of calculation.
The maximum extent of the increase in the voting power of each of Avingtrans' Associates that would result from the acquisition of the Avingtrans Interest	None of Avingtrans' Associates will be issued any Shares comprising the Avingtrans Interest or acquire any voting power in Magnetica. Accordingly, No Avingtrans Associate will increase its voting power in Magnetica as a result of the acquisition of the Avingtrans Interest.
The voting power that each of Avingtrans' Associates would have as a result of the acquisition of the Avingtrans Interest	None of Avingtrans' Associates will be issued any Shares comprising the Avingtrans Interest or acquire any voting power in Magnetica. Accordingly, the voting power of Avingtrans' Associates on the completion of the acquisition of the Avingtrans Interest will be nil.

9.2 Information required under ASIC Regulatory Guide 74

Avingtrans has given the following information to Magnetica to assist it to meet its responsibilities under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this section 9.2.

ASIC Regulatory Guide 74	Disclosure
When the Proposed Merger is to be completed	On or about the date of the General Meeting
Material terms of the Proposed Merger	See section 4
Particulars of any other contract or proposed contract between Avingtrans, or any of their Associates, and Magnetica or any of its Associates which is conditional upon, or directly or indirectly dependent on, Shareholder approval	Completion of the acquisition of SciMag and the provision of equity funding by Avingtrans to Magnetica under the Investment Agreement is conditional on Shareholder approval – see section 4
Intentions of Avingtrans regarding the future of Magnetica	See section 5.11
Intention of Avingtrans to change significantly the financial or dividend policies of Magnetica	See section 5.11(f)
The interests that any Director of Magnetica has in the acquisition of the Avingtrans Interest or any agreement disclosed in section 7 of the Explanatory Memorandum	None of the Directors have an interest in the proposed issue of Shares comprised in the Avingtrans Interest to Avingtrans or in any of the Transaction Documents.
The identity, associations (with Avingtrans) and qualifications of any person who is intended to or will become a Director if Shareholders agree to the Proposed Merger	See section 5.6(b)(iii) - 5.6(b)(v) inclusive
Reasons for the Proposed Merger	See section 6

10 Disadvantages of Proposed Merger

The Proposed Merger has the following disadvantages:

(a) (**Dilution**) the issue of the Avingtrans Interest to Avingtrans will dilute the equity interest of existing Shareholders.

The Directors consider that any dilution of Shareholders' interests will be offset by the benefits of the Proposed Merger.

(b) (**Significant influence of Avingtrans**) after the Proposed Merger, Avingtrans will become the majority shareholder in Magnetica with up to approximately 61.17% of the voting power in Magnetica and have a significant ability to influence decisions of Magnetica. For example, it will be entitled to appoint half of the Board post Merger and, subject to its obligations under the Investment Agreement to obtain the approval of MNA Directors in certain circumstances, be able to prevent the passing of ordinary and special resolutions at general meetings and pass ordinary resolutions of Shareholders.

(c) (**Lower Share market liquidity**) the presence of a large controlling Shareholder could result in a lower level of liquidity in Shares than exists today, which could result in a lower price for Shares should existing Shareholders wish to sell them in the future.

(d) (**Takeover target**) Magnetica may be less attractive as a takeover target. Any bidder for the Merged Group under a takeover proposal would require Avingtrans to support their bid in order to be successful. This may be a deterrent to future bidders or commercial collaboration partners.

11 Risks

There are a number of factors which may affect the future operating and financial performance of the Merged Group, its market offerings (products and services), its systems, the industry in which they operate and the outcome of an investment in the Merged Group. There can be no guarantee that the Merged Group will achieve its stated objectives or that forward-looking statements will be realised.

The following is a list of, but not all, risks associated with the Merged Group. Each of the risks set out below could, if it eventuates, have a material adverse impact on Magnetica's operating performance, profits and the value of its Shares. No assurances or guarantees are given in relation to the future performance of, or profitability of, the Merged Group.

11.1 Impact of COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the global and Australian economy and the ability of businesses, individuals and governments to operate. Emergency powers and restrictions have been enacted on an international, Federal and State level in Australia which, amongst other things, has restricted travel and the ability of individuals to leave their homes and travel to places of work.

Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not currently possible to assess the full impact of COVID-19 on the Merged Group's business.

However, a number of aspects of the Merged Group's business may be directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including disruption to Magnetica’s supply chain and workforce, particularly the availability of products and logistics (including shipping of materials and finished goods) and government imposed shut downs of manufacturing and distribution centres affecting the supply of products to customers.

There is a risk that if the duration of events surrounding COVID-19 are prolonged, the Merged Group may need to take additional measures in order to respond appropriately (eg restructuring to reduce further costs from its business and raising additional funding).

There are also other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that are beyond the control of the Merged Group and may be exacerbated in an economic recession or downturn. These include but are not limited to

(a) changes in inflation, interest rates and foreign currency exchange rates;

(b) changes in employment levels and labour costs;

(c) changes in aggregate investment and economic output; and

(d) other changes in economic condition which may affect the revenue or costs of Magnetica.

11.2 Integration and synergies

The Merged Group's success will depend on Magnetica's ability to integrate SciMag (and its subsidiaries) without disruption to the existing businesses. There is a risk that implementation and other one-off costs may be substantial or greater than reasonably anticipated. This could have a material adverse impact on the Merged Group’s financial position and performance.

The transition of information systems and data, technical, financial and legal information and resources may not proceed smoothly and may divert management’s attention from managing the Merged Group’s business.

There is also a risk that revenue streams or operations could be disrupted or that costs associated with the transition may be greater than expected, which could adversely affect the Merged Group's financial position and performance.

11.3 Strategy risk

Execution of the Merged Group's strategy may place strain on its managerial, operational and financial reserves and the failure to implement a strategy successfully may adversely affect the Merged Group's reputation, business, prospects, results of operation and financial condition.

11.4 Change in risk and investment profile

Magnetica will have a different risk and investment profile after Completion of the Proposed Merger.

11.5 Loss of key personnel

The Merged Group may not be able to successfully recruit and retain skilled employees, particularly scientific, technical and management professionals.

The Merged Group future success will depend in large part on its ability to attract and retain highly skilled technical, managerial and marketing personnel who are familiar with its key target markets and customers, as well as being experienced in the commercialisation of medical device products and services, scaling a business on an international basis, regulatory and clinical affairs and GMP (Good Manufacturing Practice).

It is not certain that the Merged Group will be successful in attracting and retaining the skilled personnel necessary to operate its business effectively in the future. Due to the highly technical nature of its products, the loss of any significant number of the Merged Group's personnel could have a materially adverse effect on its business and operating results.

The Merged Group will rely heavily on its senior executives and engineering team. There can be no assurance that the Merged Group will be able to retain its key personnel or recruit suitable technical staff as replacements. The loss of key personnel could have a materially adverse impact on the Merged Group.

11.6 **Funding Risk**

The Company anticipates that its existing resources, together with funding to be provided by Avingtrans under the Proposed Merger, will enable it to maintain its currently planned operations for an intermediate period until revenues from existing product sales meet operating expenses, or until additional funding arrangements via joint ventures, licencing, sale of all or part of its undertaking or the like can be put in place.

However, future financial requirements cannot be precisely calculated and will depend upon various factors, including product sales revenues and margins, the progress of research and development projects and the success of the various business ventures and negotiations by the Merged Group.

Any future acquisitions, expansion, activity and/or business development may require additional capital, whether equity or debt.

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

11.7 **Product Risk**

The Merged Group is aiming to complete during calendar year 2021:

(a) a demonstration 3T dedicated compact extremity MRI system for human clinical applications (including a SciMag manufactured extremity magnet); and

(b) a demonstration 1.5T small companion animal MRI system for veterinary applications.

The MRI systems that the Merged Group plans to produce are complex and there is an inherent risk that the Merged Group will be unsuccessful in producing the demonstration systems in the first instance or that these systems will contain defects or otherwise not perform as expected.

The Merged Group will undertake product verification and validation to identify such problems prior to their release for use. Even after this testing, there remains the risk of manufacturing or design defects, errors or performance problems that may only emerge over time and use. For medical devices requiring approval by relevant regulatory authorities for marketing and supply, confirming the safety and efficacy of the products for their stated use will be essential. The monitoring of such products post delivery will be undertaken via a program of Post-Market Surveillance.

The Company, SciMag and Tecmag provides, and the Merged Group will likely continue to provide, product warranties subject to a range of technical and operating conditions.

If any products fail to perform as expected or if production of the Merged Group's products is subject to delays, the Merged Group could lose existing and future business and its ability to develop, market and sell its MRI systems and other products could be harmed. Product defects or non-performance may also give rise to claims against the Merged Group, diminish the brand or divert resources from other purposes, all of which could have a materially adverse impact on the Merged Group financially and reputationally.

The Merged Group is dependent on the supply of raw materials for a number of different parts and components of its products. While the Merged Group follows a quality control process there are possible situations where the quality of raw materials supplied will adversely affect the performance of the product.

11.8 **Sales and Revenue Risk**

Magnetica currently operates on a negative cash operating basis in that its operating expenses exceed its revenue. The Merged Group's revenue depends on the extent and timing of future product sales. There is a risk that sales may take longer than expected to materialise or not be realised at all, including as a result of COVID-19. For example, there are no guarantees that firm orders for the Merged Group's products will occur on a timely basis.

Effective execution of the Merged Group’s go-to-market strategy as an MRI system OEM will likely require additional skill sets not currently in the employ of the Group. For example, whilst the Merged Group will have experienced sales personnel within its employment, a move to become an MRI system supplier will require additional personnel experienced in the Sales, Marketing and Product Management of MRI systems within the human clinical market. There is a risk that these skill sets are not available in the timeframe or locations required for optimal execution of the Group strategy.

11.9 **Development risks and costs**

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

SciMag is an experienced designer and manufacturer of compact superconducting magnets for use primarily in Nuclear Magnetic Resonance (NMR) applications and to a lesser extent in MRI applications. Nevertheless, Magnetica’s Extremity magnet design utilises its patented asymmetric technology, which results in an improved patient experience through ease of access and positioning of the limb for scanning of the joint/area of interest. SciMag has not built an asymmetric magnet before. As such there is a risk that SciMag is unable to manufacture Magnetica’s Extremity magnet in the projected project timeframe, or at the required cost to support successful commercialisation activities.

The Merged Group will be an OEM of MRI systems. However, Magnetica, SciMag and Tecmag are currently providers of key sub-system utilised within MRI systems. There is a risk that the Merged Group will be unsuccessful in moving up the value chain to become a Systems Integrator capable of delivering safe and effective market offerings in a timely and quality manner that meets customer and regulatory requirements/needs.

11.10 **Business risks**

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

11.11 **Unforeseen expenses**

Unforeseen costs can always materialise. For example, supplies and price of helium which is critical for MRI, and superconducting wire (including raw components) can cause delays and cost increases. Nevertheless, Magnetica’s existing prototype Extremity magnet is conduction-cooled, negating the need to secure a liquid helium supply chain for the life of the system. Further, SciMag is very experienced in the design and manufacture of helium-free magnets, thus mostly mitigating the helium-related risk.

11.12 Manufacturing risk - general

There are risks which are inherent in manufacturing operations including machinery breakdowns, damage from flood and fire, below standard workmanship or materials, employee issues (including accidents), workplace health and safety and so on. Any adverse impact on production could have a materially adverse impact on the Merged Group's ability to meet customer needs and the risk of customer claims and the Merged Group's ability to achieve its expansion plans or its financial performance.

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

11.13 Manufacturing risks – specific

(a) Manufacturing capacity risk

As the Merged Group will build its manufacturing capability based on its projection of future supply agreements, its business revenue and profits will depend upon its ability to enter into and complete these agreements, achieving competitive manufacturing yields and drive volume sales consistent with its demand expectations.

In order to fulfil the anticipated product delivery requirements of its potential customers, the Merged Group will invest in capital expenditures in advance of actual customer orders, based on estimates of future demand. If market demand for the Merged Group's products does not increase as quickly as it has anticipated and align with the Merged Group's manufacturing capacity, or if the Merged Group fails to enter into and complete projected development and supply agreements, the Merged Group may be unable to offset these costs and to achieve economies of scale, which could materially affect its business and operating results.

Alternatively, if the Merged Group experiences sales in excess of its estimates, it may be unable to support higher production volumes, which could harm customer relationships and overall reputation. The Merged Group's ability to meet such excess customer demand could also depend on its ability to raise additional capital and effectively scale its manufacturing operations.

If the Merged Group is unable to achieve and maintain satisfactory production yields and quality, its relationships with certain customers and overall reputation may be harmed, and its sales could decrease.

(b) Manufacturing production

The manufacturing and assembly of the Merged Group's products is a highly complex process that requires extreme precision and quality control throughout a number of production stages. Improving manufacturing processes and consistent adoption of GMP methods will be an ongoing requirement both to reduce cost and improve product performance and reliability by minimising manufacturing errors.

The Merged Group has adopted a combination of outsourced and insourced component sourcing and manufacturing of its product parts to achieve the benefits of scalability, quality control, and cost efficiencies and to reduce its overall manufacturing risks (including the risk of damage to finished products when they are delivered to the customer).

The outsourced component of the Merged Group's manufacturing strategy has associated risks. It means the Merged Group is unable to directly control delivery schedules, quality assurance, manufacturing yields and production costs.

Any defects in packaging, contamination of the manufacturing environment, excess moisture, equipment failure or other difficulties in the manufacturing process (including as a result of COVID-19) could cause products to be rejected or fail, thereby reducing yields and affecting the Merged Group's ability to meet customer expectation.

Problems in the Merged Group's manufacturing and assembly processes could limit its ability to produce sufficient product to meet the demands of potential customers.

(c) **Regulatory and compliance risk**

The Merged Group uses hazardous substances in the manufacture of its products. Various regulatory requirements apply to the storage, handling and disposal of such chemicals. The Merged Group must also comply with prescribed product standards in the various jurisdictions in which it operates, that are relevant to the manufacture, installation and operation of its products.

There is a risk that the Merged Group will be unable to comply with the regulatory requirements imposed on its products or that the cost of compliance will exceed expectations and have an adverse impact on the financial position of the Merged Group. This may prevent the Merged Group from accessing markets in certain jurisdictions.

11.14 Commercialisation risk

Rapid and ongoing changes in technology and product standards could quickly render the Merged Group's products less competitive, or even obsolete if it fails to innovate and adopt a continuous improvement methodology for the ongoing enhancement of its products, processes and underpinning systems. The Merged Group will continue to undertake research and develop in support of its market offerings.

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

11.15 Regulatory and compliance risk

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

There is also a risk that the Merged Group will be unable to comply with the regulatory requirements imposed or that compliance will exceed expectations and have an adverse impact on the financial position of the Merged Group. This may prevent the Merged Group from accessing markets in certain jursidictions.

Nevertheless, Magnetica is already certified as compliant to ISO 13485, a Quality Management System for medical device companies, and supplied regulatory compliant product into the European market.

11.16 Minority Shareholder Risk

After Completion, Avingtrans will acquire control over Magnetica and Existing Shareholders would become a minority. The Investment Agreement provides a degree of protection for Existing Shareholders but there remain risks that Avingtrans will have a significant influence over the Merged Group.

11.17 Legislative and regulatory changes

Legislative or regulatory changes in jurisdictions in which the Merged Group will operate or regulatory changes in relation to products to be sold by the Merged Group, could have an adverse impact on the Merged Group.

11.18 Government policy

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

Healthcare budget cutbacks in key MRI markets, including the US, Japan and Europe could impact on future spending on high end medical technologies including acquisition of MRI scanners by both public and private healthcare providers.

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

11.19 Insurance Risk

While the Merged Group will maintain commercial insurance at a level it believes appropriate against certain risks commonly insured in the industry, there is no guarantee that it will be able to obtain the desired levels of cover on acceptable terms in the future. Furthermore, the nature of these risks is such that liabilities could exceed policy limits or that certain risks could be excluded from the Merged Group's insurance coverage.

There are also likely to be risks against which the Merged Group cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting the Merged Group's earnings and competitive position in the future and, potentially, its financial position. The Merged Group's operations could suffer losses which may not be compensated by insurance.

In addition, certain types of risks may be, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by the Merged Group's insurance policies. Any of the foregoing could have a material adverse effect on the Merged Group's operating results, business prospects and financial condition.

11.20 Supply Risk

The Merged Group's manufacturing operations will depend on obtaining raw materials, parts and components, manufacturing equipment and other supplies, including services from reliable suppliers in adequate quality and quantity, in a timely manner.

It may be difficult for the Merged Group to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all due to the interruption of supply or increased industry demand (including as a result of COVID-19). This may adversely affect the Merged Group's operations.

The prices of raw materials, parts and components and manufacturing equipment may increase due to changes in supply and demand. In addition, currency fluctuations and the weakening of the Australian dollar against foreign currencies may adversely affect the Merged Group's purchasing power for raw materials, parts and components and manufacturing equipment from foreign suppliers.

If the Merged Group is unable to secure key supply inputs in a timely and economically acceptable manner, it could have a materially adverse effect on its ability to meet customer demand and sell its products profitably.

11.21 Intellectual Property (IP) and patent risk

The ability of the Merged Group to maintain protection of its proprietary intellectual property and operate without infringing the proprietary intellectual property rights of third parties will be an integral part of its business. The Merged Group will operate a blended approach to maintaining its IP portfolio, including patents, know-how/trade secrets and trademarks.

Wherever appropriate, Magnetica has secured sustainable competitive advantage for its market offerings by obtaining protection for intellectual property by registering patents in Australia as well as various overseas jurisdictions, including the United States, Europe, Japan, China, the United Kingdom and Germany. SciMag and Tecmag has mostly focused upon a strategy of maintaining trade-secrets to achieve its sustained competitive advantage over other magnet vendors. However, a number of provisional patents have been lodged during the last year, providing a more aligned IP management strategy between the different companies. The Merged Group will continue to seek appropriate protection in relation to its technologies and products through a commitment to the filing, maintenance and management of patents as a key element of its intellectual property portfolio.

The granting of protection such as a registered patent does not guarantee that the rights of third parties are not infringed or that competitors will not develop technology to avoid the patent. Patents are territorial in nature and patents must be obtained in each and every country where protection is desired. There can be no assurance that any patents which the Merged Group may own or control will afford the Merged Group significant protection of its technology or its products have commercial application.

Competition in obtaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to disputes. The Company may in the future enter into commercial agreements under which intellectual property relevant to the Merged Group will not be owned exclusively by the Merged Group. In these circumstances, the Merged Group will seek to negotiate an appropriate licence to use any such intellectual property.

There is a risk that such newly created intellectual property not exclusively owned by the Merged Group, will be material to the Merged Group and there is no guarantee that the Merged Group will be able to enter into appropriate agreements to use it either at all or on commercially acceptable terms and conditions, or on a timely basis. The inability to secure rights to use such intellectual property could have a material impact on the Merged Group's ability to sell or otherwise commercialise its products, and its financial performance.

11.22 Reverse engineering risk and trade secret risk

There is a risk of the Merged Group's products being reverse engineered or copied. The Merged Group will rely on trade secrets to protect its proprietary technologies, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. The Merged Group will rely in part on confidentiality agreements with its employees, contractors, consultants, outside scientific collaborators and other advisors to protect its trade secrets and other proprietary information.

These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect the Merged Group's competitive business position.

11.23 **Research and development risk**

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

11.24 **Health and safety risk**

There are inherent risks to health and safety arising from the nature of the business conducted by the Merged Group, which requires the adoption and maintenance of a health and safety programme. Given health and safety regulatory requirements and the number of sites on which the Merged Group will operate, the Merged Group's health and safety performance is critical to the success of the Merged Group. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements and a failure which results in a major or significant health and safety incident may be costly in terms of potential liabilities arising as a result. Furthermore, such a failure could generate adverse publicity and have a negative impact on the Merged Group's reputation. These failures may have a material adverse impact on the Merged Group's business, operating results, financial condition or prospects.

11.25 **Market competition and technological advancement risk**

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

Additionally, since the Merged Group's products are designed to be utilised as part of the suite of tools, systems and processes available to a suitably qualified clinician for the diagnosis of specific medical conditions, it is possible that medical or scientific advancement with respect to the treatment of these conditions could render the Merged Group's diagnostic products obsolete.

11.26 **Dependence on general economic conditions**

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

A prolonged deterioration in general economic conditions (whether or not due to COVID-19), including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a materially adverse impact on the Merged Group's business or financial condition.

11.27 **Foreign exchange risk**

The Merged Group's financial operations may be adversely affected by currency exchange rates fluctuations.

The Merged Group will have foreign sales denominated in US dollars, Euros, British Pounds and Australian Dollars and may, in the future, have sales denominated in the currencies of additional countries in which the Merged Group may expand and/or establish operations. Any fluctuations in the exchange rates of these foreign currencies may have a material adverse effect on the Merged Group's business.

If the Merged Group decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to unreasonable costs, unknown timescales or illiquid markets.

11.28 **Tax risk**

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

11.29 **Litigation risk**

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

While the Merged Group will take precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Merged Group, the directors and proposed directors cannot preclude the possibility of litigation or disputes being brought against the Merged Group. Any litigation or disputes brought in the future involving the Merged Group's products or services could have a material adverse effect on the Merged Group's business.

There can be no assurances that any claimants in any litigation or dispute proceedings will not be able to devote substantially greater financial resources to any such proceedings than the Merged Group or that the Merged Group will prevail in any such litigation or dispute. Any litigation or dispute, whether or not determined in the Merged Group's favour or settled by the Merged Group, may be costly and may divert the efforts and attention of the Merged Group's management and other personnel from normal business operations.

The Merged Group's insurance may not necessarily cover any of the claims brought against the Merged Group or may not be adequate to protect it against all liability that may be imposed. Any litigation, dispute or regulatory investigations or actions brought in the future could have a material adverse effect on the Merged Group's reputation, business, financial condition and operation results.

11.30 **Sovereign risk**

The Merged Group's manufacturing operations in the United Kingdom and the United States are subject to the risks associated in operating in foreign countries. These risks may include economic, social or political instability or change, hyperinflation, or changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, export duties, capital controls, repatriation of income or return of capital, environmental protection, labour relations and government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents. No assurances can be given that the co-operation of such authorities, if sought by Magnetica, will be obtained, and if obtained, maintained.

It cannot be ruled out that the government of the United Kingdom, the Federal or relevant State governments of the United States or any other foreign jurisdiction in which Magnetica operates, may adopt substantially different laws, policies or conditions relating to foreign investment and taxation. The Merged Group may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Any future materially adverse changes in government policies or legislation in the United Kingdom, United States or any other foreign jurisdiction in which Magnetica operates, in relation to foreign investment and ownership may affect the viability and profitability of Magnetica.

12 Interests of the Directors

12.1 Voting power

The Directors do not have any material personal interest in the outcome of this Resolution, other than their interests arising solely in their capacity as Shareholders and as disclosed in this Section 12.

As at the date of this Notice of Meeting, the directors have the following voting power:

Director	Shares held	Voting power
Mr Howard Stack	8,806,540	7.35%
Dr Philip Dubois	906,250	0.70%
Dr Charles Ho	333,305	0.28%
Mr Justin Schaffer	13,579,835	11.34%
Mr Richard Aird	312,500	0.26%
Mr Jonathon Schaffer (Alternate)	Nil	Nil
Mr Thomas Stack (Alternate)	Nil	Nil

12.2 Performance rights

The Company intends to cancel existing issued performance rights and replace them with new Shares – see Section 5.9(c). The performance rights held by Directors are as set out in the table below. The Series A Performance Rights are fully vested. The Series C Performance Rights held by the Directors below are unvested.

Director	Series A	Series C
Mr Howard Stack		500,000
Dr Philip Dubois		500,000
Dr Charles Ho		500,000
Mr Justin Schaffer		500,000
Mr Richard Aird	500,000	1,000,000

No shareholder approval is being sought for the issue of the replacement Shares on the grounds that the proposed cancellation and issue constitutes either a financial benefit conferred on reasonable arm's length terms or reasonable remuneration, which are exempt from shareholder approval under Chapter 2E of the Corporations Act 2001.

13 Recommendation of the Directors

Based on the information available (including that contained in this Explanatory Memorandum) and in the absence of a superior proposal each of the Directors consider that this Resolution is in the best interests of Magnetica and unanimously recommend that Shareholders vote in favour of this Resolution. Each of the Directors who hold Shares intend to vote the Shares they control in favour of the Resolution, in the absence of a superior proposal.

14 Independent Expert's Report

In accordance with the requirements of ASIC Regulatory Guide 74, the Directors engaged the Independent Expert to prepare the Independent Expert's Report, the purpose of which was to analyse and state whether or not, in their opinion, the Proposed Merger as a whole (including the proposals set out in this Resolution) is 'fair' and 'reasonable' to Non-Associated Shareholders.

The Independent Expert has provided an opinion that it believes the Proposed Merger is fair and reasonable to Non-Associated Shareholders.

A complete copy of this report is provided in Annexure A.

Neither Magnetica nor the Directors are aware of any additional information that is not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on this Resolution.

Schedule 1 - Definitions

Avingtrans Interest means the Completion Shares and the Investment Shares.

ASIC means Australian Securities and Investments Commission.

Associate has the meaning given to that term in the Corporations Act and **associated** has a corresponding meaning.

Avingtrans means Avingtrans plc (Company Number 01968354).

Board means the board of Directors of Magnetica from time to time.

Business Day means a day that banks in Brisbane, Queensland, Australia, are open for business.

Company means Magnetica Limited ACN 010 679 633.

Completion means completion of the sale and purchase of the shares in SciMag under the Transaction Documents.

Completion Shares means up to 185,478,997 Shares[26] to be issued and allotted to the Sellers on Completion.

Corporations Act means the *Corporations Act 2001* (Cth) as amended from time to time.

Directed Proxy Form means a proxy form which specifies how the proxy is to vote.

Directors means the directors of Magnetica from time to time.

Existing Shareholders means the Shareholders immediately prior to Completion.

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice of Meeting.

General Meeting means the extraordinary general meeting of Shareholders to be held on 29 January 2021.

Independent Expert means BDO Corporate Finance Ltd.

Independent Expert's Report means the report of the Independent Expert dated 5 January 2021 set out in Annexure A.

Investment Agreement means a Subscription and Shareholders Agreement between Avingtrans and Magnetica under which Avingtrans has committed to acquire additional Shares at A$0.15 per Share.

Investment Shares means Shares to be subscribed for by Avingtrans under its £3.2 million equity funding commitment under the Investment Agreement, comprising Shares to make up the cash shortfall at Completion (see Section 7.1(c)) and additional Shares to be subscribed under the balance of its funding commitment (see Sections 7.2 and 7.3).

Magnetica means Magnetica Limited ACN 010 679 633.

Merged Group means Magnetica and its subsidiaries following the Proposed Merger.

MNA Directors means the persons appointed by Existing Shareholders as directors of Magnetica under the Investment Agreement. The initial MNA Directors are Duncan Stovell and Stuart Crozier.

MRI means magnetic resonance imaging.

Non-Associated Shareholder means a Shareholder who is not Avingtrans or associated with

[26] See Note 8

Avingtrans.

Notice of Meeting means the notice convening the General Meeting, which accompanies this Explanatory Memorandum.

NMR means nuclear magnetic resonance.

Proposed Merger means the acquisition by Magnetica of SciMag and the associated investment in Magnetica by Avingtrans in accordance with the Transaction Documents.

Proxy Form means the proxy form attached to the Notice of Meeting.

Relevant Interest has the meaning given to that term in sections 608 and 609 of the Corporations Act.

SCA means Small Companion Animal.

SciMag means Space Cryomagnetics Limited (Company Number 03950388).

SciMag Group means SciMag, Tecmag and SML.

Sellers means the sellers under the Share Purchase Agreement comprising Avingtrans, Clint Gouveia and Peter Penfold.

Share means a fully paid ordinary share in the capital of Magnetica.

Shareholder means the registered holder of a Share.

Share Purchase Agreement means the Share Purchase Agreement between Avingtrans and Magnetica in relation to the sale and purchase 100% of the issued capital of SciMag, as amended from time to time.

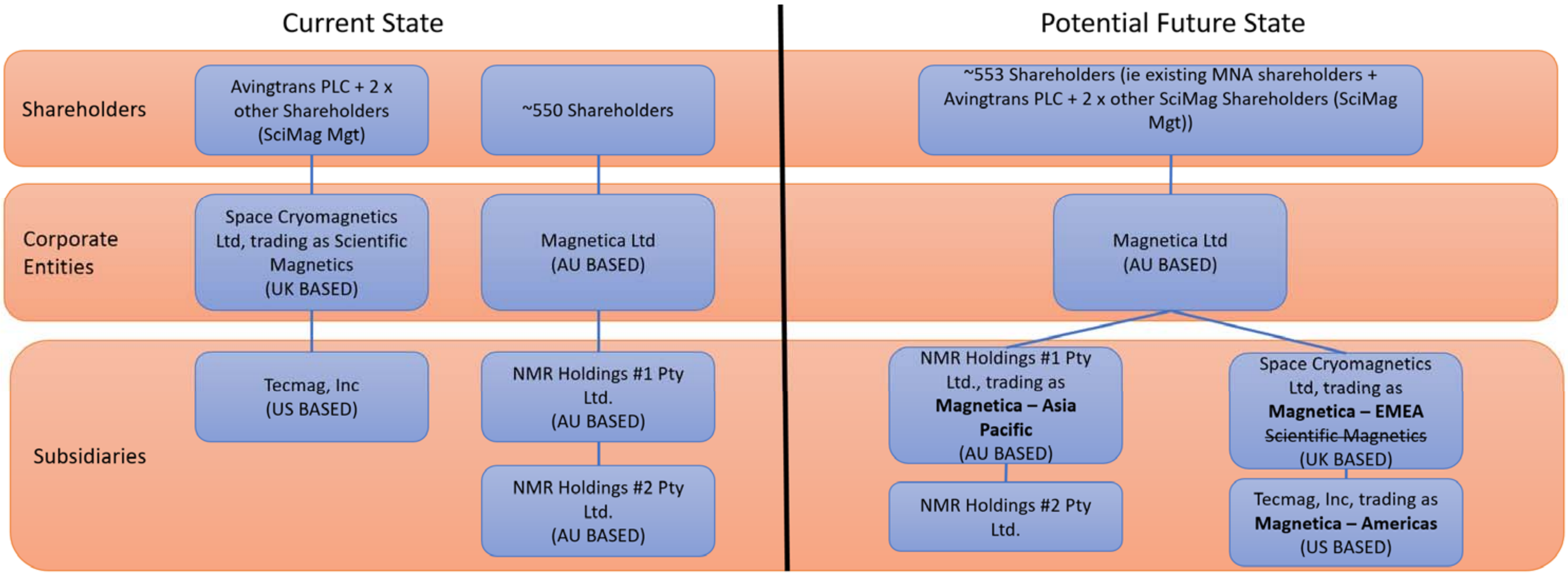
SML means Scientific Magnetics Limited (Company Number 05519442).

Tecmag means Tecmag Inc (Texas SOS File Number 0065455100).

Transaction Documents means the Share Purchase Agreement and Investment Agreement as amended from time to time.

Schedule 2 - Corporate structure before and after Proposed Merger

Before Proposed Merger	After Proposed Merger



Annexure A - Independent Expert's Report

See attached

Annexure B – Draft SciMag financial statements as at 31 May 2020

See attached

MAGNETICA LIMITED

Independent Expert's Report and Financial Services Guide

Opinion: Fair and Reasonable

5 JANUARY 2021

BDO

FINANCIAL SERVICES GUIDE

Dated: 5 January 2021

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, and interests in managed investment schemes excluding investor directed portfolio services; and

b) Arranging to deal in financial products in relation to securities; and

c) Applying for, acquiring, varying or disposing of a financial product in relation to interests in managed investment schemes excluding investor directed portfolio services, and securities.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide, in relation to a proposed transaction with Avingtrans PLC ('Avingtrans') ('the Proposed Transaction'), an independent expert's report to the shareholders of Magnetica Limited ('Magnetica' or 'the Company') not associated with Avingtrans.

Further details of the Proposed Transaction are set out in Section 4. The scope of this Report is set out in detail in Section 3.3. This Report provides an opinion on whether or not the Proposed Transaction is 'fair and reasonable' to the ordinary shareholders of Magnetica not associated with Avingtrans ('the Non-Associated Shareholders') and has been prepared to provide information to the Non-Associated Shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. Other important information relating to this Report is set out in more detail in Section 3.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. An individual shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each individual shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, Commissions and Other Benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately $120,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings Limited, a parent entity of BDOCF. All directors and employees of BDO Group Holdings Limited and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings Limited, the person is entitled to share in the profits of BDO Group Holdings Limited.

Associations and Relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDOCF has previously completed a valuation of Magnetica in August 2018, BDO Services Pty Ltd has provided tax compliance services to Magnetica, and BDO LLP has provided tax compliance services to Avingtrans.

The signatories to this Report do not hold any shares in Magnetica and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Australian Financial Complaints Authority. Any complaint about our service should be in writing and sent to BDO Corporate Finance Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Australian Financial Complaints Authority. They can be contacted on 1800 931 678. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investments Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Compensation Arrangements

BDOCF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the Corporations Act 2001.

Contact Details

BDO Corporate Finance Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

CONTENTS

GLOSSARY

Reference	Definition
$, AUD	Australian Dollars
£, GBP	British Pounds
AASB	Australian Accounting Standards Board
ABV	Asset based valuation
Act, the	Corporations Act 2001
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 Valuation Services
ASIC	The Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Avingtrans	Avingtrans PLC
Avingtrans Completion Shares	Shares to be issued and allotted to Avingtrans on Completion
Avingtrans Investment, the	Legally binding commitment by Avingtrans to provide to Magnetica after Completion of the acquisition of SciMag, up to £3.2 million (less cash held by SciMag at Completion, including any amount provided to make up any shortfall at Completion in the SciMag Cash Contribution) by way of additional equity funding at a subscription price of A$0.15 per Magnetica Share, if required for working capital and other corporate purposes, on the terms and conditions set out in the Notice of Meeting.
BAU Model	The business-as-usual financial model provided by Magnetica
Delay Case	One year delay in the sale of MRI Systems
Base Case	Directors' best estimate of the future performance adopted in the respective financial model
BDO Persons	The partners, directors, agents or associates of BDO
BDOCF	BDO Corporate Finance Ltd
Board, the	The directors of Magnetica
CAGR	Compound annual growth rate
CAPM	Capital asset pricing model
CME	Capitalised maintainable earnings
COGS	Cost of Goods Sold
Company, the	Magnetica Limited
Completion	Completion of the sale and purchase of the shares in SciMag under the Transaction Documents
Completion Shares	Shares to be issued and allotted to the Sellers on Completion
CMR	Centre of Magnetic Resonance
CT	Computed Tomography
Directors, the	The Directors of the Company
DCF	Discounted cash flows
EGM	Extraordinary General Meeting
Existing Cash Contribution	Minimum on completion cash contribution provided by Avingtrans
FCFF	Free Cash Flow to the Firm
FIRB	Foreign Investment Review Board
FSG	The Financial Services Guide
FY	Financial year
G&A	General and administrative
GE	General Electric

Reference	Definition
Investment Agreement	Subscription and Shareholders Agreement between Avingtrans and Magnetica under which Avingtrans has committed to make the Avingtrans Investment.
Investment Shares	Shares to be subscribed for by Avingtrans under its equity funding commitment under the Investment Agreement
IP	Intellectual property
Magnetica	Magnetica Limited
Management	The management team of Magnetica
MBV	Market based valuation
Meeting, the	The Extraordinary General Meeting to be held on 29 January 2021
Merged Group	Magnetica and its subsidiaries following the Proposed Transaction
MRI	Magnetic Resonance Imaging
MSK	Musculoskeletal
NMR	Nuclear Magnetic Resonance
NRM2	NMR Holdings No. 2 Pty Ltd
NQR	Nuclear Quadrupole Resonance
Non-Associated Shareholders, the	The shareholders of Magnetica not associated with Avingtrans
Notice of Meeting, the	The Notice of Meeting and Explanatory Memorandum prepared by Magnetica dated on or about 5 January 2021
OEM	Original Equipment Manufacturer
Proposed Transaction, the	The proposed acquisition by Magnetica of 100% of SciMag and the associated Avingtrans Investment, in consideration for the issue and allotment to Avingtrans of a controlling interest in Magnetica
Post-Transaction Model	Post-Transaction financial model provided by Magnetica
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDOCF and dated 5 January 2021
R&D	Research and Development
RF	Radio Frequency
RG 111	ASIC Regulatory Guide 111: *Content of Expert Reports*
RGs	Regulatory guides published by ASIC
SCA	Small Companion Animal
SciMag	Space Cryomagnetics Limited trading as Scientific Magnetics
SciMag Cash Contribution	Minimum SciMag cash balance at Completion that Avingtrans is required to provide under the agreement that Magnetica and Avingtrans each provide matching cash funding to the Merged Group in the proportions of 41% and 59% respectively calculated in accordance with a formula which takes into account cash balances as at 30 September 2020 and eligible expenditure since then_
Sellers	Sellers under the Share Purchase Agreement comprising Avingtrans, Clint Gouveia and Peter Penfold
SPA	The Share Purchase Agreement relating to the Proposed Transaction dated 5 January 2021
Tesla (T)	Derived unit of magnetic field strength in the international system of units
Tecmag	Tecmag, Inc
Transaction Documents	Transaction documents relating to the Proposed Transaction comprising the SPA and the Investment Agreement.
US$	United States Dollars
UQ	University of Queensland

Reference	Definition
VWAP	Volume Weighted Average Price
WACC	Weighted average cost of capital
We, us, our	BDO Corporate Finance Ltd

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek Street
Brisbane, QLD 4000
GPO Box 457, Brisbane QLD 4001
AUSTRALIA

PART I: ASSESSMENT OF THE PROPOSED TRANSACTION

The Non-Associated Shareholders
C/- The Non-Associated Directors
Magnetica Limited
Unit 4, 55 Links Avenue North
Eagle Farm, Brisbane, 4009

5 January 2021

Dear Non-Associated Shareholders,

1.0 Introduction

BDO Corporate Finance Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the non-associated shareholders ('the Non-Associated Shareholders') of Magnetica Limited ('Magnetica' or 'the Company') in relation to the proposed transaction with Avingtrans PLC (AIM: AVG) ('Avingtrans'). Broadly speaking, under the terms of the proposed transaction (referred to as 'the Proposed Transaction'):

- Magnetica will acquire 100% of the issued share capital in Space Cryomagnetics Limited, trading as Scientific Magnetics ('SciMag'), from Avingtrans, Clint Gouveia, and Peter Penfold ('Sellers');
- Upon completion of the sale and purchase of the shares in SciMag ('Completion'), Magnetica expects to issue 180.83 million shares as consideration to the Sellers ('Completion Shares');
- Avingtrans, the largest shareholder of SciMag with a 98.48% ownership interest, will receive 178.08 million Magnetica shares ('Avingtrans Completion Shares') in consideration for the sale of its shares in SciMag, representing approximately 57.5% of Magnetica's shares on a diluted basis immediately after Completion; and
- After Completion, Avingtrans may acquire up to an additional 29.27 million[1] Magnetica Shares ('Investment Shares') under a legally binding commitment to provide up to £3.2 million of additional equity funding (less any cash on hand in SciMag at Completion) at an issue price of $0.15 / share ('the Avingtrans Investment'), as per the terms of a Subscription and Shareholders Agreement between Avingtrans and Magnetica ('Investment Agreement').

Avingtrans will hold approximately 61.2% of the issued capital of Magnetica on a diluted basis after completing the Avingtrans Investment.

Given the proposed increase in Avingtrans' relevant interest in Magnetica from nil to up to 61.2% on a diluted basis, the Proposed Transaction will need approval by shareholders under item 7 of section 611 of the Corporations Act 2001 ('the Act').

A more detailed summary of the Proposed Transaction is set out in Section 4.

In this Report we provide our opinion on whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. This Report has been prepared solely for use by the Non-Associated Shareholders to provide them with information relating to the Proposed Transaction. The scope and purpose of this Report are detailed in Sections 3.3 and 3.4, respectively.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Non-Associated Shareholders including the Notice of Meeting and Explanatory Memorandum prepared by Magnetica and dated on or about 5 January 2021 ('the Notice of Meeting') in relation to the Extraordinary General Meeting ('EGM') to be held on 29 January 2021 ('the Meeting').

[1] The actual number of shares to be issued under the Avingtrans Investment will differ depending on the cash on hand in SciMag at Completion and exchange rate between £ and $ on the date of the share subscription. As shareholder approval is being sought for the maximum number of shares to be issued (see section 8.1 of the Notice of Meeting), we have assessed the Proposed Transaction under the assumption that the maximum number of Investment Shares will be issued to Avingtrans (29.27 million).

2.0 Assessment of the Proposed Transaction

This section is set out as follows:

- Section 2.1 sets out the methodology for our assessment of the Proposed Transaction;
- Section 2.2 sets out our assessment of the fairness of the Proposed Transaction;
- Section 2.3 sets out our assessment of the reasonableness of the Proposed Transaction; and
- Section 2.4 sets out our opinion regarding the Proposed Transaction.

2.1 Basis of Evaluation

ASIC have issued Regulatory Guide 111: *Content of Expert Reports* ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

Scrip consideration payable under the Proposed Transaction will result in Avingtrans' relevant interest in Magnetica increasing from nil to up to 61.2% on a diluted basis. RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Proposed Transaction is a control transaction as defined by RG 111 and we have assessed the Proposed Transaction by considering whether, in our opinion, it is fair and reasonable to the Non-Associated Shareholders.

Under RG 111, a transaction will be considered 'fair' if the value of the consideration to be received by shareholders is equal to or greater than the value of the shares that are the subject of the transaction. To assess whether a transaction is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the transaction. This includes comparing the likely advantages and disadvantages if the transaction is approved with the position of shareholders if the transaction is not approved.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid. Our assessment concludes by providing our opinion as to whether or not the Proposed Transaction is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we assess the fairness and reasonableness issues separately for clarity.

We have assessed the fairness and reasonableness of the Proposed Transaction in Sections 2.2 and 2.3 below and provide an opinion on whether the Proposed transaction is 'fair and reasonable' to the Non-Associated Shareholders in Section 2.4.

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction, the expert should consider the value inclusive of a control premium and assume a 100% ownership interest.

Having regard to RG 111, in our view, it is appropriate to assess whether the Proposed Transaction is 'fair' by:

a) Determining the value of a Magnetica share on a controlling interest basis prior to the Proposed Transaction;

b) Determining the value of a Magnetica share on a minority interest basis after the Proposed Transaction; and

c) Comparing the value determined in a) above with the value of b) to determine if the Proposed Transaction is fair.

In accordance with the requirements of RG 111, the Proposed Transaction can be considered 'fair' to the Non-Associated Shareholders if the value determined in b) above is equal to or greater than the value determined in a) above.

2.2.2 Value of a Magnetica Share Prior to the Proposed Transaction on a Controlling Interest Basis

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of $0.11 to $ 0.20 per Magnetica share on a controlling interest basis prior to the Proposed Transaction. In forming this view, we adopted a Discounted Cash Flow ('DCF') valuation approach as our primary valuation methodology. We have additionally had regard to an asset based valuation ('ABV') of Magnetica, as well as a market based valuation ('MBV') as secondary cross-check methodologies.

In completing our MBV methodology, we have had reference to past placements undertaken by Magnetica, as summarised and provided by Magnetica management. Our ABV methodology considers the historical costs incurred by Magnetica in developing its intellectual property ('IP').

Our valuation of Magnetica is set out in Section 9. In relation to our valuation, we note that Magnetica is in the early stages of its growth cycle and is still in the process of proving itself as a viable and profitable business proposition. In our view, the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. The fluctuations in value are further exacerbated at the current time because of the market volatility and economic uncertainty caused by the COVID-19 outbreak.

2.2.3 Value of a Magnetica Share After the Proposed Transaction on a Minority Interest Basis.

Our DCF valuation of Magnetica following the Proposed Transaction, on a minority interest basis, is in the range of $0.14 to $ 0.23 per share.

The primary factors driving the change in the valuation range, pre and post the Proposed Transaction, are:

- **Change in business model**: The Company will progress up the value chain from being a Magnetic Resonance Imaging ('MRI') component/sub-system designer and manufacturer to an MRI system Original Equipment Manufacturer ('OEM');
- **Ownership of SciMag:** Following the Proposed Transaction, Magnetica will hold a 100% interest in SciMag and its wholly owned subsidiary, Tecmag, Inc.('Tecmag');
- **Additional cash**: As part of the Proposed Transaction, Magnetica may receive cash of up to approximately £3.2 million (approximately $5.69 million[2]);
- **Additional equity instruments**: Following the Proposed Transaction, Magnetica will have an additional 210.1 million ordinary shares on issue;
- **Minority interest**: We have calculated the value of Magnetica on a minority interest basis following the Proposed Transaction.

Our valuation of Magnetica following the Proposed Transaction is set out in Section 10 of this Report.

2.2.4 Assessment of the Fairness of the Proposed Transaction

In order to assess the fairness of the Proposed Transaction, in accordance with RG 111, it is appropriate to compare the value of a Magnetica share prior to the Proposed Transaction on a controlling interest basis with the value of a share in Magnetica on a minority basis assuming the Proposed Transaction is implemented.

Table 2.1 below summarises our assessment of the fairness of the Proposed Transaction.

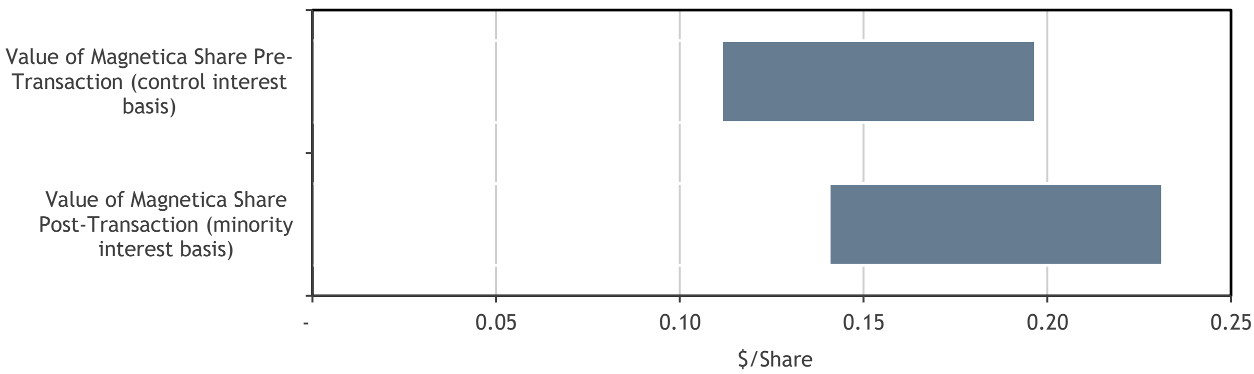
Table 2.1: Assessment of the Fairness of the Proposed Transaction

	Low ($/share)	High ($/share)
Value of a Magnetica share prior to the Proposed Transaction (controlling interest basis)	0.11	0.20
Value of a Magnetica share post the Proposed Transaction (minority interest basis)	0.14	0.23

Source: BDOCF Analysis

Figure 2.1 summarises our assessment of the fairness of the Proposed Transaction, setting out a graphical comparison of our valuation of a Magnetica shares prior to the Proposed Transaction on a controlling interest basis and our valuation of a share in Magnetica post the proposed transaction on a minority interest basis.

Figure 2.1: Fairness of the Proposed Transaction



Source: BDOCF Analysis

With reference to Table 2.1 and Figure 2.1, we note:

[2] At an assumed exchange rate of 0.562 Australian Dollars per British Pound adopted as a proxy of the exchange rate as at the share subscription date having regard to the approximate spot rate as at 16 December 2020.

- There is an upward shift in the valuation range;
- The high end of the value range after the Proposed Transaction (on a minority interest basis) is higher than the high end of the value range (on a control basis) prior to the Proposed Transaction; and
- The low end of the value range after the Proposed Transaction (on a minority interest basis) is higher than the low end of the value range (on a control basis) prior to the Proposed Transaction.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of any other information, the Proposed Transaction is Fair to the Non-Associated Shareholders as at the date of this Report.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors, the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Proposed Transaction is 'reasonable' we consider it appropriate to examine other significant factors to which the Non-Associated Shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a Non-Associated Shareholder if the Proposed Transaction is not approved, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Transaction is set out as follows:

- Section 2.3.2 sets out the potential advantages and disadvantages of the Proposed Transaction to the Non-Associated Shareholders;
- Section 2.3.3 sets out the position of the Non-Associated Shareholders if the Proposed Transaction is not approved; and
- Section 2.3.4 provides our opinion on the reasonableness of the Proposed Transaction to the Non-Associated Shareholders.

2.3.2 Potential Advantages and Disadvantages of the Proposed Transaction

Table 2.2 below outlines the potential advantages of the Proposed Transaction.

Table 2.2: Potential Advantages of the Proposed Transaction

Advantage	Explanation
The Proposed Transaction is Fair	As set out in Section 2.2, in our view the Proposed Transaction is fair to the Non-Associated Shareholders as at the date of this Report.
Progress up the value chain as an OEM of MRI systems	If the Proposed Transaction is implemented, the post-merger entity intends to develop a complete MRI system, and thus progress up the value chain. In doing this, shareholder value can be generated through the opportunities Magnetica and its subsidiaries ('Merged Group') will have access to following the Proposed Transaction, which include: ▸ Opportunity to become an OEM of MRI systems in its own right. The Proposed Transaction will provide Magnetica with an opportunity to acquire the necessary capability to manufacture MRI superconducting magnets and integrate subcomponents of MRI systems. Without this capability, Magnetica would have to rely on third party manufacturers to commercialise its IP given its current inability to manufacture MRI superconducting magnets and integrate key components of MRI systems; ▸ Ability to serve a larger or more diversified target market. The Merged Group will have the opportunity to produce MRI systems that have a range of use cases in hospitals, clinical research and veterinary practices. These markets serve as potential growth channels where Magnetica's MRI systems have disruptive capability; ▸ Increase margins on products. The elimination of intermediary parties through vertical integration of the business will increase margins on products; and ▸ Control of supply and quality of manufacturing inputs. Vertical integration of the business will enable Magnetica to have greater oversight of manufacturing inputs and security of supply of key components leading to greater control of manufacturing quality.

Advantage	Explanation
Strategic investor advantages	Avingtrans has experience in developing and commercialising businesses with similar operational strategies as Magnetica. Therefore, Avingtrans may provide a number of intangible benefits to assist the development of the Merged Group: ▶ Access to future funds: Avingtrans may provide additional funds to Magnetica beyond the Avingtrans Investment to fund future growth plans. We also note Avingtrans is a publicly listed entity and may therefore be able to access capital markets more easily than Magnetica could on a standalone entity basis; and ▶ Commercialisation expertise: With experience in developing businesses similar to that of Magnetica, Avingtrans may provide expertise and support with respect to the commercialisation process of Magnetica's MRI systems.
Diversification of Magnetica's product portfolio	In entering the small companion animal ('SCA') market, Magnetica is de-risking its business through diversification of its product offerings. The effect of this is that Magnetica will no longer rely on a single market to supply MRI systems to.
Strengthen cash position	The Proposed Transaction will provide an additional cash injection of up to £3.2 million, assuming the Avingtrans Investment is fully drawn down.
Non-Associated Shareholders remain exposed to the future performance of Magnetica	If the Proposed Transaction is implemented, Non-Associated Shareholders will continue to be exposed to any future benefits as well as the ongoing risks associated with the commercialisation of Magnetica's technology.
A superior commercialisation strategy has not emerged	Management have explored other options and are of the opinion that commercialising the technology through the Proposed Transaction is the most viable option. The directors of Magnetica ('the Directors') are of the opinion that the Merged Group will benefit from the shared motives in moving up the value chain, complementary technologies and manufacturing expertise of both parties involved. These considerations were not available under alternative strategies (discussed further in Section 4.3).
A superior proposal has not emerged	The Directors have advised that, as at the date of this Report, a superior proposal to the Proposed Transaction has not been received by the Company.

Source: BDOCF Analysis

Table 2.3 below outlines the potential disadvantages of the Proposed Transaction.

Table 2.3: Potential Disadvantages of the Proposed Transaction

Disadvantage	Explanation
No guarantee of establishing a successful business that generates positive cash flow	Neither Magnetica nor SciMag have existing OEM product sales and support capabilities in their respective markets. Such capabilities will either need to be secured via sales channels offered through resellers or developed independently.
Neither party has experience in manufacturing an asymmetric magnet	Although Magnetica and SciMag have the necessary capabilities to manufacture asymmetric magnets for use in Extremity MRI systems, neither party has experience in manufacturing the magnet as of yet. As such, there is a risk that the Merged Group is unable to manufacture the magnet at the required cost or in the projected timeframe to facilitate successful commercialisation. For completeness, we note that Magnetica's management ('Management') and the Directors have conducted due-diligence into SciMag regarding its manufacturing capability and the technical performance of its magnets. From this due-diligence process, Management and the Directors have formed the view that these considerations are not a significant risk.
Loss of key personnel	The future success of the Merged Group will largely depend on key personnel who are experienced in the process of commercialisation and familiar with the Merged Group's operating strategy going forward. Due to the highly technical nature of the Merged Group's products and service offerings, there is a risk that the loss of key personnel following the Proposed Transaction will be detrimental to the development and commercialisation of the MRI systems. For completeness, we note that the Directors intend to allocate up to 10% of the Merged Group's ordinary equity for the purpose of providing an equity incentive and share based remuneration scheme for key personnel to align their interests with those of the company (see Section 5.9(e) of NOM for further details).
Dilution of the existing Magnetica Non-Associated Shareholders' interest in the Company	Magnetica Non-Associated Shareholders currently hold 100% of the issued share capital in Magnetica. If the Proposed Transaction is approved and implemented, existing Magnetica shareholders will be diluted down to 38.0% in aggregate.
Exposure to risks of SciMag and its subsidiaries	The risk profile of Magnetica is likely to change post the Proposed Transaction. Magnetica shareholders will be exposed to the unique risks, and opportunities, of SciMag and Tecmag. Subsequent to the Proposed Transaction, Magnetica will have a more complex businesses model that spans a greater spectrum of the manufacturing chain, as well as cross-border subsidiaries and operations. Although complimentary businesses to Magnetica, SciMag and Tecmag are lower in the manufacturing chain than Magnetica and accordingly are exposed to different risks to Magnetica. Magnetica shareholders may be of the view that it is preferable to collectively hold 100% of the shares in Magnetica and for Magnetica to pursue an alternative operating strategy.

Disadvantage	Explanation
Magnetica Management and Directors will no longer retain operational control	Post the Proposed Transaction, existing Magnetica Directors will lose control to the management of Avingtrans and its relevant entities. We understand that the proposed changes to the Board as a result of the Proposed Transaction are as follows: ▸ Two Magnetica nominated Directors – Duncan Stovell (Magnetica CEO) and Professor Stuart Crozier (non-executive); ▸ 3 Avingtrans nominated Directors –Steve McQuillan (non-executive), Steve King (non-executive) and Clint Gouveia (executive); and ▸ One Independent Chairperson (to be appointed after Completion with the consent of Avingtrans and the two Magnetica nominated Directors). For completeness, we note that Duncan Stovell will remain as the CEO of Magnetica post the Proposed Transaction.
Avingtrans can pass ordinary resolutions and block special resolutions	Magnetica must obtain 50% of votes from its shareholders to pass an ordinary resolution. In order to pass a special resolution, the Company is required to obtain votes from 75% or more of its shareholders. If the Proposed Transaction is approved and implemented, Avingtrans will hold approximately up to 61.2% of Magnetica's issued capital (see Section 4.1.1). At this level of interest, subject to the Investment Agreement, Avingtrans can unilaterally pass ordinary resolutions, block special resolutions and the passing of any ordinary or special resolutions will require the support of Avingtrans. However, we note the Investment Agreement contains a restriction on Avingtrans' power because there are a list of decisions which cannot be made without the consent of the directors appointed by existing Magnetica shareholders (refer to Section 7.2(f) of the NOM).
Potentially reduced chance of receiving future takeover offer without Avingtrans support	If the Proposed Transaction is approved and implemented, Avingtrans will become the majority shareholder of Magnetica with up to 61.2% voting power which may reduce the chance of Magnetica's shareholders receiving a takeover offer for their shares without the support of Avingtrans. It may be more difficult for existing Magnetica shareholders (collectively) to sell their now minority interest in the Company, as compared to their current controlling interest. Further, Avingtrans will also have the ability to block future takeover bids.
Risks related to the integration of Magnetica with the SciMag and Tecmag businesses	If the Proposed Transaction proceeds, there is a risk that the integration of the Magnetica, SciMag and Tecmag businesses will not progress as planned. For example, the growth opportunities projected in relation to the combined entity's business may not be realised in full or there may be a material delay in realising the opportunities relative to current projections. Operating three businesses that have not appropriately integrated may further increase run-rate expenses and operational risks.

Source: BDOCF Analysis

2.3.3 Position of the Non-Associated Shareholders if the Proposed Transaction is Not Approved

Table 2.4 below outlines the potential position of the Non-Associated Shareholders if the Proposed Transaction is not approved.

Table 2.4: Position of the Non-Associated Shareholders if the Proposed Transaction is Not Approved

Position of the Non-Associated Shareholders	Explanation
Unchanged shareholding in Magnetica	If the Proposed Transaction is not approved, Avingtrans will not be issued with shares in Magnetica and Non-Associated Shareholders will retain 100% of the ordinary shares and associated voting rights in Magnetica.
No guarantee there will be another opportunity to commercialise Magnetica's IP	The Directors have investigated a number of opportunities which have been available to the Company and are of the view that merging with a business that has complimentary IP and manufacturing capability or finding a new system integration partner are the best opportunities to realise the value of Magnetica's IP (discussed further in Section 4.3). If the Proposed Transaction is not approved, there is no guarantee there will be another opportunity to merge with a business on similar or better terms to the Proposed Transaction. Further, as at the date of this Report, the Directors were not able to find a system integration partner offering a better alternative to the Proposed Transaction. The Directors are of the view that, should they not find an alternative pathway to commercialise Magnetica's IP, they may be required to sell the business and IP held by the company to realise value for company shareholders.
Funding for development and ongoing operations	The Directors have noted that the Company requires additional capital to implement its development strategy and to remain afloat. If the Proposed Transaction is not implemented, Magnetica's Directors may consider alternative financing options, which may expose the Non-Associated Shareholders to some additional risk, including, but not limited to, leverage and dilution risk, and without the potential other benefits the Proposed Transaction may provide. Any future funds raised may be on better or worse terms.
Non-recoverable costs	Magnetica will incur costs in relation to the Proposed Transaction irrespective of whether or not the Proposed Transaction is implemented. Magnetica will not be able to recover the costs that it has incurred in relation to the Proposed Transaction in the event that the Proposed Transaction is not approved and/or implemented.

Position of the Non-Associated Shareholders	Explanation
Prospect of a superior proposal or alternative transaction	It is possible that, if the Proposed Transaction is not implemented, the Non-Associated Shareholders may receive an offer superior to the Proposed Transaction. Notwithstanding, we note that, as at the date of this Report, the Directors have not received a proposal superior to the Proposed Transaction.

Source: BDOCF Analysis

2.3.4 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is **Reasonable** to the Shareholders as at the date of this Report.

2.4 Our Opinion

After considering the above assessments, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is **Fair and Reasonable** to the Non-Associated Shareholders as at the date of this Report.

Before forming a view on whether to vote in favour of or against the Proposed Transaction, we strongly recommend Non-Associated Shareholders:

- Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 3;
- Consult their own professional advisers; and
- Consider their specific circumstances.

3.0 Important Information

3.1 Read this Report, and Other Documentation, in Full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the Non-Associated Shareholders in conjunction with this Report should also be read in full, including the Notice of Meeting.

3.2 Shareholders' Individual Circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the Non-Associated Shareholders as a whole. BDOCF has not considered the impact of the Proposed Transaction on the particular circumstances of individual Non-Associated Shareholders. Individual Non-Associated Shareholders may place a different emphasis on certain elements of the Proposed Transaction relative to the emphasis placed in this Report. Accordingly, individual Non-Associated Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Non-Associated Shareholder to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances and accordingly, Non-Associated Shareholders are advised to consider their own circumstances and seek their own independent advice.

Voting in favour of or against the Proposed Transaction is a matter for individual Non-Associated Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Non-Associated Shareholders should carefully consider the Notice of Meeting. Non-Associated Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

With respect to taxation implications of the Proposed Transaction, it is strongly recommended that Non-Associated Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this Report we provide our opinion on whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

This Report has been prepared at the request of the Non-Associated Directors for the sole benefit of the Non-Associated Shareholders, to assist them in their decision to vote in favour of or against the Proposed Transaction. This Report is to accompany the Notice of Meeting to be sent to the shareholders to consider the Proposed Transaction and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Non-Associated Directors and the Non-Associated Shareholders without our written consent. We accept no responsibility to any person other than the Non-Associated Directors and the Non-Associated Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Notice of Meeting. Apart from this Report, we are not responsible for the contents of the Notice of Meeting or any other document associated with the Proposed Transaction. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the Non-Associated Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor did they constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Act, the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC'), and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- We have performed our analysis on the basis that the conditions precedent to the Proposed Transaction are satisfied;
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- All information which is material to the Non-Associated Shareholders decision on the Proposed Transaction has been provided and is complete, accurate and fairly presented in all material respects;
- If the Proposed Transaction is approved, that it will be implemented in accordance with the stated terms;

- The legal mechanism to implement the Proposed Transaction is correct and effective;
- There are no undue changes to the terms and conditions of the Proposed Transaction, or complex issues unknown to us; and
- Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Magnetica has engaged other advisers in relation to those matters.

Magnetica has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by Magnetica's board of directors ('the Board'), executives and management of all the entities.

3.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Act, the Regulations, the RGs and in some cases the listing requirements of the relevant exchanges. Relevant requirements having regard to the Proposed Transaction and this Report have been set out in Section 3.4.1 below.

3.4.1 Requirements of the Corporations Acts

Section 606 of the Act states that, subject to the exceptions set out in section 611, a 'relevant interest' in issued voting shares in a company, that is registered under the Act, cannot be increased from 20% or below to more than 20%, or increasing from a starting point that is above 20% and below 90%. A 'relevant interest' is broadly defined as an interest giving the holder the power to control the right to vote or dispose of shares, and includes the interest held by associates and other related parties.

If the Proposed Transaction is approved and is completed, Avingtrans:

- At completion will acquire 178,079,023 Magnetica Shares in consideration for the sale of its shares in SciMag, representing approximately 57.5% of Magnetica's shares on a diluted basis immediately after completion; and
- After Completion, may acquire up to an additional 29,265,540 Magnetica Shares under the Avingtrans Investment.

If Avingtrans acquired all of the 207,344,563 Magnetica Shares and assuming no further Shares were issued after completion, Avingtrans would have approximately 61.2% of the voting power in Magnetica on an undiluted basis.

As Avingtrans' relevant interest in Magnetica will increase from nil to up to 61.2% on a diluted basis, an exemption from section 606 is required under item 7 of section 611 of Act for this to occur.

Item 7 of section 611 allows a party to gain a relevant interest in shares of a public company that would otherwise be prohibited under subsection 606(2) of the Act if the Proposed Transaction is approved in advance by a resolution passed at a general meeting of the company, and:

- No votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares; and
- There was full disclosure of all information known by both the party proposing to make the acquisition, their associates and the company in relation to the transaction which was material to a decision on how to vote on the resolution.

ASIC RG 74: *Acquisitions approved by members* states that the obligation to supply shareholders with all material information can be satisfied by the non-associated directors of Magnetica by either:

- Undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or
- Commissioning an independent expert's report.

We have been requested to prepare this independent expert's report to provide additional information to the Non-Associated Shareholders to assist them to form a view on whether to vote in favour of or against the Proposed Transaction.

3.5 Current Market Conditions

Our opinion and the analysis set out in this Report is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision (particularly as the full impact of the COVID-19 outbreak continues to evolve as at the date of this Report).

In circumstances where we become aware of and believe that a change in these conditions, prior to the Meeting, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Magnetica. BDOCF is not responsible for updating this Report following the Meeting or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Magnetica recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO Services Pty Ltd or any of the partners, directors, agents or associates thereof (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Magnetica, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

Where we relied on the views and judgement of management, the information was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Non-Associated Directors represent and warrant to us, for the purpose of this Report, that all information and documents furnished by Magnetica (either by Management directly or through their advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Non-Associated Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Magnetica has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- Magnetica annual report for the year ended 30 June 2018, 30 June 2019, and 30 June 2020;
- Magnetica management accounts as at 30 September 2020;
- The business-as-usual and Post-Transaction financial models provided by Magnetica;
- SciMag audited financial statements for the year ended 31 May 2018, 31 May 2019, and draft financial statements for 31 May 2020;
- SciMag management accounts as at 30 September 2020;
- Tecmag unaudited management Income Statement and Statement of Financial Position for the year ended 31 May 2019 and 31 May 2020;
- Tecmag unaudited management accounts as at 30 September 2020
- Notice of Meeting in relation to the Proposed Transaction dated 5 January 2021;
- Capital IQ;
- IBISWorld;
- MergerMarket;
- Consensus Economics FX forecasts December 2020 Report;
- Other transaction documents;
- Other research publications and publicly available data as sourced throughout this Report;

- Various transaction documents provided by the Management of Magnetica and their advisors; and
- Discussions and correspondence with Magnetica, Management and their advisers.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this Report has originated from the Management and is adopted by the Directors in order to provide us with a guide to the potential financial performance of Magnetica. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The Directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expects to occur and actions that Management expects to take and are also subject to uncertainties and contingencies, which are often outside the control of Magnetica. Evidence may be available to support the Directors' best-estimate assumptions on which the forecast is based however, such evidence is generally future-oriented and therefore speculative in nature. In certain circumstances, we may adjust the forecast assumptions provided by Management to complete our valuation work. In this instance, the forecasts we have adopted for our valuation work will not be the same as the forecasts provided by the Management.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management, that all material information concerning the prospects and proposed operations of Magnetica have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the ASX Listing Rules of the ASX and the Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Chris Catanzaro and Mark Whittaker have prepared this Report with the assistance of staff members. Mr Catanzaro, BCom (Hons), BBusMan, CA, CFA, and Mr Whittaker, BCom (Hons), CA, CFA are directors of BDOCF. Both Mr Catanzaro and Mr Whittaker have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Catanzaro and Mr Whittaker are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance Ltd

Chris Catanzaro
Director

Mark Whittaker
Director

PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED TRANSACTION

4.0 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- Section 4.1 summarises the Proposed Transaction and its key terms;
- Section 4.2 describes the key parties involved in the Proposed Transaction; and
- Section 4.3 details the Directors' strategic rationale for the Proposed Transaction.

This section is a summary only and should not be treated as a complete description of the Proposed Transaction. The Non-Associated Shareholders should refer to the Notice of Meeting for detailed and additional information relating to the Proposed Transaction and the key parties involved.

4.1 Summary of the Proposed Transaction

4.1.1 Overview of the Proposed Transaction

On 5 January 2021, Magnetica entered into a share purchase agreement ('SPA') for the proposed scrip-based acquisition of SciMag. Broadly speaking, under the terms of the Proposed Transaction:

- Magnetica will acquire a 100% interest in SciMag from Sellers;
- Magnetica will issue SciMag Sellers 185.48 million Completion Shares collectively;
- Avingtrans to maintain a minimum SciMag cash balance that is equivalent to Magnetica's cash balance on completion ('SciMag Cash Contribution'), adjusted for the different underlying ownership percentages; [3]
- If the Merged Group does not receive total SciMag Cash Contribution at Completion, the Consideration Shares will be adjusted and reduced based on issue price of $0.15 per Share. Based on estimated cash balances at Completion, the Directors are expecting the Completion Shares will be reduced to 180.83 million to reflect the anticipated cash difference (see Section 7.1 of NOM for more information);
- Avingtrans is the largest shareholder of SciMag with an 98.48% ownership interest and will receive 178.08 million shares as consideration;
- Avingtrans will commit to a phased investment for an amount up to £3.2 million (approximately $5.69 million) in Magnetica at an issue price of $0.15 per share (refer to Section 7.2 of the NOM for further information). We note the £3.2 million commitment includes the funds provided to Magnetica on Completion via the SciMag Cash Contribution. The Directors expect Avingtrans to hold a maximum of 207,344,564 Shares post the Avingtrans Investment; and
- Avingtrans will gain a relevant interest in Magnetica of approximately 57.5% on a diluted basis on Completion. The Avingtrans Investment may result in the issue of up to an additional 29.27 million shares, which would provide Avingtrans with up to a 61.2% relevant interest in Magnetica on a diluted basis.

Table 4.1 sets out the indicative capital structure of Magnetica under the Proposed Transaction.

Table 4.1: Indicative Capital Structure Following the Proposed Transaction

	At Completion		Post the Avingtrans Investment	
	Shares on Issue (Number)	Relevant Interest in Magnetica (%)	Shares on Issue (Number)	Relevant Interest in Magnetica (%)
Existing Magnetica ordinary Shares (diluted basis[4])	128,892,184	41.6%	128,892,184	38.0%
Completion shares issued to Avingtrans	178,079,023	57.5%	178,079,023	52.5%
Completion shares issued to Clint Gouveia	1,844,442	0.6%	1,844,442	0.5%
Completion shares issued to Peter Penfold	904,138	0.3%	904,138	0.3%
Investment Shares issued to Avingtrans under the Avingtrans Investment	Nil	Nil	29,265,540	8.6%
Total Shares	**309,719,787**	**100.0%**	**338,985,327**	**100.0%**

Source: Notice of Meeting, BDOCF Analysis

[3] Magnetica's Cash Balance on completion is defined as the actual cash on completion plus any cash expended from 1 October 2020 on MRI system development. SciMag will maintain a minimum cash balance that is equivalent to 59/41 of Magnetica's cash balance. The ratio 59/41 reflects the Sellers's collective ownership interest in Magnetica following completion of the Proposed Transaction prior to the Avingtrans Investment.

[4] Diluted by 9,125,000 performance rights outstanding, but excluding 3,000,000 out of the money options (see section 5.2.2 and 5.2.3).

We recommend that Non-Associated Shareholders consider all the details of the Proposed Transaction set out in the Notice of Meeting.

4.1.2 Key Conditions Precedent

Obtaining the approval of Magnetica shareholders at the EGM is the only condition precedent that must be satisfied in order for the Proposed Transaction to be implemented.

The Directors have announced that they unanimously recommend that the Shareholders vote in favour of the Proposed Transaction.

4.2 Description of Avingtrans

4.2.1 Overview

Avingtrans is a United Kingdom-based company, principally engaged in acquiring businesses that operate across three markets: aerospace, energy and medical. In catering to their respective markets, Avingtrans' business divisions design and manufacture original equipment and systems, and provide associated aftermarket services. Listed on the London Stock Exchange's Alternative Investment Market, Avingtran's market capitalisation as at 23 December 2020 was £90.9 million ($161.5 million).

Avingtrans' portfolio holdings are structured into three segments, Engineered Pumps and Motors; Process Solutions and Rotating Equipment; and Medical. With a clear focus on these segments, Avingtrans' believes the true value of its acquisitions are realised through its "Pinpoint-Invest-Exit" strategy. This encompasses managerial action, operational improvements and integration with existing portfolio holdings to generate synergistic gains.

4.2.2 Historical Financial Information of Avingtrans

The consolidated comprehensive income statements of Avingtrans for the 12 months ended 31 May 2018, 2019 and 2020 are summarised in Table 4.2 below.

Table 4.2: Summarised Avingtrans Consolidated Comprehensive Income Statements

Profit or Loss Statement	12 Months Ended 31 May 2018 (£'Millions)	12 Months Ended 31 May 2019 (£'Millions)	12 Months Ended 31 May 2020 (£'Millions)
Total Revenue	78.9	105.5	113.9
Total Operating Expenses	(79.5)	(101.7)	(109.6)
Operating Income	**(0.6)**	**3.8**	**4.3**
Other Expenses	(3.9)	(1.3)	(2.9)
Net Income	**(4.5)**	**2.5**	**1.4**

Source: Avingtrans Annual reports 2018, 2019 and 2020

The consolidated balance sheets of Avingtrans as at 31 May 2018, 2019 and 2020 are summarised in Table 4.3 below.

Table 4.3: Summarised Avingtrans Consolidated Balance Sheets

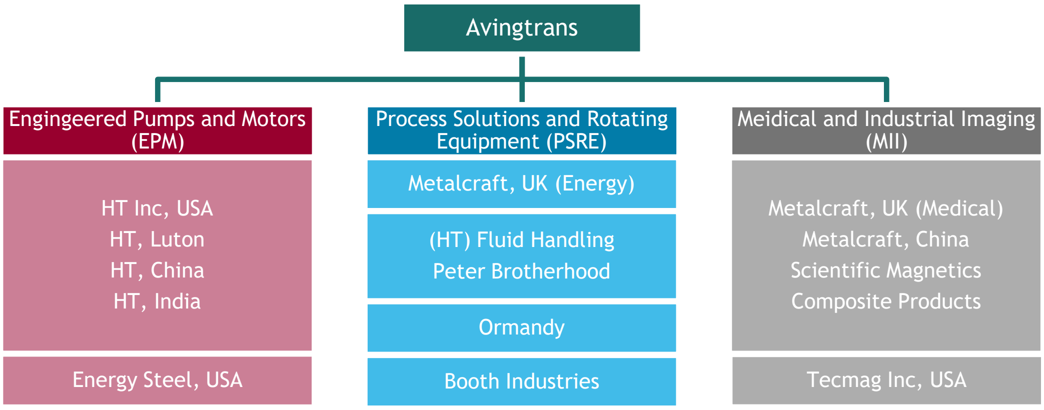
Balance Sheet	As at 30 May 2018 (£'Millions)	As at 30 May 2019 (£'Millions)	As at 30 May 2020 (£'Millions)
Assets			
Cash & cash equivalents	6.6	8.9	5.1
Total current assets (excluding cash)	45.5	46.2	51.5
Total non-current assets	69.6	67.2	74.6
Total Assets	**121.7**	**122.3**	**131.2**
Liabilities			
Total current liabilities	40.4	42.6	44.1
Total non-current liabilities	12.3	10.4	17.2
Total Liabilities	**52.7**	**53.0**	**61.3**
Net Assets	**69.0**	**69.3**	**69.9**

Source: Avingtrans Annual reports 2018, 2019 and 2020

As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Avingtrans' annual reports which include the full statements of comprehensive income, balance sheet and statements of cash flows. Avingtrans' accounts were audited by Grant Thornton UK LLP. BDOCF has not performed any audit or review of any type on the historical financial information of Avingtrans. We make no statement as to the accuracy of the information provided. However, we have no reason to believe the information is misleading.

4.2.3 Avingtrans' Portfolio of Investments

Avingtrans' portfolio of investments is shown below:



Source: Avingtrans

4.2.3.1 Engineered Pumps and Motors (EPM)

The EPM division is comprised of two brands, Hayward Tyler and Energy Steel. Hayward Tyler designs, manufactures and services electric motors and pumps to meet applications of the global energy industry, as both an OEM supplier and a service support partner. Energy Steel has been catering to the nuclear power industry since 1986 with capabilities in equipment fabrication, material supply, precision machining, engineering, and repair services.

In terms of strategy, the EPM division aims to continue developing its nuclear installed base (civil, defence and national security), in particular its life extension offerings. This was helped by the acquisition of Energy Steel, who specialise in this field. Additionally, EPM's priorities include strengthening its aftermarket capabilities and capitalising on opportunities in low carbon energy markets.

During FY20, the EPM division recorded revenue of £49.3 million, with a profit of £1.3 million. This represents a £1.6 million decrease from the FY19 profit figure for the EPM division. This was due to supply chain and customer order disruptions as a result of COVID-19.

4.2.3.2 Process Solutions and Rotating Equipment (PSRE)

The PSRE division includes a number of established brands with expertise across the global energy market. The brands specialise in the design, manufacture, integration and servicing of steam turbines, gas compressors, pressure vessels, containers and skidded systems.

The primary strategy of PSRE is to develop a comprehensive offering to the nuclear decommissioning and reprocessing markets. The division's nuclear capabilities were further bolstered by the acquisition of Booth Industries, who produce radiation shielding doors among other products.

During FY20, PSRE recorded revenue of £52.7 million and a profit of £3.9 million, representing an approximate £2 million increase in profit from the FY19. This was driven by the additional revenues of the Booth Industries acquisition.

4.2.3.3 Medical and Industrial Imaging (MII)

The MII division includes operations specialised in the designing and manufacturing of equipment for the medical, science and research fields. During FY20, the division recorded revenue of £11.9 million and a loss of £0.3 million. This was in line with the FY19 figures.

Prior to the Proposed Transaction, the MII division comprised of four businesses that operate across the medical technology field. Aside from SciMag and Tecmag, Avingtrans' other portfolio holdings include businesses that specialise in engineering high strength to weight ratio materials, and developing prototype and high integrity projects. Following the Proposed Transaction, the Merged Group will be expected to operate under this division given its operational focus on medical imaging.

MRI and NMR are a primary focus for the MII division, having mutual requirements for superconducting magnets and cryogenics. These two segments account for approximately 85% of the division's business, however will likely increase following the Proposed Transaction. SciMag and Tecmag are largely responsible for the division's focus on medical imaging, having worked to develop new product and service offerings for the MRI and NMR market. Although these developments are still in their infancy stage, Avingtrans expects the long-term potential of the division to yield positive returns for the Group.

These two firms are relevant to the transaction and are discussed in Section 6.

4.3 Strategic Rationale for the Proposed Transaction

The Directors are of the view that the Proposed Transaction provides a viable route for the Company to progress up the value chain from being an MRI component/sub-system designer and manufacturer to an MRI system OEM.

The Directors are of the view that the Proposed Transaction provides the following advantages:

- Provide access to, and commercial exploitation of, core IP from across the merged entity, design specifications and in-house manufacturing capabilities of key high-value sub systems such as the superconducting magnet, gradient coils, radio frequency coils and spectrometer;
- Reduces the cost of goods sold ('COGS') by manufacturing the highest cost sub-system in-house, being the superconducting magnet;
- Expands Magnetica's product portfolio by including:
  - SciMag's existing NMR products, services and revenues, as well as the SCA specific MRI system (that targets veterinary practices); and
  - Tecmag's existing Spectrometer products, services and revenues;
- Reduces overseas market expansion risk, given the pre-existing overseas operations of SciMag and Tecmag;
- Increases business scale, customer base, resources and capabilities; and
- Provides additional capital and revenue flows that will be used to fund Magnetica's product development and proposed commercialisation strategy.

These capabilities should facilitate achievement of the strategic rationale.

Upon completion of the Proposed Transaction, the immediate objective of the Merged Group would be to develop during calendar year 2021:

- A demonstration extremity MRI system ready for human clinical use; and
- A demonstration SCA MRI system ready for veterinary use.

4.3.1 Options Considered

The Directors considered a range of pathways into the future, as explained in the below subsections.

4.3.1.1 Partnering with a new Systems Integrator

Under this pathway option, Magnetica would remain a supplier of critical MRI sub-systems, and complete commercialisation activities utilising the system integrator's channels to market to sell and support the MRI products. Magnetica has endeavoured to follow this pathway, which has ultimately been unsuccessful (refer to Section 5.1.1 for more information).

Upon evaluation of the current market conditions, the Directors of Magnetica are of the view that a credible partner may not be secured in the timeframes required for commercialisation activities. For these reasons, the Directors of Magnetica decided the Proposed Transaction is more attractive than this option.

4.3.1.2 Becoming an MRI system OEM

Under this pathway option, Magnetica would seek to progress up the value chain from being a MRI components/sub-system manufacturer to an OEM of MRI systems. The Directors are of the view that becoming an OEM provides the following key advantages:

- Magnetica becomes a new independent MRI system supplier within the global MR imaging market, capable of challenging existing products and services in applicable markets; and
- In-house manufacturing of key MRI components/sub-system leading to higher profit margins from system sales and trailing revenues from support contracts and after-market opportunities.

In order to become an independent MRI systems OEM, Magnetica would need to acquire additional capabilities and undertake activities, such as the following:

- While Magnetica has core IP related to the design of asymmetric and symmetric superconducting magnets, the Company does not have the capability to manufacture them. This would require significant additional capital and may increase the risk profile of the Company;
- Procure sub-systems necessary to develop demonstration MRI systems;
- Engage with potential resellers to undertake sales, support and maintenance; and
- Complete the necessary work with regards to safety testing, clinical testing and securing regulatory approvals.

4.3.1.3 Scaling back business ambitions

Under this pathway option, Magnetica would design and manufacture gradient coil and RF coil sub-systems for a range of customers, and would withhold the development of a MRI systems portfolio. The Directors decided against this strategy due to the limited revenues generated by selling sub-systems products, and the subsequent restraint imposed on the returns to investors.

4.3.1.4 Selling the business with the underpinning IP

The Directors have identified selling the Company with the underpinning Extremity MRI IP as the last resort option if the Company fails to execute any of the above alternative options. This strategy would allow for an alternative market player to utilise Magnetica's MRI subsystems and IP, and to complete commercialisation. However, the Directors are of the view that this strategy may provide a limited return to the existing investors.

5.0 Background of Magnetica

This section is set out as follows:

- Section 5.1 provides an overview of Magnetica;
- Section 5.2 summarises the equity structure of Magnetica; and
- Section 5.3 summarises the historical financial information of Magnetica.

5.1 Overview of Magnetica

5.1.1 Background

Magnetica is a Brisbane based company, engaged in the design, development and manufacture of MRI technologies, including extremity MRI systems and MRI system components. The Company's technologies are commercialised through their partnerships with independent MRI manufacturers, system integrators and resellers.

Magnetica was restructured in 2004 to become a medical device company by acquiring the University of Queensland's patent asymmetric magnet technology through an equity for IP swap. Through its continuing strategic partnership with UQ, Magnetica has developed core IP related to 3 Tesla ('T') asymmetric extremity superconducting magnets, gradient coils and radio frequency ('RF') coils, which are all key components of MRI systems. The Company has also built and tested a compact helium-free 3T MRI system for dedicated extremity imaging with its previous system integration partner (see below).

Magnetica has previously commercialised its 1.5T orthopaedic/extremity magnet under an agreement with ONI/General Electric ('GE'). The Company received a royalty from licensing its intellectual property to ONI/GE, which ended in 2015, by which time ONI/GE has sold ~228 dedicated orthopaedic MRI systems into a range of clinical applications. Development until this point was largely funded by government grants and equity placements by the Company's major shareholders.

Since 2015, Magnetica has been partnering with a major systems integrator to commercialise a 3T extremity MRI system. In 2019, the product developed from the partnership was subject to in-house testing. This represented the final stage in determining the product's commercial viability. Despite reaching this stage however, Magnetica's system integration partner decided not to proceed for its own strategic reasons.

The Company aims to differentiate itself from existing MRI manufacturers by providing a high-field compact MRI system that targets specific body parts. The Company expects this will offer a number of competitive advantages in that the MRI system is smaller, lighter and cheaper and can resolve the challenges often associated with whole-body MRI systems, whilst delivering the industry gold-standard of 3T field strength. While Magnetica's current operating strategy is focused on product development to expand its portfolio of dedicated compact MRI systems and custom MRI system components, the Company does generate some revenue through the sale of gradient and RF coils.

Magnetica has been adversely affected by the recent COVID-19 pandemic, with customers deferring a range of opportunities linked to its technologies, however, they have maintained internal product development and commercialisation activities throughout.

5.1.2 Corporate Structure

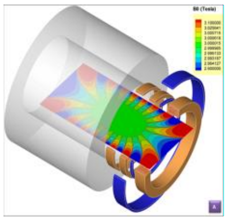
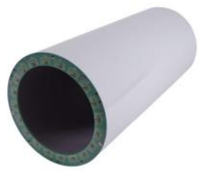
Magnetica Limited is a publicly unlisted company, registered and domiciled in Australia. All assets and operations are held by this entity except for certain IP assets that are held by the wholly owned subsidiary, NMR Holdings No.2 Pty. Limited.

5.1.3 Product Portfolio

Table 5.1 below summarises Magnetica's product portfolio.

Table 5.1: Summary of Magnetica's Product Portfolio

Product	Description	
Compact MRI Systems	Magnetica designs 1.5T and 3T compact MRI systems for dedicated extremity/musculoskeletal and head/neuro imaging. The product is differentiated via the compact, superconducting magnets designed using the Company's asymmetric magnet IP. This smaller and lighter magnet delivers a more economical MRI system whilst maintaining image quality. Magnetica's compact MRI systems offer a number of competitive advantages over traditional whole body MRI systems including: ▸ Weight just a fifth of the weight of a traditional whole body MRI systems; ▸ Can be installed and operated in locations previously inaccessible to whole-body MRI systems; ▸ Helium-free ("dry") superconducting magnet, negating the need for a liquid helium supply to support the product through its operational life and minimising the infrastructure required to support the installation and operation of the MRI system; and	

Product	Description	
	▸ The internal magnets shift the imaging zone towards the patient's chair, reducing how far the limb or head needs to be placed inside the MRI system.	
IP for Superconducting Magnets	The patent protected superconducting magnet design has applicability in use cases such as helium free (conduction-cooled), traditional cryogen-cooled technologies, and other bespoke designs. The superconducting magnets have the capability to generate high and very high field strengths, producing a higher resolution scan.	
Gradient Coils	Magnetica designs and manufactures gradient coils for in-house MRI systems and for clinical, pre-clinical and research applications. The primary function of gradient coils is to allow for spatial encoding of the MR signal, such that a three dimensional scan can be generated. The Company employs modelling and simulations of coil configurations to verify performance, and conducts testing throughout the build process to ensure quality is maintained.	
Radio Frequency (RF) Coils	Magnetica specialises in the design and manufacture of RF coils for uses across clinical, pre-clinical and research applications. Coils can be tailored to meet the specific needs of customers, such as for use in small animal imaging, neurological/head imaging and extremity/MSK imaging. RF coils serve as the antennae of the MRI system, transmitting the RF signal to the patient and/or receiving the return signal.	
Magnet Passive Shimming Software	Proprietary passive shimming software has been developed so that imaging zones with high inhomogeneity can be effectively adjusted to the required homogeneity target during system commissioning and maintenance activities. Homogeneity directly relates to the quality of the image. Traditionally, shimming is conducted mechanically by a service engineer.	

Source: Magnetica, BDOCF Analysis

5.2 Equity Structure of Magnetica

5.2.1 Ordinary Shares

Magnetica has 119,767,184 ordinary shares on issue. The top 3 shareholders as at 30 September 2020 are set out on an individual entity basis in Table 5.3.

Table 5.3: Top 3 Shareholders

	Shareholders	Number of Shares	Percentage Holdings
1	UniQuest Pty Ltd	37,184,975	31.0%
2	Justin Schaffer	13,579,835	11.3%
3	Howard Stack	8,806,540	7.4%
	Other	60,195,834	50.3%
	Total	**119,767,184**	**100.00%**

Source: Magnetica, BDOCF Analysis

Having regard to the information set out in Table 5.3 above, we note:

- Magnetica's largest shareholder is UniQuest Pty Ltd with a 31.0% holding;
- Key management personnel collectively hold approximately 23,938,430, or 20.0%, of the total shares outstanding in Magnetica. Howard Stack and Justin Schaffer hold approximately 7.4% and 11.3% of the shares outstanding in the Company, respectively. Dr Phillip Dubois, Dr Charles Ho and Richard Aird have a combined interest in approximately 1.3% of the shares outstanding; and
- The top 3 holders collectively hold an interest of approximately 40.7% of all ordinary shares outstanding.

5.2.2 Options on Issue

Magnetica has 3,000,000 unlisted options with a weighted average exercise price of $0.54. Table 5.4 below summarises the options outstanding in Magnetica.

Table 5.4: Magnetica Options

Grant Date	First Exercise Date	Last Exercise Date	Number Outstanding	Exercise Price
20 May 2005	Relisting date	Relisting date + 3 Years	1,000,000	$0.50
20 May 2005	Relisting date + 1 Years	Relisting date + 4 Years	1,000,000	$0.54
20 May 2005	Relisting date + 2 Years	Relisting date + 5 Years	1,000,000	$0.60
Total			**3,000,000**	

Source: Magnetica

The options set out in Table 5.4 are long dated and will be on issue until the last exercise date and this date will not be known until such time that the Company lists on a stock exchange.

5.2.3 Performance Rights on Issue

Table 5.5 outlines the Magnetica performance rights outstanding as at the date of this Report.

Table 5.5: Magnetica Performance Rights

Series	Vesting Status	Number Outstanding
Series A	Vested on 20 December 2017	1,800,000
Series C	Partly vested	7,325,000
Total		**9,125,000**

Source: Magnetica

Upon a change of control event, the Magnetica Board can approve that the performance rights vest immediately.

We note it is currently intended that with effect on Completion, all of the 9,125,000 performance rights will be cancelled and replaced by the issue of 9,125,000 new shares to the holders of cancelled performance rights. The purpose of this is to continue the equity based remuneration of the current holders of performance rights under the post-acquisition structure.

To align with the interests of Magnetica shareholders, the replacement shares will be issued on the condition that they cannot be sold until a further liquidity event occurs such as a trade sale or listing of the expanded Magnetica (see Section 5.9(c) of the NOM).

5.3 Historical Financial Information of Magnetica

This section sets out the historical financial information of Magnetica. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Magnetica's annual reports, including the full statements of profit or loss and other comprehensive income, statements of financial position and statements of cash flows.

Magnetica's annual report has been audited by Hall Chadwick. BDO has not performed any audit or review of any type on the historical financial information of Magnetica and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

5.3.1 Statements of Comprehensive Income

Table 5.6 summarises the consolidated statement of comprehensive income of Magnetica for the financial years ended 30 June 2018, 2019 and 2020.

Table 5.6: Summarised Magnetica Statements of Comprehensive Income

	12 Months Ended 30 June 2018 Audited ($)	12 Months Ended 30 June 2019 Audited ($)	12 Months Ended 30 June 2020 Audited ($)
Revenue	107,876	217,158	4,341
Other Income	1,119,630	743,004	741,658
Total Income	**1,227,506**	**960,162**	**745,999**
Cost of Goods Sold	(76,096)	(145,524)	(11,896)
Consultancy	(432,857)	(462,004)	(395,988)
Employee Benefits Expense	(1,082,772)	(1,134,555)	(1,185,547)
General and Administration	(244,041)	(273,144)	(271,658)
Standards and Approvals	(59,892)	(14,503)	(15,547)
Marketing and Sales	(3,637)	(27,826)	(17,612)
Travel Expenses	(51,734)	(49,082)	(31,096)
Share Based Payments	(270,000)	-	(352,500)

	12 Months Ended 30 June 2018 Audited ($)	12 Months Ended 30 June 2019 Audited ($)	12 Months Ended 30 June 2020 Audited ($)
Other Operating Expenses	(114,256)	(207,400)	(82,306)
Add Back Development Costs	1,195,786	1,298,480	837,396
Add Back IP Costs	-	38,194	-
Total Expenses	**(1,139,499)**	**(977,364)**	**(1,526,754)**
EBITDA	88,007	(17,202)	(780,755)
Depreciation & Amortisation Expenses	(26,562)	(26,800)	(105,889)
EBIT	**61,445**	**(44,002)**	**(886,644)**
Interest Income	11,188	9,895	5,159
Net Profit	**72,633**	**(34,107)**	**(881,485)**

Source: Magnetica's financial statements, BDOCF Analysis

With reference to Table 5.7 above, we note the following:

- Revenue generated is attributable to the sales of gradient and RF coils. Sales peaked during FY19 before decreasing significantly in FY20 as a result of customers deferring product orders;
- Other income includes grant income and research and development ('R&D') tax offsets[5];
- General and administration costs include corporate, premises and facility costs which remained stable throughout the period; and
- Development costs and IP costs added back relate to research and development expenses that have been capitalised. Development costs are capitalised only after technical and commercial feasibility of an asset for sale or use, and/or the ability to generate future economic benefit has been established.

5.3.2 Statements of Financial Position

Table 5.7 summarises Magnetica's statements of financial position as at 30 June 2018, 2019 and 2020.

Table 5.7: Summarised Magnetica Consolidated Statements of Financial Position

	As at 30 June 2018 Audited ($)	As at 30 June 2019 Audited ($)	As at 30 June 2020 Audited ($)
Cash and Cash Equivalents	920,845	1,436,040	1,579,632
Trade and Other Receivables	64,077	84,009	16,676
Inventories	71,438	72,308	73,772
Other Assets	33,193	141,870	118,505
Total Current Assets	**1,089,553**	**1,734,227**	**1,788,585**
Property, Plant & Equipment	167,956	156,691	192,742
Right-of-use Assets	-	-	27,085
Intangible Assets	3,645,536	5,000,218	5,856,892
Total Non-Current Assets	**3,813,492**	**5,156,909**	**6,076,719**
Total Assets	**4,903,045**	**6,891,136**	**7,865,304**
Trade and Other Payables	425,981	226,696	164,706
Lease Liabilities	-	-	27,085
Employee Benefits	53,130	57,733	74,244
Total Current Liabilities	**479,111**	**284,429**	**266,035**
Employee Benefits	933	1,192	2,739
Total Non-Current Liabilities	**933**	**1,192**	**2,739**
Total Liabilities	**480,044**	**285,621**	**268,774**
Net Assets	**4,423,001**	**6,605,515**	**7,596,530**
Issued Capital	58,151,914	58,088,535	58,088,535
Reserves	551,000	2,831,000	903,500

[5] Refundable research and development tax offsets are recognised when the Australia 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.

	As at 30 June 2018 Audited ($)	As at 30 June 2019 Audited ($)	As at 30 June 2020 Audited ($)
Retained Earnings (Accumulated losses)	(54,279,913)	(54,314,020)	(51,395,505)
Total Equity	**4,423,001**	**6,605,515**	**7,596,530**

Source: Magnetica's financial statements, BDOCF Analysis

With reference to Table 5.7 above, we note the following:

- The increase in right-of-use assets and lease liabilities in FY20 is due to the adoption of AASB 16 *Leases*;
- The FY20 intangible asset balance relates to capitalised research and development costs of $5.5 million and the carrying value of patents of $292,061;
- The FY19 reserves balance was impacted by development contributions Magnetica received of approximately $2.3 million as part of an overarching funding and partnership agreement with its previous system integration partner. This agreement provided the system integration partner with an option to convert the development contribution into ordinary shares, provided the partner contributed a total amount of $3.8 million prior to dates specified in the agreement;
- In FY20, the Company received development contributions of approximately $1.5 million as part of the aforementioned agreement with its previous system integration partner. The system integration partner subsequently declined its option to convert the development contribution in to ordinary shares, and the total amount of development contributions of $3.8 million was recognised under retained earnings; and
- As at 30 June 2020, Magnetica is operating on a debt-free basis (excluding financial lease liabilities).

5.3.3 Statements of Cash Flows

Table 5.8 summarises Magnetica's statement of cash flows for the financial years ended 30 June 2018, 2019 and 2020.

Table 5.8: Summarised Magnetica Consolidated Statements of Cash Flows

	12 Months Ended 30 June 2018 Audited ($)	12 Months Ended 30 June 2019 Audited ($)	12 Months Ended 30 June 2020 Audited ($)
Cash flow from Operating Activities			
Receipts from Customers and Grants	1,371,247	950,153	903,463
Payments to Suppliers and Employees	(1,409,907)	(1,394,270)	(1,337,246)
GST Recovered/(Paid)	111,203	85,005	77,915
Interest Received	11,188	9,895	5,159
Net Cash Provided by Operating Activities	**83,731**	**(349,217)**	**(350,709)**
Cash Flow from Investing Activities			
Payments for Property, Plant and Equipment	(8,388)	(15,535)	(72,194)
Payments for Right-of-use Assets	-	-	(96,559)
Payment for Development Costs	(1,198,627)	(1,336,673)	(856,946)
Net Cash provided by Investing Activities	**(1,207,015)**	**(1,352,208)**	**(1,025,699)**
Cash Flow from Financing Activities			
Proceeds from Capital Raising	1,361,000	2,280,000	-
Proceeds from Development Contributions	-	-	1,520,000
Share Issue Costs	(80,146)	(63,380)	-
Net Cash provided by Financing Activities	**1,280,854**	**2,216,620**	**1,520,000**
Increase/(Decrease) in Cash and Cash Equivalents	**157,570**	**515,195**	**143,592**
Cash and Cash Equivalents at Beginning of Financial Year	763,275	920,845	1,436,040
Cash and Cash Equivalents at the End of Financial Year	**920,845**	**1,436,040**	**1,579,632**

Source: Magnetica financial statements, BDOCF Analysis

With reference to Table 5.8 above, we note the following:

- The combination of the operating and investing cash flows are negative across all periods. Magnetica's primary focus is product development, as reflected in the payments for development costs;

- Magnetica's persistently negative operating and investing cash flows have been funded through a combination of capital raisings and development contributions from its previous system integration partner;
- Proceeds from capital raising relate to the development contributions as part of an overarching funding and partnership agreement with its previous system integration partner that has now ceased; and
- Proceeds from development contributions relate to options as part of an overarching funding and partnership agreement with its previous system integration partner. The partner declined to exercise its options in November 2019, and the relevant amount subsequently transferred to retained earnings.

6.0 Background of SciMag and Tecmag

This section is set out as follows:

- Section 6.1 provides an overview on SciMag; and
- Section 6.2 provides an overview on Tecmag.

6.1 SciMag

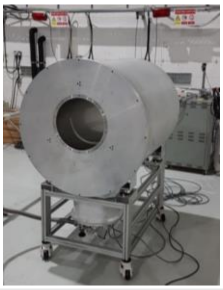
6.1.1 Background

Based in the United Kingdom, SciMag designs and manufactures bespoke superconducting magnet[6] systems for academic and commercial applications. The company was formed in 2000 as a spin-out of Oxford Instruments, becoming fully independent in 2005. In February 2017, Avingtrans acquired an 82% stake in SciMag to complement its medical portfolio holdings in a deal worth £347,000[7]. Avingtrans currently owns 98.48% of the outstanding share of SciMag and remaining stake is held by Clint Gouveia and Peter Penfold, who hold 1.02% and 0.5% respectively.

We understand that SciMag is in the process of refining its operational strategy by transitioning away from its custom order based business. The revised strategy focuses on new product development in the MRI and Nuclear Magnetic Resonance (‘NMR’) spaces. The development of cryogen-free MRI systems[8] is an illustration of this new operating strategy. In collaboration with its subsidiary, Tecmag, SciMag is also currently working on a Small Companion Animal (‘SCA’) MRI system prototype, and plans to enter this less competitive segment of the MRI market in the future.

Table 6.1 below summarises SciMag’s product and services portfolio

Table 6.1: Summary of SciMag’s Product Portfolio

Product	Description	
Horizontal Cryogen-free Magnet	SciMag designs and manufactures a range of cryogen-free superconducting magnets. These magnets have applicability in the academic and commercial research spaces. SciMag produces a range of magnets with varying field strengths and bore diameters. The size of the bore refers to the open space in the middle of MRI systems. This is where the patient platform is located.	
UHV Compatible Magnets	Ultra-high vacuum compatible magnets have applicability in areas such as surface science. SciMag design and manufacture a range of UHV compatible magnets, such as: ▸ Solenoid magnets; ▸ Split pair magnets; and ▸ 3D vector magnet systems.	
Research	In addition to their primary product offerings, SciMag also offers bespoke superconducting and cryogenic manufacturing solutions. These products are manufactured per the needs of customers.	

Source: SciMag

With regards to their manufacturing operations, SciMag has a manufacturing facility located in Abingdon, England. The primary assembly area extends to more than 1,000 m^2. In addition to this facility, SciMag maintains a workshop site which holds machine tools, a welding bay and soldering facilities to assist in the manufacturing of products. The manufacturing facility and assembly area is illustrated below in Figures 6.1 and 6.2.

[6] A superconducting magnet is an electromagnet formed from coils of a superconducting material. They must be cooled to cryogenic temperatures (-270°C) during operation. The superconducting magnet is the largest and most expensive component of an MRI system.
[7] For completeness, we note that as per terms of the Proposed Transaction, Magnetica will acquire a 100% interest in SciMag.
[8] Cryogen-free MRI systems do not require liquid helium to cool magnets to the necessary levels for superconductivity. Conventionally, the use of liquid helium requires MRI systems to be serviced on a regular basis and operated in rooms with adequate ventilation.

Figure 6.1: SciMag's manufacturing facility

Source: SciMag

Figure 6.2: Assembly area

Source: SciMag

6.1.2 Historical Financial Information of SciMag

The comprehensive income statements of SciMag for the 12 months ended 31 May 2018, 2019 and 2020 are summarised in Table 6.2 below[9].

Table 6.2: Summarised SciMag Comprehensive Income Statements

	12 Months Ended 31 May 2018 Audited (£)	12 Months Ended 31 May 2019 Audited (£)	12 Months Ended 31 May 2020 Draft Audited (£)
Total income	**248,655**	**1,021,487**	**1,129,769**
Cost of Goods Sold	(228,837)	(1,017,778)	(931,320)
Administrative Expenses	(529,399)	(662,357)	(612,255)
Depreciation and Amortisation	(12,030)	(28,355)	(85,774)
Operating Lease Rentals	(58,726)	(58,462)	(58,198)
Defined Contribution Pension Cost	(44,094)	(38,210)	(35,060)
Net Finance Costs	(33,696)	(57,298)	(64,592)
Total expenses	**(906,782)**	**(1,862,460)**	**(1,787,199)**
Profit/(Loss) before income tax	**(658,127)**	**(840,973)**	**(657,430)**
Income tax expense (benefit)	(151,047)	(10,941)	-
Profit/(Loss) for the period	**(507,080)**	**(830,032)**	**(657,430)**

Source: SciMag financial statements

With reference to Table 6.2 above, we note the following:

[9] For completeness, we note SciMag financial statements are not consolidated with the financial information of Tecmag.

- SciMag reported total sales of $1.13 million for FY20, which was primarily comprised of cryogen-free and ultra-high Vacuum (UHV) magnet sales;
- Cost of goods sold is largely driven by the production of the cryogen-free and UHV compatible magnets; and
- Depreciation and amortisation increased from FY19 to FY20. This was driven by SciMag's focus on product design which increased the intangible asset base of the Company.

The statements of financial position of SciMag as at 31 May 2018, 2019 and 2020 are summarised in Table 6.3 below:

Table 6.3: Summarised SciMag Statements of Financial Position

	As at 31 May 2018 Audited (£)	As at 31 May 2019 Audited (£)	As at 31 May 2020 Draft Audited (£)
Cash and Cash Equivalents	73,616	85,265	191,099
Accounts Receivable	210,924	308,961	315,901
Inventories	355,420	335,541	206,507
Total Current Assets	**639,960**	**729,767**	**713,507**
Intangible Assets	326,884	603,577	721,787
Tangible Assets	76,746	105,615	86,171
Investments	100	100	100
Total Non-Current Assets	**403,730**	**709,292**	**808,058**
Total Assets	**1,043,690**	**1,439,059**	**1,521,565**
Trade and Other Payables	170,292	340,827	308,198
Amounts Due to Group Undertakings	133,814	226,046	206,380
Other taxation	19,069	20,605	68,771
Accruals and Deferred Income	123,709	128,721	189,835
Total Current Liabilities	**446,884**	**716,199**	**773,184**
Amounts Due to Group Undertakings	1,374,238	2,330,324	3,013,275
Total Non-Current Liabilities	**1,374,238**	**2,330,324**	**3,013,275**
Total Liabilities	**1,821,122**	**3,046,523**	**3,786,459**
Net Assets	**(777,432)**	**(1,607,464)**	**(2,264,894)**
Issued Capital	250,030	250,030	250,030
Reserves	17	17	17
Retained Earnings (Accumulated losses)	(1,027,479)	(1,857,511)	(2,514,941)
Total Equity	**(777,432)**	**(1,607,464)**	**(2,264,894)**

Source: SciMag financial statements

With reference to Table 6.3 above, we note the following:

- Inventories consists of consumables, work in progress and finished goods and has decreased in each period. In FY20, work in progress increased by £26,119 whereas consumables and finished goods decreased by £5,887 and £149,266 respectively, resulting in a net decrease;
- Intangible assets represent capitalised research and development costs. In FY19, intangible assets increased by £276,693 due to additions of £284,359 and amortisation of £7,666;
- Amounts due to group undertakings represent an interest bearing intercompany loan made to SciMag from Avingtrans. As the Proposed Transaction is based on a debt free basis, Avingtrans will either capitalise or forgive any outstanding intercompany loans prior to completion of the Proposed Transaction.

6.2 Tecmag

6.2.1 Background

Tecmag is a Houston, Texas based company that manufactures NMR, Nuclear Quadrupole Resonance ('NQR') and MRI Instrumentation including spectrometers and full consoles, system upgrades, and solid-state probes. Tecmag was initially formed in 1983 by its founder, Dr John Delayre. In the early 2000s, Tecmag became an OEM for multiple clinical imaging companies. Tecmag also operates an NMR spectroscopy service using two spectrometers. Analytical Services range from a basic spectrum with integration and peak listing to complete structure analysis and interpretation.

On October 24, 2018, Avingtrans acquired 100% of Tecmag for a consideration of US$1. The acquisition of Tecmag was strategically important to Avingtrans' operations because they manufacture electronics and software for MRI and NMR systems, complementing the Group's existing capabilities. This purchase allows Avingtrans to manufacture complete MRI and NMR systems.

Table 6.4 below summarises Tecmag's product portfolio.

Table 6.4: Summary of SciMag's Product Portfolio

Product	Description	
Redstone	Redstone is Tecmag's premier spectrometer for NMR/MRI applications. Spectrometers are the part of an NMR/MRI system that controls the transmission and receipt of signals to produce a discernible image of the scanned object. The Redstone product is unique as opposed to alternative products in that it is compatible with multiple transmitters, receivers and gradient channels.	
Discovery 3	The Discovery 3 is SciMag's spectrometer specifically designed for use with solid state MRI systems. Built on the same architecture, this product offers similar capabilities as the Redstone product. Solid state NMR systems differ from traditional systems in that they provide a greater degree of detail of the molecular-level environment regarding the scanned object.	
Bluestone	The Bluestone system largely has the same offerings as the Redstone system, but in a compact bench-top configuration. Although based on the Redstone system architecture, this product allows for a more affordable option for NMR/MRI imaging as opposed to Tecmag's alternative products.	

Source: SciMag financial statements

For completeness, we note the above list does not reflect Tecmag's entire product range. The products presented are those with applicability to NMR/MRI imaging.

6.2.2 Historical Financial Information of Tecmag

For the purpose of this Report, we were provided with unaudited management Income Statements for the year ended 31 May 2019 and 31 May 2020, and an unaudited management Statement of Financial Position as at 30 September 2020. We have not undertaken a review of Tecmag's unaudited management accounts in accordance with Australian Auditing and Assurance Standard 2405 *Review of Historical Financial Information* and do not express an opinion on this financial information.

The management income statements of Tecmag for the 12 months ended 31 May 2019 and 2020 are summarised in Table 6.4 below.

Table 6.4: Summarised Tecmag Management Income Statements

	12 Months Ended 31 May 2019 Unaudited (US$)	12 Months Ended 31 May 2020 Unaudited (US$)
Total Income	**1,505,085**	**1,510,488**
Cost of Sales	(903,429)	(818,000)
Salaries and Wages	(469,029)	(462,377)
General and Administration	(66,653)	(108,299)
Travelling and Entertainment	(38,171)	(26,743)
Professional Fees	(36,198)	(25,915)
Establishment Costs	(149,966)	(92,927)
Other Expenses	(2,147)	(9,859)
Total Expenses	**(1,665,593)**	**(1,544,119)**
EBITDA	**(160,507)**	**(33,631)**
Depreciation and Amortisation	(1,596)	(91,045)
EBIT	**(162,104)**	**(124,676)**
Interest Expense	(12,003)	(37,296)
Exceptional Expense	(19,893)	(10,790)
Net Profit	**(194,000)**	**(172,761)**

Source: Tecmag Management statements

With reference to Table 6.4 above, we note the following:

- Cost of sales primarily consists of direct costs such as material and direct labour costs associated with the manufacturing of products. Indirect costs such as overheads, repairs and maintenance, recruitment and training and consultant fees are also included. Costs of sales are largely driven by the demand for Tecmag's products;
- General and administration consists of printing and stationary, bank charges, employee costs, insurance, computer costs and equipment hire. The increase of general and administration of US$41,466 from FY19 to FY20 was largely due to an increase of additional employee costs, insurance and printing and stationary costs incurred; and
- Professional fees consists of professional charges, audit and tax fees and marketing and publicity. Professional charges makes up the majority of professional fees and have increased in each period under review.

The management statements of financial position of Tecmag as at 31 May 2019 and 2020 are summarised is summarised in Table 6.5 below:

Table 6.5: Summarised Tecmag Management Statements of Financial Position

	Unaudited as at 31 May 2019 (US$)	Unaudited as at 31 May2020 (US$)
Cash and Cash Equivalents	103,776	123,577
Trade and Other Receivables	213,904	308,546
Inventories	208,310	231,026
Total Current Assets	**525,990**	**663,148**
Tangible Assets	-	314,824
Intangible Assets	1,970	6,210
Investments	91,500	91,500
Total Non-Current Assets	**93,470**	**412,534**
Total Assets	**619,460**	**1,075,682**
Trade Creditors	34,497	136,095
Other Creditors and Accruals	179,753	193,151
Provisions	40,000	40,000
Bank Overdraft	220,960	485,518
Lease Liabilities	-	86,364
Inter Company Loans	127,833	52,833
Total Current Liabilities	**603,042**	**993,960**
Long Term Lease Liability	-	238,065
Total Non-Current Liabilities	**-**	**238,065**
Total Liabilities	**603,042**	**1,232,026**
Net Assets	**16,418**	**(156,343)**
Issued Capital	1,000	1,000
Reserves	(1,253)	15,418
Retained Earnings (Accumulated losses)	16,671	(172,761)
Total Equity	**16,418**	**(156,343)**

Source: Tecmag Management statements

With reference to Table 6.5 above, we note the following:

- As at 31 May 2020, Tecmag had negative net assets of US$156,343;
- Intangible assets represent capitalised research and development costs; and
- Total inventory consists of raw materials to be used in the production of goods.

7.0 Industry Overview

Magnetica operates in the diagnostic imaging industry (and specifically, Magnetic Resonance Imaging) which is a subset of the broader healthcare sector.

The information presented in this section has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe. BDOCF has not independently verified any of the information and we recommend that users of this Report refer to the original source of any information listed in this section. This section should be referred to as a broad guide only.

7.1 Diagnostic Imaging Industry

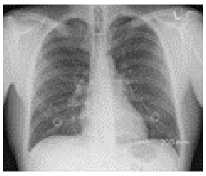
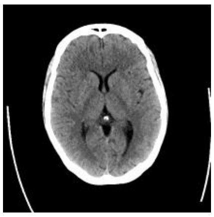
7.1.1 Summary

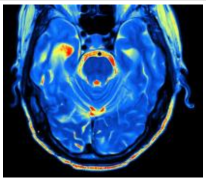
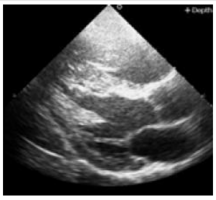
The medical industry uses various diagnostic imaging modalities, including Conventional Radiography, Computed Tomography ('CT'), MRI, Ultrasound, and Nuclear Medicine Imaging, to produce images of the human body for clinical analysis.

According to Grand View Research, the global diagnostic imaging industry was valued at US$20.13 billion in 2017 and is expected to grow at a compound annual growth rate ('CAGR') of 4.0% from 2020 to 2027. This growth is underpinned by increasing demand for early-stage diagnosis of chronic disease and ageing demographics. The ultrasound segment represents the largest market share in 2019 and is expected to maintain its dominance over the 2020 to 2027 period, due to the increased number of applications.

The choice of the imaging test is primarily influenced by the nature and location of the patient's condition, and the evidence or information the referrer is seeking. Table 7.1 summarises the key diagnostic imaging modalities.

Table 7.1: Summary of Major Diagnostic Imaging Modalities

Technology	Description	Example Conditions Requiring Diagnostic Imaging Services	System Cost	Visual Output
Conventional Radiography (X-ray)	Radiography uses x-rays to visualise the internal structures of a patient. X-Rays are a form of electromagnetic radiation, produced by an x-ray tube. They pass through the body and are captured behind the patient by a detector. The x-rays exhibit variation in absorption due to the different tissues of the body. This variance produces contrast within the image to give a 2D representation of all the structures within the patient.	▸ Cancer ▸ Asthma ▸ Fractures ▸ Pulmonary disease (lung)	~$80,000 to $850,000	
Computed Tomography (CT)	CT utilises an x-ray beam to produce multiple cross-sectional images of a particular area of anatomy. The x-ray tube, within the CT scanner, produces an x-ray beam that passes through the patient. This beam is captured by detectors and reconstructed to produce a 2D or 3D image. The data reconstructed represents cross-sectional slices of the patient and each image is acquired at a slightly different angle. CT imaging is typically much faster compared to other modalities such as MRI. A complete typical patient CT exam lasts several minutes, whereas MRI imaging exams typically range from 15 to 45 minutes.	▸ Cancer (oncology) ▸ Cardiovascular disease ▸ Dementia ▸ Pulmonary disease (lung) ▸ Hearing loss	~$250,000 to $3.3 million	

Technology	Description	Example Conditions Requiring Diagnostic Imaging Services	System Cost	Visual Output
Magnetic Resonance Imaging (MRI)	MRI uses radiofrequency waves and magnetic field gradients to generate images. The patient undergoing MRI is placed in a gradient magnetic field delivering radiofrequency pulses to the patient and processing the electromagnetic signals emitted from the region being examined. The advantages of MRI over other imaging techniques include absence of radiation, superior soft tissue contrast resolution, high-resolution imaging, and multi-planar imaging capabilities. MRI is best suited for evaluation of internal derangement of joints, central nervous system abnormalities, as well as other pathologic processes in the patient with pain. However, the time to generate MRI images has been a major weakness and continues to be so with the advent of faster CT scanners.	▸ Cancer ▸ Cardiovascular disease ▸ Multiple sclerosis ▸ Musculoskeletal ▸ Parkinson's disease	~$650,000 to $13.2 million	
Nuclear Medicine Imaging	Nuclear medicine involves injection of radioactive tracers to visualise various organs. The tracer or radiopharmaceutical is produced through addition of a radioactive isotope to a pharmaceutical specific to the organ being imaged. The radioactive tracer emits gamma radiation, which is then imaged using a gamma camera.	▸ Cancer ▸ Thyroid disorders ▸ Stress fractures ▸ Dementia		
Ultrasound	Ultrasound utilises high-frequency sound waves to provide cross-sectional images of the body. A component within the ultrasound machine, called the transducer, performs two functions. Firstly, it emits sound waves at a certain frequency and secondly, captures the returning soundwaves at frequencies dependent on the tissues through which the waves traverse. Like MRI, there is no exposure to radiation. A unique feature of Ultrasound is that pictures can be seen in real time.	▸ Cardiovascular ▸ Pregnancy ▸ Digestive and muscular conditions	~$25,000 to $500,000	

Source: BDOCF Analysis, Siemens Healthineers AG IPO Prospectus dated 5 March 2018

7.1.2 Industry Outlook

Traditional diagnostic radiology procedures, such as X-rays, have become less popular over the past decade. These procedures have been displaced by new technologies that provide more detailed images and do not expose patients to radiation. Ultrasounds and MRI are procedures that have benefited from this transition, increasing their contribution to industry revenue.

As diagnostic imaging becomes increasingly digitised, the electronic transmission of radiological images has allowed the industry to transfer images between practices. This efficiency has helped doctors to assist with higher quality medical assessments and information transfers.

The focus on the early detection and prevention of medical conditions is also anticipated to support the industry's performance in the coming years. Additionally, technological improvements in the accuracy and capability of imaging techniques are expected to supplement industry growth. This will also be driven by an expected transition away from invasive diagnostic techniques, and towards non-invasive diagnosis procedures such as MRI and CT scanning .

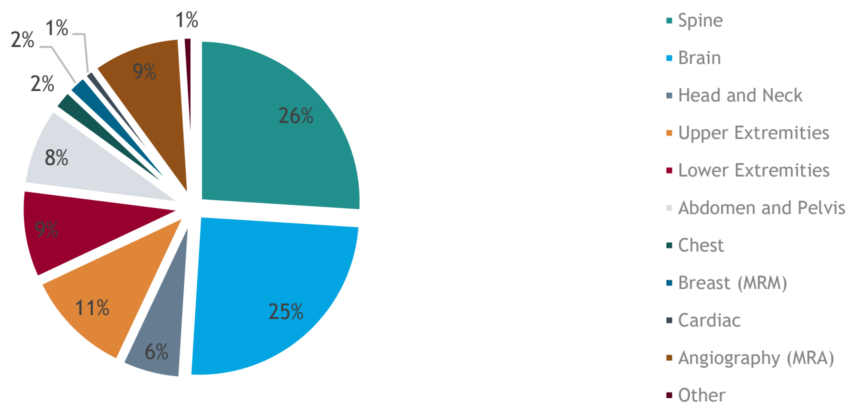
7.2 MRI Industry

7.2.1 Summary

According to Grand View Research, the MRI systems market was estimated to be worth US $5.19 billion in 2019 and is projected to grow at a CAGR of 5.9% from 2020 to 2027[10]. The global MRI market is moderately consolidated, with Siemens Healthineers, GE Healthcare and Philips Healthcare accounting for approximately 70% of the market. Other key MRI manufacturers include Canon Medical Systems, Hitachi, Esaote, Neusoft, Analogic, United Imaging, Aspect Imaging and Aurora.

Some common clinical MRI applications and their distribution are shown in Figure 7.1. Extremities of the body (upper extremities, lower extremities, head & neck and brain) accounts for more than 50% of all imaging, whereas, breast, heart and interventional studies represent less than 5%. This demonstrates a significant segment of the market for extremity-related MRI services.

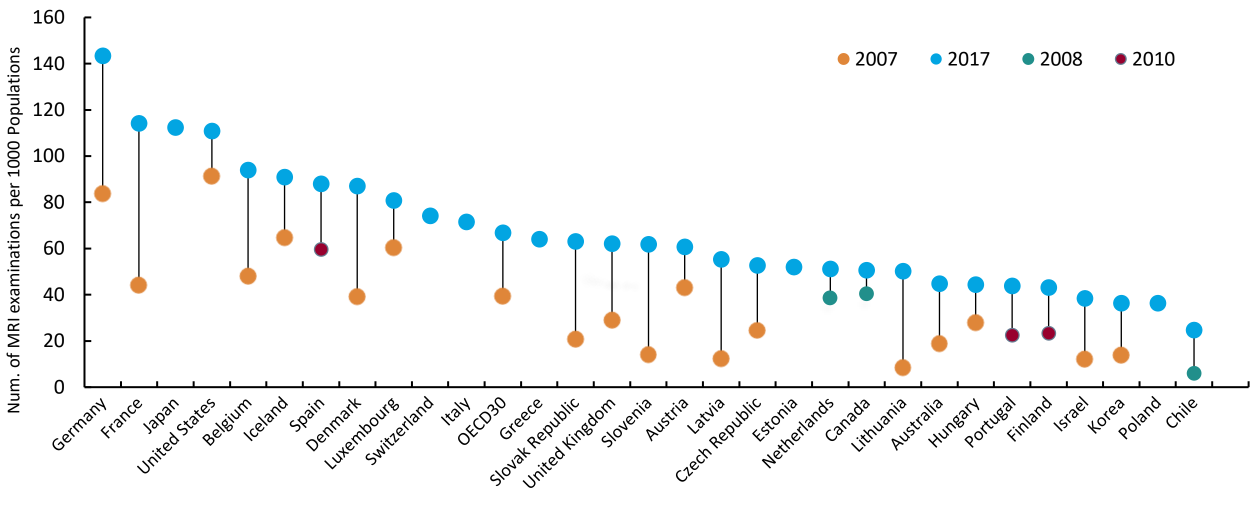
Figure 7.1: Organ Distribution of MRI Studies



Source: 'Magnetic Resonance: A Peer Reviewed, Critical Introduction'

As depicted in Figure 7.2, the demand for MRI scans has experienced substantial growth over the past ten years across OECD counties. The number of MRI examinations per capita in 2017 was highest in Germany, the United States, Japan and France, all of which have more than 100 MRI exams per 1000 population.

Figure 7.2: Number of MRI examinations per capita in OECD Countries

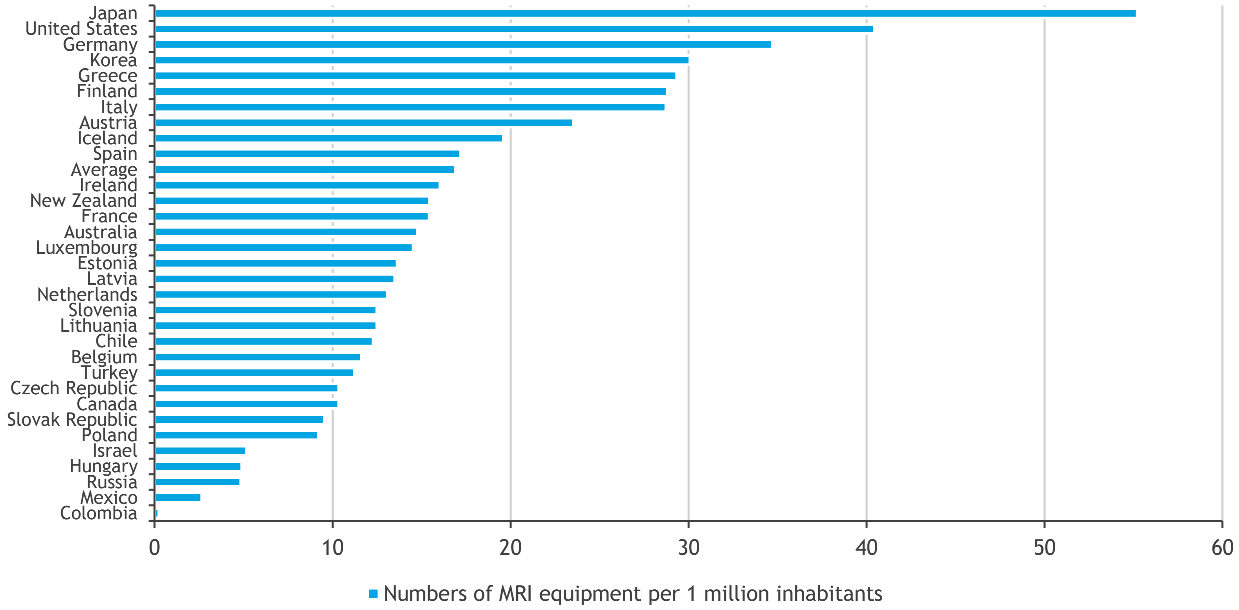


Source: OECD (2020)

There are large variations in the availability of MRI units across OECD counties. As displayed below in Figure 7.3, Japan has the highest number of MRI scanners per capita, followed by the United States and Germany. While there is no general benchmark regarding the ideal number of MRI units per population, lower number of units may indicate access problems in terms of geographic proximity or longer waiting times.

[10] Accessed via Grand View Research Medical Imaging Market Analysis Report

Figure 7.3: MRI Units in OECD Countries



Source: OECD (2020)

7.2.2 MRI Product Segmentation

MRI products are usually classified by the field strength of the magnet measured in T (Tesla)[11]. They are often categorised as:

- Low-field (≤0.5T)
- Mid-field (>0.5T - <1.5T)
- High-field (1.5T - 3T)
- Ultra high field (>3T)

In general, higher field strengths result in improved image resolution and higher acquisition speeds. Most commercial MRI systems use magnetic field intensities of 1.5-T and 3-T, with 3-T being the gold standard for clinical imaging worldwide. In 2017, the first MRI scanner operating at the very high magnetic field strength of 7 T received United States Food and Drug Administration (FDA) clearance for clinical use. Most low-field and some mid-field systems use permanent magnet technology, whereas higher field systems utilise superconducting magnet technology.

Based on architecture, the MRI systems are segmented into closed MRI, open MRI, and extremity MRI Systems. Table 7.2 outlines the types of MRI machines.

Table 7.2: Types of MRI Machines

Type	Description	Advantages	Disadvantages	Image
Closed MRI	The standard closed MRI has a large cylindrical bore and requires the patient to be supine and stationary within the bore for an extended period of time. Closed MRI scanners come in different magnet field strengths, usually between 1-T and 3-T.	▸ Can be used for all indications ▸ Provide superior quality images compared with open MRI ▸ Require less time to complete a scan compared to open MRI	▸ Can cause anxiety, claustrophobia ▸ Less comfortable positioning of the patient examined for specific joints (e.g. wrist and elbow)	

[11] Tesla (T) is the SI unit of magnetic field strength.

Type	Description	Advantages	Disadvantages	Image
Open MRI	Open MRI machines use two flat magnets on the top and bottom areas and are open on all four sides of the scanning region where the patient is placed (between the two plates). Open MRIs have medium strength magnets of 0.3-T with permanent magnets and up to 1.5-T with superconducting magnets.	▸ Minimises anxiety and claustrophobia because it offers a spacious environment in which patients lie between two plates ▸ Can be used for intraoperative imaging or image-guided interventions where easy access to the patient is required ▸ Quieter than traditional closed units	▸ Lower quality of images. Not as sensitive as high-field MRI used in the other two types ▸ Requires more time to produce images compared to other types	
Extremity MRI	Extremity MRI is a variation of Closed MRI where only the body extremity being examined is placed inside the machine. Originally, Extremity MRI were low-field or mid-field devices, but high-field systems became available recently.	▸ Lower purchasing price and maintenance cost ▸ Requires less space than a whole body MRI system ▸ Reduced weight enables installation in locations previously inaccessible to traditional heavier whole body systems ▸ More comfortable for the patient (position and less noise) ▸ Anxiety is less likely and claustrophobia issues are resolved	▸ Might not be suitable for all diagnostic extremity indications, depending on the bore configuration	

Source: American Health Imaging, Magnetic Resonance in Medicine: A Critical Introduction

7.2.3 Key Drivers

The growth of the MRI industry will be driven by a number of key external factors. Table 7.3 outlines the factors contributing to the growth (or otherwise) in this industry.

Table 7.3: Key Drivers in the MRI Industry

Driver	Description
Population demographics	Older individuals are more susceptible to injury and disease. An ageing population will increase MRI demand.
Prevention of medical conditions	Countries have transitioned towards early detection and subsequent prevention of medical conditions. This will sustain MRI demand into the future.
Move away from radiation use	Ongoing shift from basic diagnostic radiology towards more advanced procedures without radiation, such as MRI and ultrasound.
Increasing number of applications	Recent technological advances have enabled physicians in a wide variety of specialties, including orthopaedics, neurology, and cardiology to utilise MRI equipment to examine organs that previously required an invasive procedure.
Increased demand for improved imaging equipment in Emerging Markets	Developing regions are likely to emerge as new destinations in the global MRI market, as health infrastructure continues to improve in these areas.
Demand for MRI systems in physician practices	Increasingly, physician practices that have historically referred patients to hospitals or imaging clinics are installing MRI systems on-site.
Research needs of pharmaceutical industry	The R&D investment by the pharmaceutical industry in the clinical development of science products will affect the growth of the MRI industry. This is because medical imaging plays a key role in supporting clinical trials.
Demand to overcome patient comfort challenges	Traditional MRI systems do not cater well to patient comfort due to positioning requirements and claustrophobia concerns. Smaller sized extremity MRI systems resolve such challenges.

Driver	Description
Increasing use of MRI systems for extremities	Extremities are increasingly the majority of MRI use cases. This will increase the demand for smaller sized and lower cost MRI systems.

Source: BDOCF Analysis, IBISWorld

8.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV'), market-based valuation ('MBV') and industry specific methodologies.

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

8.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

8.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

8.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

8.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

8.5 Industry Based Metrics (Comparable Analysis)

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to alternative measures of value.

9.0 Valuation of Magnetica Prior to the Proposed Transaction

This section sets out our valuation of the shares in Magnetica as follows:

- Section 9.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing Magnetica;
- Section 9.2 sets out our valuation of Magnetica having regard to the DCF approach;
- Section 9.3 sets out our valuation of Magnetica having regard to an ABV approach;
- Section 9.4 sets out our valuation of Magnetica having regard to an MBV approach; and
- Section 9.5 sets out our conclusion on the appropriate value to adopt for Magnetica's shares prior to the Proposed Transaction on a controlling interest basis.

9.1 Our Valuation Approach for Magnetica

In our view, the appropriate valuation approach to consider for Magnetica prior to the Proposed Transaction is as follows:

- We have completed DCF valuation calculations having regard to forecast financial information provided by the Directors;
- We considered the reasonableness of our DCF valuation ranges by comparing them to ABV and MBV calculations;
- We have completed our ABV calculations having regard to Magnetica's unaudited balance sheet as of 30 September 2020. To estimate a value for the intellectual property assets that are not fully reflected in the balance sheet, we have adopted a cost based approach. In broad terms, this approach assumes that a prudent third-party purchaser would pay no more for the intellectual property than the cost to replace it;
- In completing our MBV methodology, we have had reference to the pricing information from past capital raisings undertaken by Magnetica. We however consider this methodology less relevant having regard to the time that has elapsed since the last placement and the significant changes in Magnetica's business since then; and
- A CME valuation approach is not appropriate as Magnetica does not generate earnings suitable for a CME valuation at the current time.

9.2 DCF Valuation of Magnetica

Our DCF valuation of Magnetica is set out as follows:

- Section 9.2.1 sets out the basis of the financial model adopted for our DCF valuation of Magnetica;
- Section 9.2.2 sets out the key assumptions adopted in the financial model;
- Section 9.2.3 sets out our DCF valuation of Magnetica;
- Section 9.2.4 sets out the valuation adjustment for surplus assets and liabilities;
- Section 9.2.5 sets out our equity valuation of Magnetica; and
- Section 9.2.6 sets out our DCF valuation of Magnetica's shares on a controlling interest basis.

9.2.1 Basis of the Financial Model Adopted for the DCF

The Directors have provided us with a financial model which sets out forecast financial information relating to Magnetica's business as usual plan ('BAU Model'). The BAU Model forecasts the expected annual performance of Magnetica from FY21 to FY31.

The BAU Model adopts the Director's best estimates of:

- Revenue growth rates;
- Gross margin improvement;
- Timelines for product development; and
- Timelines for regulatory approval.

We have critically analysed the reasonableness of the BAU Model and the underlying assumptions and made adjustments where it was considered appropriate. Our consideration of the BAU Model included:

- Analysing the integrity and mathematical accuracy of the financial model;
- Comparing historical results with forecast performance;
- Where required, making changes to the financial assumptions underpinning the financial model;
- Completing research to confirm the reasonableness of macro-economic assumptions;
- Completing research to determine an appropriate discount rate applicable to Magnetica;

- Making enquiries of the Directors to confirm the reasonableness of company specific assumptions and the basis of the forecast; and
- Undertaking a sensitivity analysis regarding material assumptions.

We have not undertaken a review of the forecast in accordance with ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* and do not express an opinion on the achievability of the forecast. However, nothing has come to our attention through our procedures to suggest the BAU Model has not been prepared on a reasonable basis.

The Directors have instructed us to keep various sale price and volume assumptions confidential. Accordingly, we have not set out any sales price or volume assumptions in this Report. Many of the assumptions adopted in the BAU Model are subjective and may be subject to material change in short periods of time. Changes in these assumptions may have a material impact on the overall value determined in this Report. There can be no guarantee that the cash flow forecasts or valuation calculations will hold for any length of time as circumstances are continually changing.

9.2.2 Assumptions adopted in the BAU Model

This section sets out the key assumptions adopted in the BAU Model.

9.2.2.1 General Assumptions

Regarding the general assumptions in the BAU Model, we note:

- The BAU Model includes monthly earnings and cash flow forecasts until FY2031 in nominal terms;
- The BAU Model assumes the Company is able to partner with a Tier 1 System Integrator that can assist to distribute its product to the market. If the Company is unable to find a partner to assist it with distributing its product, the value of Magnetica may be significantly impacted;
- The BAU Model assumes that the company will develop RF Coil and Gradient coil as an OEM to diversify its customer base and to build an alternate revenue stream;
- The BAU Model assumes that the sale price of products reduces over time with the increase in volume, maturity of product and changes in the competitive landscape; and
- A long term growth rate of 2.5% per annum has been adopted for the free cash flows of the Company post FY2031, in line with the mid-point of the Reserve Bank of Australia target inflation rate.

9.2.2.2 Sale Volume

Regarding the sales volume assumptions, we note:

- The majority of the Company's revenue is assumed to come from the sale of the following products:
  - 3T Extremity MRI Sub-systems;
  - 3T Head MRI Sub-systems;
  - Various MRI Sub-systems (including veterinary, neonatal and various custom gradient and RF coils); and
  - Pre-Clinical MRI Sub-systems

See Section 5.1.3 for a description of the various products.

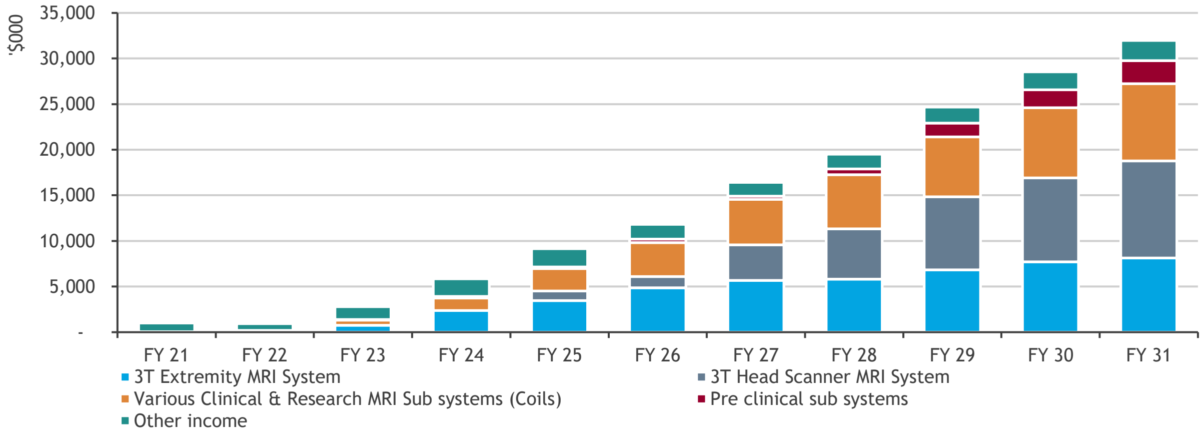
9.2.2.3 Sale Price

We have been provided with sales price assumptions by the Directors of Magnetica and have adopted this in the BAU Model.

9.2.2.4 Projected Revenue

Figure 9.1 summarises the revenue we have calculated by product for our DCF valuation of Magnetica.

Figure 9.1: Projected Revenue by Product



Source: The BAU Model, BDOCF Analysis

With reference to Figure 9.1, we note:

- The majority of revenue is forecast to come from the sales of 3T Extremity, 3T Head Scanner MRI systems, and Clinical & Research MRI Sub systems (Coils); and
- Other income primarily consists of grant income and consultancy revenue.

9.2.2.5 Cost of Goods Sold

Regarding the COGS assumptions in the Model, we note:

- We have been provided with the COGS assumptions by the Directors and have adopted these in the BAU Model;
- COGS comprises of the bill of materials, machine costs and production labour costs; and
- COGS as a percentage of revenue is approximately in the range of 20.2% to 40.7% over the forecast period.

9.2.2.6 Expenses

Regarding the other expenses in the BAU Model, we note:

- The main expenses (other than COGS) are:
  - General and administrative expenses;
  - Marketing and sales expenses;
  - Product development expenses;
  - Production expenses;
- General and administrative expenses and product development expenses account for the majority of expenses (other than COGS); and
- Product development expenses relate to product research and development activities. No other material capital expenditure amounts are forecast in the BAU Model.

9.2.2.7 Income Tax

The BAU Model calculates income tax expense on the forecast unlevered net income at 30.0%. We have assumed Magnetica is able to utilise in full tax losses of $28.4 million from previous periods to offset its future tax expense.

9.2.2.8 Working Capital

Movements in working capital have been included in the BAU Model.

9.2.2.9 Discount Rate

The discount rate represents the rate of return that capital providers expect from their capital contribution and is typically based on the weighted average cost of capital ('WACC') for the asset being valued. In broad terms, the WACC considers the rate of return required by capital providers given the riskiness of the future cash flows and the cost of financing using debt instruments for the relevant asset.

In selecting a discount rate appropriate for the Company, we have considered the following:

- The projected cash flows of Magnetica;
- The required rate of return of comparable companies;

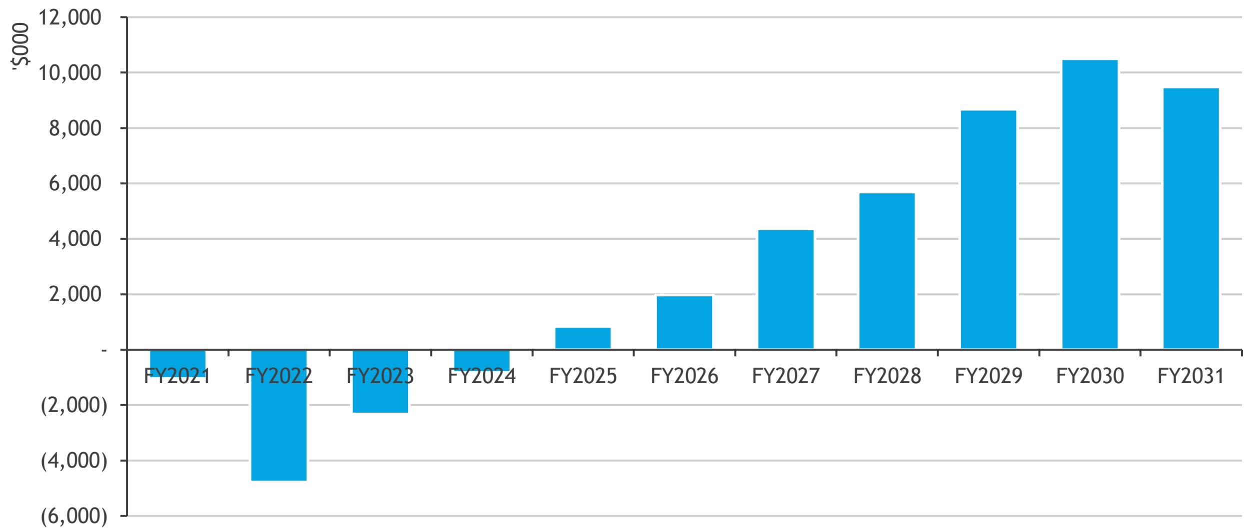
- The capital structure of comparable companies;
- The cost of equity derived from applying the capital asset pricing model ('CAPM') methodology (a commonly used methodology for deriving the cost of equity). In relation to CAPM, we note the cost of equity capital is determined by multiplying the market risk premium by an appropriate beta and adding the risk-free rate. Our view on the appropriate inputs to the CAPM to apply in the circumstances are as follows:
  - A risk-free rate of 0.91% based on the Australian Government 10-year bond rate;
  - An equity market risk premium of 6.0%;
  - A beta in the range of 1.2 to 1.4;
- The CAPM assumes investors are diversified and not concerned with the specific risk of a particular investment. In our view, investors may apply a company specific risk premium to reflect certain risks that cannot be readily allowed for in the base case cash flows for a company. In the case of Magnetica, we note that these risks may include the following:
  - Magnetica's products are currently in the pre-commercialisation phase. As such, the Company is in the early phase of its growth cycle and is still in the process of proving itself as a viable and profitable business proposition; and
  - The Company is heavily reliant on being able to partner with a system integration partner to help distribute its products. If the Company is unable to find a partner to assist with distributing its product to the market, the Company may need to develop its own capabilities to supply directly to the end customer. This may lead to significant delays, increased expenses and/or lower sales volumes, which may in turn have a material impact on the value of the Company;
- Corporate tax rate of 30%;
- A value for imputation credits (γ) of nil. This assumption has been made with reference to the fact that imputation credits for Australian companies are available to domestic investors only and that not all investors in Magnetica are Australian. The marginal investor is likely to be an investor who is not entitled to claim imputation credits; and
- Current market conditions including heightened market uncertainties in relation to COVID-19.

Taking the above factors into consideration as well as the nature of Magnetica, we believe it is not unreasonable to adopt a nominal after-tax discount rate for Magnetica in the range of 14.0% to 16.0%. We have set out a sensitivity analysis on the discount rate in Section 9.2.3 to assist users of this Report that may have an alternative view on an appropriate discount rate or would like to understand the impact of applying an alternative discount rate.

9.2.2.10 Projected Free Cash Flow to the Firm ('FCFF')

Figure 9.2 graphs the projected free cash flows that we have adopted for our DCF valuation of Magnetica over the explicit forecast period to FY2031.

Figure 9.2: Projected Free Cash Flow of Magnetica



Source: The BAU Model, BDOCF Analysis

With reference to Figure 9.2, we note the following:

- Based on the assumptions adopted, Magnetica exhausts its accumulated tax losses and starts paying tax from November 2030 onwards; and

- No capital expenditure is forecast, as all product research and development costs are included as expenses in the operating cash flows.

9.2.3 DCF Valuation of Magnetica

The DCF valuation is based on the Projected FCFF described in Section 9.2.2.2 above. A terminal value is calculated by capitalising net after tax FCFF based on a perpetual growth assumption, utilising the Gordon Growth Method.

9.2.3.1 Base Case DCF Valuation of Magnetica

Having regard to the assumptions outlined above, Table 9.1 summarises our estimated enterprise value for Magnetica using a DCF valuation methodology having regard to the Directors' best estimate of the future performance of Magnetica ('BAU Base Case'). We note the low and high values are determined by using the high and low ends discount rate range respectively.

Table 9.1: Base Case DCF Valuation of Magnetica

	Low ($000's)	High ($000's)
DCF Value	18,712.5	25,952.8

Source: BDOCF analysis

Table 9.1 shows that we estimate the base case enterprise value of Magnetica using a DCF valuation methodology to be within the range of $18.7 million to $25.9 million on a controlling interest basis.

9.2.3.2 Sensitivity Analysis of the DCF Valuation

The DCF valuation of Magnetica is based on a number of assumptions which are subject to a significant amount of uncertainty. We have completed a sensitivity analysis on the enterprise value of Magnetica calculated under:

- The BAU Base Case; and
- A case that assumes a one year delay in the sale of MRI Systems ('BAU Delay Case'). Given the uncertainty associated with being able to partner with a new system integrator, we consider it appropriate to model a case that assumes sales of MRI Systems are delayed by one year relative to the BAU Base Case.

The following variables have been adjusted in isolation, all other things held equal:

- ±10% increase in MRI Sub System volumes;
- ±10% increase in COGS;
- ±10% increase in general and administrative ('G&A') expenses;
- ±10% increase in product development cost;
- An absolute ±1% change in the discount rate; and
- An absolute ±1% % change in the terminal growth rate.

Table 9.2 summarises the impact of the above mentioned variables on our DCF valuation of Magnetica using the high and low ends of our discount rate range, holding all factors constant, except the relevant sensitivity variable.

Table 9.2: Sensitivity Analysis of the Key Inputs

	BAU Base Case ($000's)		BAU Delay Case ($000's)	
	Low (16%)	High (14%)	Low (16%)	High (14%)
Base Case	18,712.5	25,952.8	14,330.1	20,933.8
MRI Sub Systems Volume				
10% Increase	23,300.6	31,723.5	18,289.5	26,000.0
10% Decrease	14,084.7	20,140.3	10,300.3	15,786.7
COGS				
10% Increase	16,223.5	22,805.4	12,181.4	18,169.9
10% Decrease	21,199.5	29,097.9	16,477.0	23,695.7
G&A				
10% Increase	17,782.4	24,879.6	13,431.9	19,894.4
10% Decrease	19,642.6	27,026.0	15,228.3	21,973.2
Product Development Cost				
10% Increase	17,207.5	24,228.2	12,934.4	19,321.1
10% Decrease	20,217.6	27,677.4	15,725.8	22,546.4
Discount Rate				

	BAU Base Case ($000's)		BAU Delay Case ($000's)	
	Low (16%)	High (14%)	Low (16%)	High (14%)
1% Increase	15,956.1	21,996.9	11,851.0	17,311.3
1% Decrease	21,996.9	30,778.7	17,311.3	25,390.4
Terminal Growth Rate				
1% Increase	19,955.8	28,002.3	15,401.9	22,731.6
1% Decrease	17,640.8	24,231.1	13,406.1	19,423.6

Source: BDOCF analysis

Users of this Report should note that:

- In reality, the variables described above would have compounding or offsetting effects and are unlikely to move in isolation;
- The variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions; and
- The sensitivities we have performed do not cover the full range of possible variances from the assumptions assumed (i.e. variances could be greater than the percentage increases or decreases set out in this analysis).

9.2.3.3 Conclusion on the DCF Valuation of Magnetica

In our view, for the purpose of this Report, it is appropriate to adopt an enterprise value in the range of $13.0 million to $24.0 million for Magnetica. We have set out a sensitivity analysis in Section 9.2.3.2 (above) to assist users of this Report that may have an alternative view on certain key assumptions adopted for our work.

9.2.4 Adjustment for Surplus Assets and Liabilities

The DCF value excludes, amongst other issues, the impact of any surplus assets or liabilities held by the Company. In our view, it is appropriate to add the company's cash and cash equivalents and add/subtract the value of any other surplus assets/liabilities.

We have considered the carrying values recorded in Magnetica's management accounts as at 30 September 2020 and have made enquiries of the Directors and Management of Magnetica. Based on our enquiries, we have summarised the values we have adopted for Magnetica's surplus assets and liabilities in Table 9.3 below.

Table 9.3: Values Adopted for the Surplus Assets and Liabilities

	Value ($000's)
Cash and Cash Equivalents	1,360.0
Surplus Liabilities of Magnetica	(2.4)
Total	**1,357.6**

Source: Magnetica's management accounts as at 30 September 2020, Management representations and BDOCF analysis

In relation to Magnetica's surplus assets and liabilities we note:

- We have adjusted cash and cash equivalents as at 30 September 2020 for the estimated costs of the Proposed Transaction that will be incurred regardless of whether the Proposed Transaction is successful. These costs are expected to be approximately $0.5 million; and
- Surplus liabilities of Magnetica relate to an outstanding credit card balance as at 30 September 2020.

All other operating assets and liabilities in Magnetica's balance sheet are allowed for within our DCF valuation of Magnetica. We have also been informed by the Directors that there are no other material surplus assets or liabilities that have not been recorded in the management accounts as at the date of this Report.

9.2.5 Equity Value of Magnetica based on DCF Valuation

Having regard to the assumptions outlined above, Table 9.4 summarises our estimated equity value for Magnetica using a DCF valuation methodology.

Table 9.4: DCF Valuation of Magnetica

	Reference	Low ($000's)	High ($000's)
DCF Value – Selected Range	Section 9.2.3.3	13,000.0	24,000.0
Surplus Assets and Liabilities	Section 9.2.4	1,357.6	1,357.6
Equity Value of Magnetica		**14,357.6**	**25,357.6**

Source: *BDOCF analysis*

Table 9.4 shows that we estimate the equity value of Magnetica using a DCF valuation methodology to be within the range of $14.4 million to $25.4 million on a controlling interest basis.

9.2.6 Value of a Magnetica Share based on DCF Valuation

The value set out in Table 9.4 above incorporates in aggregate the value of all Magnetica equity instruments on issue, including ordinary shares, and performance rights. Table 9.5 below sets out the value of Magnetica on a per share basis.

Table 9.5: Value of Magnetica's Ordinary Shares

	Reference	Low ($000's)	High ($000's)
Equity Value Attributable to all Security Holders	Section 9.2.5	14,357.6	25,357.6
Number of Magnetica Ordinary Shares on Issue[1]	Section 5.2	128,892.2	128,892.2
Equity Value of Magnetica on a Controlling Interest Basis per Share ($/share)		**0.11**	**0.20**

Source: *BDOCF analysis*

1 Total number of shares is based on 119,767,184 ordinary shares outstanding as at 30 September 2020 and 9,125,000 shares to be issued in respect to the vested and converted performance rights upon a change of control event. We have excluded the impact of Magnetica's options on issue prior to the Proposed Transaction as the impact of these options is considered to be immaterial given that they are deeply 'out of the money'

Table 9.5 sets out our value of Magnetica's ordinary shares within the range of $0.11 to $0.20 per share. We note that our DCF valuation of Magnetica provides a value per share for Magnetica on a controlling interest basis.

9.3 ABV of Magnetica Prior to the Proposed Transaction

As mentioned previously, it is our view that it is appropriate to apply an ABV methodology to determine the value of Magnetica prior to the Proposed Transaction.

We have been provided with Magnetica's management accounts as at 30 September 2020. We have made enquiries of the Directors and Management of Magnetica in considering the carrying values recorded in the Company's unaudited balance sheet as at 30 September 2020. Based on our enquiries, we have made a number of adjustments to the balance sheet to estimate the fair market value of Magnetica's assets and liabilities for the purposes of our ABV analysis in this Report.

The key elements of our asset based valuation methodology can be broadly summarised as follows:

- The total costs incurred by Magnetica that have positively contributed to the development of Magnetica's IP;
- The value of Magnetica's assets (excluding deferred tax assets), including cash and cash equivalents, trade and other receivables, inventories, other current assets, and property, plant and equipment;
- The value of Magnetica's liabilities, including trade and other payables, lease liabilities, current employee benefits and non-current employee benefits; and
- The value of Magnetica's deferred tax assets which are not recognised in the balance sheet.

The following sections outline our view on the appropriate values to adopt for the key elements of the ABV, as mentioned above.

9.3.1 Historical Costs of Developing Magnetica's IP

To estimate the costs that may be incurred in redeveloping the IP, we have considered the expenses incurred by Magnetica over the period FY05 to FY20. The expenses incurred by the Company over this period have been adjusted to exclude amounts that we are informed did not positively contribute to the development of the IP.

A summary of the expenses incurred during FY05 to FY20, excluding those that did not positively contribute to the development of the IP, is outlined in Table 9.6 below.

Table 9.6: Total Costs Incurred to Develop the IP

	Low ($000's)	High ($000's)
Costs incurred to develop IP	22,410	22,410
NMR2 IP	-	10,000
Total Costs Incurred to Develop the IP	**22,410**	**32,410**

Source: Magnetica Management, BDOCF Analysis

With reference to Table 9.6, we note the following:

- Costs that have positively contributed to the development of the IP primarily relate to the engagement of external consultants for research and development work and the cost of maintaining patents;
- While the cost of redeveloping the IP may differ from the historical expenditures due to cost inflation and technological improvements, we have not considered any specific adjustments in this regard; and
- In FY05, Magnetica purchased IP from The University of Queensland (UniQuest) for $10 million via the issue of scrip. The IP is held in NMR Holdings No. 2 Pty Ltd ('NRM2'), a wholly owned subsidiary of Magnetica. The IP purchased related to asymmetric magnets and coils and is considered to have been purchased at fair value. Given the period of time since the acquisition and the expiry/lapse of patents, we consider it appropriate to adopt a nil value for the purchased IP at the lower end of our valuation range and a value of $10 million at the higher end of our valuation range.

9.3.2 Valuation of Magnetica's Other Assets and Liabilities

We have been provided with Magnetica's management accounts as at 30 September 2020. To determine an appropriate value for Magnetica's other assets and liabilities, we have considered the values recorded in Magnetica's balance sheet as at 30 September 2020 and have made enquiries of the Directors of Magnetica.

Table 9.7 sets out our view of the appropriate values to adopt for Magnetica's other assets and liabilities for the purpose of this Report.

Table 9.7: Value of Magnetica's Other Net Assets

	Low ($000's)	High ($000's)
Other assets (excluding deferred tax assets)	3,341.3	3,341.3
Deferred tax assets	-	2,437.4
Liabilities	(255.7)	(255.7)
Value Adopted for Other Net Assets	**3,085.6**	**5,523.0**

Source: Magnetica's management accounts as at 30 September 2020, BDOCF Analysis

With regards to Table 9.7, we note the following:

- Other assets consists of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, refundable deposits, deposits paid and prepayments. Other assets excludes intangible assets such as right-of-use assets, computer software, patents and development costs;
- As summarised in Section 9.2.2.7, the company had carried forward tax losses of $28.4 million which are not recognised in the Company's balance sheet. For the purpose of our ABV valuation, we have calculated the value of $2.4 million for the tax losses having regarded to the BAU Model used in the Section 9.2 and a discount rate of 15.0% (being the mid-point discount rate);
- Notwithstanding the above, we note that a potential acquirer of Magnetica's operations may not place a value on the Company's deferred tax assets due to their inability to utilise the deferred tax assets. For this reason, we consider it appropriate to adopt a nil value for the deferred tax assets at the lower end of our valuation range and a value of $2.4 million at the higher end of our valuation range; and
- Liabilities include trade and other payables, lease liabilities, current employee benefits and non-current employee benefits.

Having regard to the calculations presented in Table 9.7, it is our view that the value of Magnetica's other net assets are within the range of $3.1 million to $5.5 million.

9.3.3 Asset Based Valuation of Magnetica

Table 9.8 below sets out our estimate of the value of Magnetica shares using the ABV method.

Table 9.8: Value of Magnetica's Ordinary Shares

	Reference	Low ($000's)	High ($000's)
Value adopted for the IP	Section 9.3.1	22,210.9	32,210.9
Value adopted for other net assets	Section 9.3.3	3,085.6	5,523.0
Equity Value of Magnetica		**25,296.5**	**37,733.8**
Number of Magnetica Ordinary Shares on Issue	Section 9.2.6	128,892.18	128,892.18
ABV of Magnetica on a Controlling Interest Basis per Share ($/share)		**0.20**	**0.29**

Source: Magnetica management Accounts, BDOCF Analysis

Table 9.8 sets out a value for Magnetica's ordinary shares within the range of $0.20 to $0.29 per share. We note that our ABV of Magnetica provides a value per share for Magnetica on a controlling interest basis.

9.4 Market Based Valuation

Magnetica has completed a number of equity issues to facilitate its research and development activities. Table 9.9 details the Company's equity activities since 2016 together with the equity value inferred by each equity issue. For completeness, we note each equity issue outlined below represents a minority interest holding in Magnetica. As such, the equity value inferred by each equity issue represents the value of Magnetica on a minority interest basis rather than on a controlling interest basis.

Table 9.9: Magnetica's Past Equity Issues

Date	Number of Shares Issued	Number of Shares Post Issue	%	Price per Share	Total Raised
Jun-18	280,921	119,567,183	0.23%	$0.15	$42,138
Dec-17	9,066,664	119,286,262	7.60%	$0.15	$1,360,000
May-16	8,110,002	110,219,598	7.36%	$0.15	$1,216,500

Source: Magnetica Management

Having regard to Table 9.9, we note:

- The last equity issue was in June 2018 at $0.15/share;
- The equity issue in December 2017 occurred through a placement and a share purchase plan; and
- All equity issues from 2016 to 2018 have been at $0.15/share.

Magnetica shares are not listed on any stock exchange where market prices can be readily observed. We understand that there have been off-market transactions at $0.15/share between unrelated parties via the share registry. However, the number of shares traded off-market between these unrelated parties is immaterial.

To determine a controlling interest value for Magnetica for comparison to the DCF valuation, we have had regard to the application of a control premium.

To calculate a controlling interest value, we are of the view that it is appropriate to apply a control premium to the value range we have estimated from the prices of minority parcel share interests in Magnetica. A controlling interest in a company is generally regarded as being more valuable than that of a minority interest as it may provide the owner with:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over the appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40%, which is broadly consistent with our recent transaction analysis. We have provided additional discussion on control premiums in Appendix A.

Having regard to the information available to us, in our view, it is appropriate to apply a 30% control premium to the past placement price that was determined having regard to minority interests. Accordingly, we assess the value of a Magnetica share to be $0.195 under the MBV methodology on a controlling interest basis.

9.5 Value of Magnetica's Shares Prior to the Proposed Transaction on a Controlling Interest Basis

Having regard to our valuation of Magnetica's shares, in our view, for the purpose of our assessment of the Proposed Transaction it is appropriate to adopt a value as at the date of this Report in the range of $0.11 to $0.20 per Magnetica share on a controlling interest basis. In relation to our valuation range we note:

- This valuation range was determined having regard to our DCF methodology. We consider the DCF valuation methodology to be the most relevant as it has regard to underlying assumptions that reflect Magnetica's strategy for commercialising its technology in a BAU environment. We have set out a sensitivity analysis in Section 9.2.3.2 to assist users of this Report that may have an alternative view on certain key assumptions adopted for our work;
- Our ABV value range of $0.20 to $0.29 is broadly consistent with the higher end of our DCF valuation. We have not weighted the ABV methodology as highly as the DCF valuation methodology as, while providing a relevant benchmark, there is no guarantee that the market participants would pay the historical cost to develop the technology as at the date of this Report;
- Our MBV value of $0.195 is broadly consistent with the higher end of our DCF valuation. We consider the MBV less relevant as most of the share placements were completed while Magnetica was actively engaged with a system integrator. Shareholders may have factored the near term prospects associated with the partnership with a system integrator in the placement price and would not have considered the significant changes in Magnetica's business model since the last placement date;
- Based on our analysis, in our opinion, our cross-check of Magnetica's equity value using the ABV and MBV methodologies broadly supports our valuation of Magnetica using the DCF methodology; and
- Magnetica is in the early stages of its growth cycle and is still in the process of proving itself as a viable and profitable business proposition. In our view, the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. The fluctuations in value are further exacerbated at the current time because of the market volatility and economic uncertainty caused by the COVID-19 outbreak.

10.0 Valuation of the Merged Group following the Proposed Transaction

This section sets out our valuation of the shares in the Merged Group post the Proposed Transaction as follows:

- Section 10.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing Magnetica following the Proposed Transaction;
- Section 10.2 sets out our valuation of Magnetica having regard to a DCF approach following the Proposed Transaction on a minority interest basis;
- Section 10.3 sets out indicative Net Asset Value ('NAV') of the Merged Group; and
- Section 10.4 sets out our conclusion on the appropriate value to adopt for the Merged Group shares following the Proposed Transaction on a minority interest basis.

10.1 Our Valuation Approach for the Merged Group

In our view, the most appropriate methodology for calculating the value of the Merged Group is as follows:

- We have completed DCF valuation calculations having regard to forecast financial information for the Merged Group provided by the Directors for the purpose of the Proposed Transaction;
- We have no additional information that would enable us to undertake an MBV of the Merged Group ;
- An ABV valuation approach is not considered appropriate as we have not been provided with information in relation to the identifiable intangible assets of SciMag and Tecmag that may have value, but are not included in their respective statements of financial position. For completeness, we have set out information in relation to an indicative NAV for the Merged Group; and
- A CME valuation approach is not considered appropriate as the Merged Group does not generate earnings suitable for a CME valuation calculation.

10.2 DCF Valuation of Magnetica following the Proposed Transaction

Our DCF valuation of Magnetica is set out as follows:

- Section 10.2.1 sets out the basis of the financial model adopted for our DCF valuation of the Merged Group;
- Section 10.2.2 sets out the key assumptions adopted in the financial model;
- Section 10.2.3 sets out our DCF valuation of the Merged Group;
- Section 10.2.4 sets out the valuation adjustment for surplus assets and liabilities;
- Section 10.2.5 sets out our equity valuation of Magnetica; and
- Section 10.2.6 sets out our DCF valuation of Magnetica's shares on a minority interest basis.

10.2.1 Basis of the Financial Model Adopted for the DCF

The directors have provided us with a financial model which sets out forecast financial information for the Merged Group post the Proposed Transaction ('Post-Transaction Model'). The Post-Transaction Model forecasts the expected annual performance of the Merged Group from CY21 to CY30.

The Post-Transaction Model adopts the Director's best estimates of:

- Revenue growth rates;
- Gross margin improvement;
- Timelines for product development; and
- Timelines for regulatory approval.

We have critically analysed the reasonableness of the Post-Transaction Model and the underlying assumptions and made adjustments where it was considered appropriate. Our consideration of the Post-Transaction Model included:

- Analysing the integrity and mathematical accuracy of the financial model;
- Comparing historical results with forecast performance;
- Where required, making changes to the financial assumptions underpinning the financial model;
- Completing research to confirm the reasonableness of macro-economic assumptions;
- Completing research to determine an appropriate discount rate applicable to the Merged Group;
- Making enquiries of the Directors to confirm the reasonableness of company specific assumptions and the basis of the forecast; and
- Undertaking a sensitivity analysis regarding material assumptions.

We have not undertaken a review of the forecast in accordance with ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* and do not express an opinion on the achievability of the forecast. However, nothing has come to our attention through our procedures to suggest the Post-Transaction Model has not been prepared on a reasonable basis.

The Directors have instructed us to keep various sale price and volume assumptions confidential. Accordingly, we have not set out any sales price or volume assumptions in this Report. Many of the assumptions adopted in the Post-Transaction Model are subjective and may be subject to material change in short periods of time. Changes in these assumptions may have a material impact on the overall value determined in this Report. There can be no guarantee that the cash flow forecasts or valuation calculations will hold for any length of time as circumstances are continually changing.

10.2.2 Assumptions adopted in the Post-Transaction Model

This section sets out the key assumptions adopted in Post-Transaction Model.

10.2.2.1 General Assumptions

Regarding the general assumptions in the Post-Transaction Model, we note:

- The Post-Transaction Model includes annual earnings and cash flow forecasts until CY2026 in nominal terms. Beyond this initial explicit forecast period, the Merged Group's free cash flows are assumed to continue growing at 5% per annum from CY2027 to CY2030 before reverting to a long-term growth rate;
- A long term growth rate of 2.5% per annum has been adopted for the free cash flows of the Merged Group post CY2030;
- The Post-Transaction Model assumes that the Merged Group will have in-house capability to manufacture MRI superconducting magnets and integrate subcomponents of MRI systems;
- The Post-Transaction Model assumes the Tecmag and SciMag businesses will join the Merged Group on 1 January 2021, and assumes that all of SciMag and Tecmag revenue from existing operations will form part of the Merged Group;
- The Post-Transaction Model doesn't include the following forecasted revenue streams of Magnetica from the BAU Model:
  - Sale of Pre-Clinical MRI Sub-Systems (RF coils and Gradient coils);
  - Sale of Head/Neuro MRI Sub-Systems; and
  - Consultancy income; and
- The cash flows in the Post-Transaction Model are denominated in GBP.

10.2.2.2 Sale Volume

Regarding the sales volume assumptions, we note:

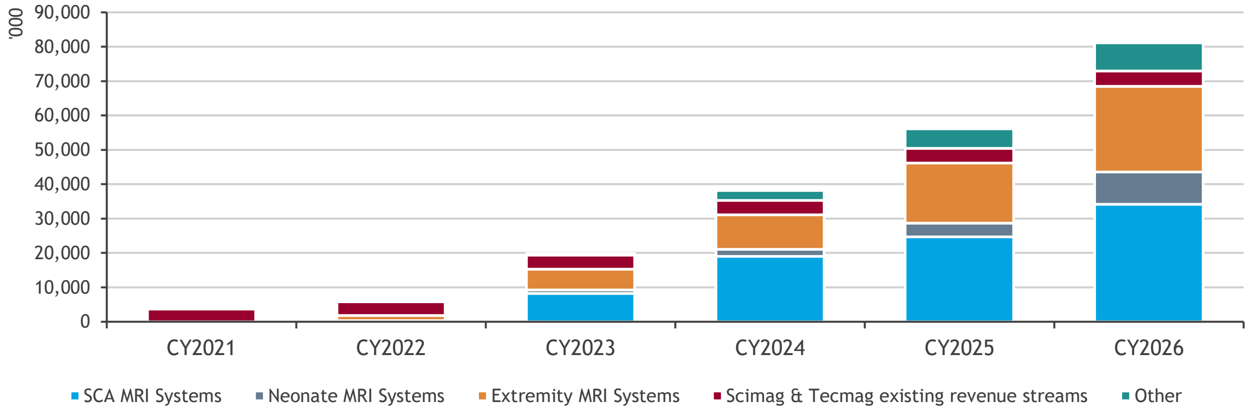
- The majority of the Merged Group's revenue is assumed to come from the sale and leasing of the following products:
  - 3T Extremity MRI systems;
  - 1.5T SCA MRI systems; and
  - Neonate MRI systems.

10.2.2.3 Sale and Lease Price Assumptions

We have been provided with sale and lease price assumptions for the MRI products by the Directors and have adopted these in the Post-Transaction Model.

10.2.2.4 Projected Revenue

Figure 10.1 summarises the revenue we have calculated by product for our DCF valuation of the Merged Group.



Source: The Post-Transaction Model, BDOCF Analysis

With reference to Figure 10.1, we note:

- From CY2021 to CY2022, the majority of revenue is forecast to come from standalone revenue generated by SciMag and Tecmag;
- From CY2023 onwards, the majority of revenue is forecast to come from the sale of 3T Extremity, SCA MRI systems, and Neonate MRI Systems; and
- Other income consists of equipment servicing and artificial intelligence diagnostics revenue.

10.2.2.5 Operating Cost Assumptions

We have been provided with the COGS and other expenses assumptions by the Directors and have adopted these in the Model. Regarding the operating cost assumptions in the Model, we note:

- COGS are assumed to represent the largest percentage of total costs, ranging from 64% in CY2023 to 80% in CY2026. COGS comprises of the bill of materials, machine costs and production labour costs;
- The other expenses (other than COGS) in the Post-Transaction Model consist of:
  - General and administrative expenses;
  - Marketing and sales expenses;
  - Product development expenses; and
  - Production expenses;
- General and administrative expenses and product development expenses account for the majority of expenses (other than COGS);
- Product development expenses relate to the Merged Group expensing its product research and development activities. No other material capital expenditure amounts are forecast in the Model.

10.2.2.6 Income Tax

The tax rate adopted in the Post-Transaction Model is consistent with the statutory Australian corporate tax rate of 30%. We have assumed the Merged Group is able to utilise in full tax losses of $28.4 million from previous periods to offset its tax expense. In the absence of formal tax advice, we have conservatively not attributed any value to SciMag's and Tecmag's carry forward tax losses.

10.2.2.7 Working Capital

Movements in working capital has been included in the Post-Transaction Model. The net working capital movement has been determined with reference to receivables of 60 days, payables of 60 days and inventory of 45 days.

10.2.2.8 Forecast Exchange Rate

The cash flows presented in the model are denominated in GBP. For the purposes of our valuation, we have converted the cash flows in the model from GBP to AUD based on Consensus Economics forecasts as at December 2020, as outlined in Table 10.1 below:

Table 10.1: Exchange Rate Forecasts

	CY21	CY22	CY23	CY24	CY25	CY26+[1]
GBP/AUD	1.797	1.797	1.841	1.869	1.879	1.904

Source: Consensus Economics as at December 2020

[1] We have adopted CY26 GBP/AUD forecasts for all periods after CY26.

10.2.2.9 Discount Rate

In selecting a discount rate appropriate for the Merged Group, we have considered the following risks, benefits and synergies that would otherwise not be considered prior to the Proposed Transaction. These considerations are unique to the Merged Group, and may include the following:

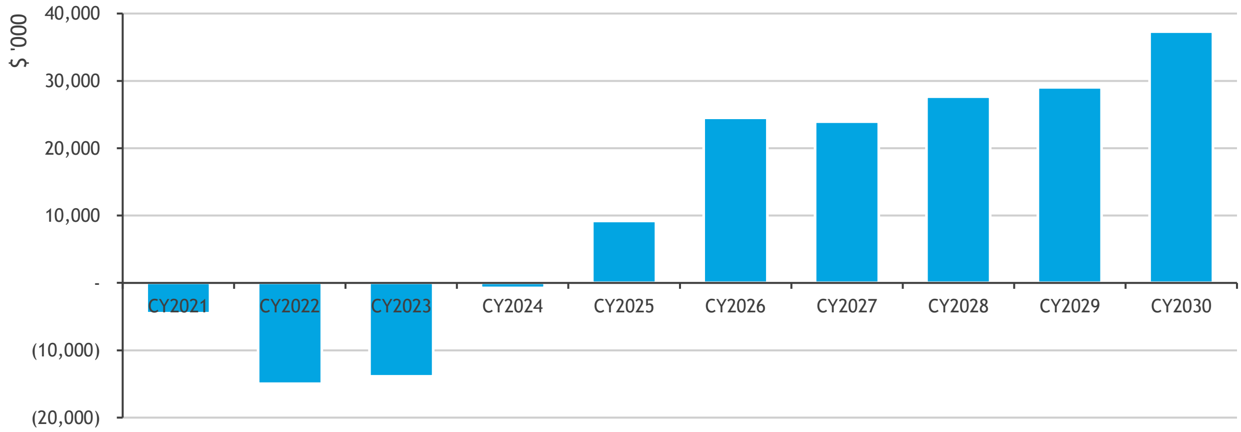
- The success of the Merged Group depends on the Directors' ability to integrate SciMag and Tecmag into Magnetica's existing business with minimal disruption. Any one-off costs, unforeseen delays to the integration of the businesses or disruptions to revenue streams may have a material impact on the Merged Group's ability to operate;
- The profitability of the Merged Group largely relies on the uptake of the co-developed MRI systems within their respective markets. If there were delays in production or lower than expected demand for its products, the profitability and operational capability of the Merged Group would be impacted;
- The risk profile of the Merged Group will likely be different to that of Magnetica prior to the Proposed Transaction. Upon Completion, Magnetica shareholders will have exposure to a large spectrum of the manufacturing chain, as well as subsidiaries and operations that span across geographic borders;
- The Proposed Transaction assumes Magnetica's existing resources, together with funding provided by Avingtrans will be sufficient to maintain planned operations until revenues meet operating expenses, or until additional funding arrangements can be arranged. Given the uncertainty surrounding these considerations, the Merged Group may not be guaranteed to secure adequate funding to sustain future operations;
- In entering the SCA market upon the development of the SCA MRI system, the Merged Group will effectively de-risk its business and revenue streams through diversification of its product offerings. As such, the Merged Group will no longer rely on a single market for which it supplies MRI systems to; and
- The Merged Group will also have better exposure to global capital markets having operations in the United Kingdom, Europe, the United States and Australia. We also note Avingtrans is a publicly listed entity and may therefore be able to access capital markets more easily than Magnetica could on a standalone entity basis. This may enable the Merged Group to more easily fund future growth plans.

Taking the above factors into consideration as well as the nature of the Merged Group, we believe it is not unreasonable to adopt a discount rate for the Merged Group in the range of 14.0% to 16.0%. We have set out sensitivity analysis on the discount rate in Section 10.2.6 to assist users of this Report that may have an alternative view on an appropriate discount rate or would like to understand the impact of applying an alternative discount rate.

10.2.2.10 Projected Free Cash Flow to the Firm

Figure 10.2 graphs the projected FCFF that we have adopted for our DCF valuation of the Merged Group over the explicit forecast period to CY2030.

Figure 10.2: Projected Free Cash Flow of the Merged Group



Source: The Post-Transaction Model, BDOCF Analysis

With reference to Figure 10.2, we note the following:

- Based on the assumptions adopted, the Merged Group exhausts its accumulated tax losses and starts paying tax from CY2026 onwards; and

- A terminal value is calculated by capitalising net after tax FCFF based on a perpetual growth assumption, utilising the Gordon Growth Method and a terminal growth rate of 2.5% p.a.

10.2.3 DCF Valuation of the Merged Group

The DCF valuation is based on the Projected FCFF described in Section 10.2.2.2 above. A terminal value is calculated by capitalising net after tax FCFF based on a perpetual growth assumption, utilising the Gordon Growth Method.

10.2.3.1 Base Case DCF Valuation of the Merged Group

Having regard to the assumptions outlined in Section 10.2.2 above, Table 10.2 summarises our estimated enterprise value for Magnetica using a DCF valuation methodology having regard to the Directors' best estimate of the future performance of the Merged Group ('Merged Group Base Case'). We note the low and high values are determined by using the high and low end of our discount rate range respectively.

Table 10.2: DCF Valuation of Merged Group Base Case

	Low ($000's)	High ($000's)
DCF Value	71,031.9	96,608.7

Source: BDOCF analysis

Table 10.2 shows that we estimate the equity value of the Merged Group using a DCF valuation methodology to be within the range of $71.0 million to $96.6 million on a controlling interest basis.

10.2.3.2 Sensitivity Analysis of the Base Case DCF Valuation

The DCF valuation of the Merged Group is based on a number of assumptions which are subject to a significant amount of uncertainty. We have completed a sensitivity analysis on the enterprise value of the Merged Group on:

- The Merged Group Base Case; and
- A case that assumes a one year delay in the sale and leasing of MRI Systems ('Merged Group Delay Case'). Given the uncertainty associated with the manufacturing and sales capabilities of the Merged Group, we consider it appropriate to model a case that assumes the sale and leasing of MRI Systems are delayed by one year relative to the Merged Group Base Case.

The following variables have been adjusted in isolation, all other things held equal:

- ±10% increase in MRI sale volumes;
- ±10% increase in COGS;
- ±10% increase in other expenses;
- ±10% change in forecasted GBP/AUD exchange rate;
- An absolute ±1% change in the discount rate; and
- An absolute ±1% change in the terminal growth rate.

Table 10.3 summarises the impact of the above mentioned variables on our DCF valuation of the Merged Group using the high and low ends of our discount rate range, holding all factors constant, except the relevant sensitivity variable.

Table 10.3: Sensitivity Analysis of the Key Inputs

	Merged Group Base Case ($000's)		Merged Group Delay Case ($000's)	
	Low (16%)	High (14%)	Low (16%)	High (14%)
Base Case	71,031.9	96,608.7	57,364.3	80,806.4
MRI Sub Systems Volume				
10% Increase	101,237.8	134,435.6	83,397.8	113,981.8
10% Decrease	40,826.0	58,781.7	31,330.7	47,631.1
COGS				
10% Increase	50,619.7	71,379.9	39,738.5	58,646.5
10% Decrease	91,444.1	121,837.4	74,990.0	102,966.4
Other Expenses				
10% Increase	62,241.0	86,061.2	49,279.6	71,039.1
10% Decrease	79,822.8	107,156.1	65,448.9	90,573.7
FX (AUD/GBP)				
10% Increase	78,135.1	106,269.5	63,100.7	88,887.1
10% Decrease	63,928.7	86,947.8	51,627.9	72,725.8
Discount Rate				
1% Increase	61,276.2	82,641.4	48,535.8	67,958.3
1% Decrease	82,641.4	113,631.6	48,535.8	96,586.1

	Merged Group Base Case ($000's)		Merged Group Delay Case ($000's)	
	Low (16%)	High (14%)	Low (16%)	High (14%)
Terminal Growth Rate				
1% Increase	75,684.2	104,212.0	61,374.9	87,476.1
1% Decrease	67,021.2	90,221.8	53,906.8	75,204.0

Source: BDOCF analysis

Users of this Report should note that:

- In reality, the variables described above would have compounding or offsetting effects and are unlikely to move in isolation;
- The variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions; and
- The sensitivities we have performed do not cover the full range of possible variances from the assumptions assumed (i.e. variances could be greater than the percentage increases or decreases set out in this analysis).

10.2.3.3 Conclusion on the DCF Valuation of the Merged Group

In our view, for the purpose of this Report, it is appropriate to adopt an enterprise value in the range of $55.0 million to $95.0 million for the Merged Group. We have set out a sensitivity analysis in Section 10.2.3.2 (above) to assist users of this Report that may have an alternative view on certain key assumptions adopted for our work.

10.2.4 Adjustment for Surplus Assets and Liabilities

We have considered the carrying values recorded in Magnetica's balance sheet as at 30 September 2020 and have made enquiries of the Directors. As the Proposed Transaction is on a debt free basis, we have made no adjustment for the surplus liabilities of SciMag and Tecmag.

Based on our enquiries, we have summarised the value we have adopted for the Merged Group's surplus assets and liabilities in Table 10.4 below.

Table 10.4: Values Adopted for the Surplus Assets and Liabilities

	Reference	Value ($000's)
Surplus Assets and Liabilities of Magnetica prior to the Proposed-Transaction	Section 9.2.4	1,355.2
Expected funding from the SciMag Cash Contribution and the Avingtrans Investment	Section 4.1.1	5,693.8
Total		**7,049.0**

Source: Magnetica's Management Accounts as at as at 30 September 2020, Management representations and BDOCF analysis

In relation to Table 10.4 we note:

- Under the Proposed Transaction, the Merged Group will receive up to £3.2 million (approximately $5.69 million) in cash from the SciMag Cash Contribution and the Avingtrans Investment (see Section 4.1.1 for more information); and
- All other operating assets and liabilities are allowed for within our DCF valuation of the Merged Group. We have also been informed by the Directors that there are no other material surplus assets or liabilities that have not been recorded in the management accounts of Magnetica, SciMag and Tecmag as at the date of this Report.

10.2.5 Equity Value of the Merged Group based on DCF Valuation

Having regard to the assumptions outlined above, Table 10.5 summarises our estimated equity value for the Merged Group using a DCF valuation methodology.

Table 10.5: DCF Valuation of Merged Group

	Reference	Low ($000's)	High ($000's)
DCF Value - Selected Range	Section 10.2.3.3	55,000.0	95,000.0
Surplus Assets and Liabilities	Section 10.2.4	7,065.1	7,065.1
Equity Value of Magnetica		**62,065.1**	**102,065.1**

Source: BDOCF analysis

Table 10.5 shows that we estimate the equity value of the Merged Group using a DCF valuation methodology to be within the range of $62.1 million to $102.1 million on a controlling interest basis.

10.2.6 Value of a Magnetica Share Post the Proposed Transaction on a Minority Interest Basis

To calculate the value of an ordinary share in the Merged Group on a minority interest basis post the Proposed Transaction we have:

- Increased the number of shares on issue by the 180,827,603 Consideration Shares to be issued to the Sellers and the 29,265,540 Investment shares to be issued under the Avingtrans Investment, giving a total of 338,985,327;
- Calculated the equity value per share on a controlling interest basis by dividing the equity value attributable to ordinary shareholders by the number of shares outstanding post the Proposed Transaction; and
- Calculated the equity value held by all equity holders on a minority interest basis by applying a minority interest discount of 23.1% (equivalent to the inverse of our assumed control premium of 30%). Our assumed control premium is based on the results of our research and analysis into control premiums in Australia (refer to Appendix A).

Table 10.6 below sets out the value of Magnetica on a per share basis.

Table 10.6: Equity Value of the Merged Group's Ordinary Shares on a Minority Interest Basis

	Reference	Low ($000's)	High ($000's)
Equity Value Attributable to all Security Holders	Section 10.2.5	62,065.1	102,065.1
Number of Magnetica Ordinary Shares on Issue following the Proposed Transaction[1]	Section 4.1.1	338,985.3	338,985.3
Equity Value of a Magnetica Share (controlling interest basis)		**0.18**	**0.30**
Minority Discount[2]		-23.1%	-23.1%
Value of Magnetica Shares (minority basis)		**0.14**	**0.23**

Source: BDOCF analysis

1 Total number of shares is based on 119,567,184 ordinary shares outstanding as at 30 September, 9,125,000 shares to be issued in respect to the vested and converted performance rights upon a change of control event, 180,827,603 Consideration Shares and 29,265,540 Investment Shares. We have excluded the impact of Magnetica's options on issue prior to the Proposed Transaction as the impact of these options is considered to be immaterial given that they are deeply 'out of the money'.

2 Adjustment to remove control premium calculated as 1/(1+0.3), with the 0.3 input referring to the 30% control premium adopted.

Table 10.6 above shows that our equity value of the Merged Group post the Proposed Transaction on a minority interest basis is between $0.14 and $0.23 per share having regard to a DCF valuation methodology.

10.3 Indicative Net Asset Value of the Merged Group

The indicative net asset value of the Merged Group on a going concern basis is reflected in Table 10.7 below.

Table 10.7 Indicative Net Asset Value of the Merged Group

	As at 30 September 2020 Pro Forma ($)
Cash & Cash Equivalents	7,053,757
Trade Receivables	528,856
Inventories	612,845
Other Assets	443,905
Total Current Assets	**8,639,363**
Property, Plant & Equipment	378,458
Intangible Assets	7,577,285
Investments	12,1342
Total Non-current Assets	**8,077,085**
Total Assets	16,716,448
Trade and Other Payables	2,141,666
Lease Liabilities	114,363
Total Current Liabilities	**2,256,028**
Total Non-current Liabilities	-
Total Liabilities	**2,256,028**
Net Assets	**14,460,419**
Number of Magnetica Ordinary Shares on Issue following the Proposed Transaction	338,985,327
NTA Per Share ($/share)	**0.043**

Source: BDOCF analysis, Magnetica's management accounts as at 30 September 2020, SciMag and Tecmag's management accounts as at 30 September 2020

With reference to Table 10.6 above, we note the following:

- We have increased the Merged Group's cash balance (adjusted for transaction costs) as at 30 September 2020 of approximately $1.36 million by $5.69 million to reflect the SciMag Cash Contribution and the Avingtrans Investment;

- We have adopted the book value of the IP assets of the Merged Group as a proxy for their value. The book value of the IP assets is likely to be lower than the current fair value of the IP assets that will held by the Merged Group;
- As the Proposed Transaction is on a debt free basis, we have not considered the short term borrowing and inter-company loans of SciMag and Tecmag; and
- For the purpose of preparing this indicative net asset value of the Merged Group, we have not considered the requirements of AASB 3 *Business Combinations*.

10.4 Value of the Merged Group Shares following the Proposed Transaction on a on a minority interest basis

Having regard to our DCF valuation of the Merged Group's shares, in our view, for the purpose of our assessment of the Proposed Transaction it is appropriate to adopt a value as at the date of this Report in the range of \$0.14 to \$0.23 on a minority interest basis.

Appendix A: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with:

- Control over the strategic direction of the company;
- Control over the operating and financial decisions of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over appointment of staff and setting financial policies.

The increase in the value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, a range of factors may affect control premiums, including:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Concentration of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the target sector;
- The presence of competing bids; and
- General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to Magnetica for the purposes of this Report, we have considered:

- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Our own research on control premiums implied by the trading data of ASX listed companies subject to control transactions, which supports the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice and our experience.

Having regard to the information set out above, in our view, it is appropriate to consider a control premium of 30% for the purposes of assessing the Proposed Transaction within the context of this Report. This implies a minority interest discount of 23.1%, calculated as the inverse of the control premium[12].

[12] Minority interest discount = 1 – (1 / (1 + control premium))

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Financial Statements
Space Cryomagnetics Limited

For the Year Ended 31 May 2020

Registered number: 03950388

Space Cryomagnetics Limited
Registered number:03950388

Company Information

DIRECTORS	Mr Clint Gouveia Mr Austen Adams Mr Stephen McQuillan
COMPANY REGISTRATION NUMBER	03950388
REGISTERED OFFICE	7 Suffolk Way Abingdon Oxfordshire OX14 5JX
INDEPENDENT AUDITOR	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT
BANKERS	Lloyds Bank PLC 1 Legg Street Chelmsford Essex CM1 1JS
SOLICITORS	Shakespeare Martineau LLP No 1 Colmore Square Birmingham B4 6AA

Contents

Directors' Report
For the Period Ended 31 May 2020

The directors present their report and the financial statements for the period ended 31 May 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the design, development and manufacture of standard and bespoke cryogenic and superconducting magnet systems.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £536,361 (2019 – Loss £830,032).

The directors do not recommend the payment of a dividend for the period (2019 – Nil).

GOING CONCERN

After making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this report and, therefore, continue to adopt the going concern basis in preparing the financial statements.

The Company's system of controls includes a comprehensive budgeting system. Monthly monitoring of actual results against budget is standard and variances are investigated. There is also a quarterly forecasting exercise which is reviewed against actual results and market opportunities/conditions.

The Company shares banking facilities with fellow Group subsidiaries. Cross guarantees are in place amongst those companies covered by the facilities and with the ultimate parent, Avingtrans plc. Consequently, budgets/forecast for the Company are reviewed along with other Group companies to ensure that the businesses are operating within the facilities.

Annual budgets consist of a consolidated profit and loss, balance sheet and a cashflow for the following 2 years. This is based on Managements' understanding of the markets, customer requirements, supply chains, capability and capacity. This is challenged by Group Management to ensure it reflects a reasonable representation of all evidence available. Budgets are reviewed alongside an analysis of risks and opportunities to ensure that they are adequately sensitised across markets/ customers/ contracts/ opportunities.

Avingtrans plc has issued a letter of support to the Company. This letter states that for 12 months from the date of this report, Avingtrans will support the Company to meet its liabilities as they fall due and ensure that the Company continues to remain operational as a going concern.

All entities within the Avingtrans Group have remained operational throughout the pandemic to date. Group operations have been supported by a significant order backlog plus a continuing flow of orders from our customer base. Our sites have seen some original equipment orders being delayed, particularly from the Oil & Gas customers, however, our large install base of pumps and motors ensure that there remains a steady flow of aftermarket orders flowing into our businesses. Our supply chain has remained resilient, with goods continuing to flow from some of the worst affected regions, albeit with some delay.

Despite the Covid-19 pandemic, management remain confident that they will be able to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these accounts.

Directors' Report
For the Period Ended 31 May 2020

DIRECTORS

The directors who served during the period were:

Mr Clint Gouveia
Mr Austen Adams
Mr Stephen McQuillan

QUALIFYING INDEMNITY PROVISIONS

The Company has provided qualifying third party indemnity provisions in respect of its directors which were in force during the year and at the date of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report

For the Period Ended 31 May 2020

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The Company's principal financial instruments comprise cash, trade debtors and trade creditors that arise directly from its operations. The Company has not entered into derivative transactions, nor does it trade in financial instruments as a matter of policy.

Credit risk
The Company's principal financial assets are bank balances, cash and trade debtors which represent the Company's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the Statement of Financial Position are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Foreign currency risk
The Company's principal exposure to exchange rate fluctuations arises on the translation of receipts in respect of contracts denominated in Euros.

The Company seeks to mitigate this risk wherever possible through natural hedging with other group companies.

Cash flow interest rate risk
The Company finances its operations where necessary through loan agreements, principally at variable rates at negotiated fine margins using the pooling of the group's requirements to achieve this.

Liquidity risk
The Company's liquidity is maintained through a combination of cash and debtor financing for working capital needs.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

POST YEAR-END EVENTS

There have been no significant events affecting the Company since the year-end.

Directors' Report

For the Period Ended 31 May 2020

RESEARCH AND DEVELOPMENT

During the period £180,458 (2019: £284,359) was capitalised in respect of development costs. There were no research costs incurred during the period (2019: £Nil).

SMALL COMPANIES' EXEMPTION

In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

AUDITOR

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by

S McQuillan
Director

Date:

Independent Auditor's Report to the Members of Space Cryomagnetics Limited

Opinion

We have audited the financial statements of Space Cryomagnetics Limited (the 'company') for the year ended 31 May 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Independent Auditor's Report to the Members of Space Cryomagnetics Limited

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Space Cryomagnetics Limited

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton

Independent Auditor's Report to the Members of Space Cryomagnetics Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David White (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Birmingham

Date:

Statement of Comprehensive Income

For the Year Ended 31 May 2020

	Note	Year ended 31 May 2020 £	Year ended 31 May 2019 £
Revenue	3	**1,129,769**	1,021,487
Cost of sales		**(931,320)**	(1,017,778)
Gross profit		**198,449**	3,709
Administrative expenses		**(791,287)**	(787,384)
Operating loss	4	**(592,838)**	(783,675)
Interest payable and similar charges	8	**(64,592)**	(57,307)
Interest receivable and similar income	9	**-**	9
Loss before tax		**(657,430)**	(840,973)
Tax on profit	10	**121,069**	10,941
Loss for the period		**(536,361)**	(830,032)
Other comprehensive income		-	-
Total comprehensive income for the period		**(536,361)**	(830,032)

There were no recognised gains or losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 12 to 28 form part of these financial statements.

Statement of Financial Position
As at 31 May 2020

	Note	31 May 2020 £	31 May 2019 £
Fixed assets			
Intangible assets	11	**721,787**	603,577
Tangible assets	12	**86,171**	105,615
Investments	13	**100**	100
		808,058	709,292
Current assets			
Stocks	14	**206,507**	335,541
Debtors: Amounts falling due within one year	15	**315,901**	308,961
Cash in bank and in hand	17	**191,099**	85,265
		713,507	729,767
Creditors: Amounts falling due within one year	18	**(773,184)**	(716,199)
Net current assets		**(59,677)**	13,568
Total assets less current liabilities		**748,381**	722,860
Creditors: Amounts falling due after more than one year	19	**(2,892,206)**	(2,330,324)
Net assets		**(2,143,825)**	(1,607,464)
Capital and reserves			
Called up share capital	23	**40**	40
Share premium account	22	**249,990**	249,990
Capital redemption reserve	22	**17**	17
Profit and loss account	22	**(2,393,872)**	(1,857,511)
Total shareholders' funds		**(2,143,825)**	(1,607,464)

These financial statements were approved and authorised for issue by the board by

Stephen McQuillan
Director

Date:
The notes on pages 12 to 28 form part of these financial statements.

Statement of Changes in Equity

As at 31 May 2020

	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 June 2019	**40**	**249,990**	**17**	**(1,857,511)**	**(1,607,464)**
Comprehensive income for the period					
Loss for the period	-	-	-	**(536,361)**	**(536,361)**
Total comprehensive income for the period	-	-	-	**(536,361)**	**(536,361)**
At 31 May 2020	**40**	**249,990**	**17**	**(2,393,872)**	**(2,143,825)**

	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 June 2018	40	249,990	17	(1,027,479)	(777,432)
Comprehensive income for the year					
Loss for the year	-	-	-	(830,032)	(830,032)
Total comprehensive income for the year	-	-	-	(830,032)	(830,032)
At 31 May 2019	40	249,990	17	(1,857,511)	(1,607,464)

The notes on pages 12 to 28 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 May 2020

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The Company is a wholly owned subsidiary of Scientific Magnetics Limited for which consolidated accounts are not prepared. The ultimate parent company is Avingtrans plc ("AVG") which is registered in England. AVG also prepares consolidated financial statements for which the Company is a member. Copies of the financial statements can be obtained from the AVG website www.avingtrans.plc.uk

1.2 Changes in accounting policy

There have been no changes in accounting policy in the year.

1.3 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirement of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:-
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;

This information is included in the consolidated financial statements of Avingtrans plc (the ultimate parent undertaking) as at 31 May 2020 copies of which may be obtained from Chatteris Business Park, Honeysome Road, Chatteris, Cambridgeshire, PE16 6SA.

Exemption from the preparation of consolidated financial statements

The financial statements contain information about Space Cryomagnetics Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the Avingtrans plc consolidated accounts of the larger group.

Notes to the Financial Statements

For the Year Ended 31 May 2020

1.4 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details on going concern, including group support are found in the Directors Report.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.6 Other operating income

Other operating income relates to R&D tax credits and is recognised to the extent that it is received or receivable.

Notes to the Financial Statements
For the Year Ended 31 May 2020

1.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

1.8 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Leasehold improvements	Over the length of the lease (5 years)
Plant and machinery	10% to 25%
Fixtures and fittings	10% to 25%
Motor vehicles	33%
Computer equipment	25% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year end and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

1.10 Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate has been determined by looking at historical borrowing rates and adjusting these to reflect the term of the lease, economic environment, and type of asset being leased.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

Notes to the Financial Statements

For the Year Ended 31 May 2020

Leases (continued)

The lease liability is included in 'Creditors' on the Statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' line, as applicable, in the Statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

On implementation the Company has opted not to recognise lease liabilities for leases with less than 1 year remaining on their term.

Leases with a term of under 1 year or with a value of less than £5,000 will continue to be recognised as operating leases.

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first-in first-out basis. Work in progress and finished goods include labour and attributable overheads.

At each year-end date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Notes to the Financial Statements
For the Year Ended 31 May 2020

1.12 Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of work carried out at the year end, by recording turnover and related costs as contract activity progresses.

Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

1.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.15 Foreign currencies

Functional and presentation currency:
The Company's functional and presentational currency is Sterling (£).

Transactions and balances:
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

Notes to the Financial Statements

For the Year Ended 31 May 2020

1.16 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially, and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or is financed at a rate of interest that is not market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.17 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.18 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.19 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

Notes to the Financial Statements

For the Year Ended 31 May 2020

1.20 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.21 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year-end date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the year-end date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

1.22 Related party transactions

The company has taken advantage of the exemption available under IAS 24 from disclosing transactions with wholly owned members of the group on the grounds that it is a wholly owned subsidiary and its results are consolidated within Avingtrans plc and these financial statements are publicly available.

Notes to the Financial Statements
For the Year Ended 31 May 2020

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these judgments and estimates have been made include:

Significant management estimates
Trade debtors
Trade debtors consist of amounts due from customers. An allowance for doubtful debts is maintained for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance is based on the Company's regular assessment of the creditworthiness and financial conditions of customers.

Stocks
Certain factors could affect the realisable value of the Company's stocks, including customer demand and market conditions. The Company considers historic usage, expected demand, anticipated sales price, effect of new product introductions, product obsolescence, and other factors when evaluating the value of stock.

Development costs
The Company capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

3. ANALYSIS OF REVENUE

The whole of revenue is attributable to the principal activities of the Company.

An analysis of revenue by geographical regions of destination is as follows:

	Year ended 31 May 2020 £	Year ended 31 May 2019 £
United Kingdom	**250,004**	125,857
Rest of the World	**879,766**	895,630
	1,129,769	1,021,487

Notes to the Financial Statements

For the Year Ended 31 May 2020

4. OPERATING LOSS

Operating loss is stated after charging:	**Year ended 31 May 2020 £**	Year ended 31 May 2019 £
Depreciation of tangible fixed assets	**23,526**	20,689
Amortisation of intangible assets	**62,248**	7,666
Operating lease rentals	**58,198**	58,462
Defined contribution pension cost	**35,060**	38,210

5. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	Year ended 31 May 2020 £	Year ended 31 May 2019 £
Auditor's remuneration	**12,500**	12,500

6. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 May 2020 £	Year ended 31 May 2019 £
Wages and salaries	**741,214**	749,696
Social security costs	**88,551**	89,102
Company contributions to defined contribution pension schemes	**35,060**	38,210
	864,826	877,009

The average monthly number of employees, including the directors, during the period was as follows:

	2020 Number	2019 Number
Production	**10**	10
Sales and marketing	**-**	1
Administration	**7**	8
Total	**17**	19

Notes to the Financial Statements

For the Year Ended 31 May 2020

6. EMPLOYEES - continued

Directors' remuneration costs were as follows:

	Year ended 31 May 2020	Year ended 31 May 2019
	£	£
Emoluments	**87,986**	69,563
Other pension costs	**8,000**	6,767
	95,986	76,330

During the year 1 director accrued retirement benefits (2019: 1) in respect of defined contribution pension schemes.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,000 (2019: £6,767)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 May 2020	Year ended 31 May 2019
	£	£
Interest payable	**64,592**	57,307

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 May 2020	Year ended 31 May 2019
	£	£
Interest receivable	**-**	9

Notes to the Financial Statements

For the Year Ended 31 May 2020

9. TAXATION

	Year ended 31 May 2020 £	Year ended 31 May 2019 £
Corporation tax		
UK Corporation tax	**(128,424)**	(120,314)
Adjustments in respect of previous periods	**7,355**	109,373
Taxation on profit on ordinary activities	**(121,069)**	(10,941)

FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below

	Year ended 31 May 2020 £	Year ended 31 May 2019 £
Loss on ordinary activities before tax	**(657,430)**	(840,973)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	**(124,912)**	(159,785)
Effects of:		
Permanent differences	**(7,580)**	8,573
Adjustments to tax charge in respect of prior periods	**7,355**	109,373
Un-provided deferred tax differences	**4,068**	30,898
Total tax credit for the period	**(121,069)**	(10,941)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The headline UK tax rate will now be held at 19% (rather than reducing to 17% as previously enacted) following the Chancellor's Budget on 11 March 2020. The change to remain at 19% was substantively enacted on 17 March 2020. Deferred tax has been measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 May 2020

10. INTANGIBLE ASSETS

	Development costs
	£
Cost	
At 1 June 2019	611,243
Additions	180,458
At 31 May 2020	**791,701**
Amortisation	
At 1 June 2019	7,666
Provided in the year	62,248
At 31 May 2020	**69,914**
Net book amount	
At 31 May 2020	**721,787**
At 1 June 2019	603,577

11. TANGIBLE FIXED ASSETS

	Plant and machinery	Fixtures and Fittings	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 June 2019	111,362	9,737	49,769	19,397	190,265
Additions	-	2,683	1,400	-	4,083
Disposals					
At 31 May 2020	**111,362**	**12,420**	**51,169**	**19,397**	**194,348**
Depreciation					
At 1 June 2019	39,288	4,423	33,934	7,004	84,650
Provided in the year	8,596	891	9,190	4,849	23,526
Disposals					
At 31 May 2020	**47,884**	**5,314**	**43,124**	**11,854**	**108,176**
Net book value					
At 31 May 2020	**63,478**	**7,106**	**8,044**	**7,543**	**86,171**
At 31 May 2019	72,074	5,314	15,835	12,393	105,615

Notes to the Financial Statements

For the Year Ended 31 May 2020

12. FIXED ASSET INVESTMENTS

	Investment in subsidiary company £
Cost	
At 1 June 2019 and 31 May 2020	**100**
Net book value at 1 June 2019 and 31 May 2020	**100**

Subsidiary undertakings

The following was a subsidiary undertaking of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Scientific Magnetics Limited	UK	Ordinary	100%	Dormant
Tecmag Inc	USA	Ordinary	100%	Trading

13. STOCKS

	31 May 2020 £	31 May 2019 £
Consumables	**-**	5,887
Work in progress	**79,708**	53,589
Finished goods	**126,799**	276,065
	206,507	335,541

Inventories recognised in cost of sales during the period as an expense totals £506,401 (2019: £534,755).

No impairment losses (2019: £Nil) were recognised against stock during the period due to slow-moving and obsolete stock.

Notes to the Financial Statements

For the Year Ended 31 May 2020

14. DEBTORS

	31 May 2020 £	31 May 2019 £
Trade debtors	**184,869**	203,979
Amounts recoverable on contracts	**60,084**	41,142
Corporation Tax Receivable	**22,246**	-
Other tax - VAT	**36,151**	54,921
Other debtors and prepayments	**12,551**	8,919
	315,901	308,961

Impairment losses of £Nil (2019: £Nil) were recognised against trade debtors.

15. LONG TERM CONTRACTS

	31 May 2020 £	31 May 2019 £
Gross amounts due from customers for contract work (included in current assets)	**60,084**	41,142
Gross amounts due to customers for contract work (included in current liabilities)	**-**	-
	60,084	41,142
Contract costs incurred plus recognised profits less recognised losses to date	**1,172,252**	315,421
Less progress billings	**(1,111,448)**	(274,279)
	60,084	41,142

Revenue arising from long term contracts was £127,997 (2019: £501,241).

16. CASH AND CASH EQUIVALENTS

	31 May 2020 £	31 May 2019 £
Cash at bank and in hand	**191,099**	85,265

Notes to the Financial Statements

For the Year Ended 31 May 2020

17. CREDITORS: Amounts falling due within one year

	31 May 2020 £	31 May 2019 £
Trade creditors	**242,387**	244,975
Amounts due to group undertakings	**206,380**	226,046
Other creditors	**65,811**	95,852
Other taxation and social security	**68,771**	20,605
Accruals and deferred income	**189,835**	128,721
	773,184	716,199

18. CREDITORS: Amounts falling due after more than one year

	31 May 2020 £	31 May 2019 £
Amounts due to group undertakings	**2,892,206**	2,330,324

Amounts owed to group undertakings are repayable on demand and incur interest charged at 2.5% per annum.

19. FINANCIAL INSTRUMENTS

	31 May 2020 £	31 May 2019 £
Financial assets:		
Cash and cash equivalents	**191,099**	85,265
Financial assets that are debt instruments measured at amortised cost	**315,901**	300,042
Financial liabilities:		
Financial liabilities measured at amortised cost	**3,665,390**	3,046,523

Cash and cash equivalents comprise cash in hand, deposits and highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible into known amounts of cash with insignificant risks of change in value.

Financial assets measured at amortised cost are comprised of trade debtors, amounts recoverable on contracts and accrued income.

Financial liabilities measured at amortised cost are comprised of bank overdrafts, trade creditors, amounts due to group undertakings, other loans, other creditors and accruals.

Notes to the Financial Statements
For the Year Ended 31 May 2020

20. DEFERRED TAXATION

Deferred tax assets have not been recognised in respect of the following amounts:

	31 May 2020 £	31 May 2019 £
Accelerated capital allowances	**9,289**	10,461
Trading losses	**652,469**	520,416
Short-term timing differences	**(98,119)**	12,223
	563,639	543,100

21. RESERVES

Capital redemption reserve
A non-distributable reserve following the purchase or redemption of the Company's shares in a prior period.

Profit & loss account
Includes all current and prior period retained profits and losses.

Share premium account
A non-distributable reserve following the purchase of shares for a premium.

22. SHARE CAPITAL

	31 May 2020 £	31 May 2019 £
Allotted, called up and fully paid		
300 Ordinary shares of £0.10 each	**30**	30
100 A preference shares of £0.10 each	**10**	10
	40	40

23. PENSION CONTRIBUTIONS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those in the company in an independently administered fund.
The pension cost charge represents contributions payable by the company to the fund and amounted to £35,244 (2019: £38,210). Contributions outstanding total £5,489 (2019: £6,206) at the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 May 2020

24. COMMITMENTS UNDER OPERATING LEASES

As at 31 May 2020, the Company had future minimum rentals payable under non-cancellable operating leases as follows:

	31 May 2020 £	31 May 2019 £
Due within one year	**-**	43,829
Due between 2 and 5 years	**-**	-

25. RELATED PARTY TRANSACTIONS

On 27 February 2017, Avingtrans plc acquired 82% of the issued share capital of the Company. Transactions with Avingtrans plc and other members of the group are set out below:

Year ended 31 May 2020:

- Avingtrans plc – Sales £Nil; purchases £Nil; interest payable £64,592; cash advance £570,000. Inter-company balances at 31 May 2020 – creditor £3,013,275.
- Maloney Metalcraft Limited – Purchases £Nil. Inter-company creditor balance at 31 May 2020 £60,000.
- Stainless Metalcraft (Chatteris) Limited – Purchases £105 Inter-company creditor balance at 31 May 2020 £137,457
- Tecmag Inc – Purchases £Nil. Inter-company creditor balance at 31 May 2020 £50,798.

Year ended 31 May 2019

- Avingtrans plc – Sales £Nil; purchases £Nil; interest payable £57,307; cash advance £795,000. Inter-company balances at 31 May 2019 – creditor £291,648 and loan creditor £2,030,589.
- Maloney Metalcraft Limited – Purchases £Nil. Inter-company creditor balance at 31 May 2019 £60,000.
- Stainless Metalcraft (Chatteris) Limited – Purchases £33,543. Inter-company creditor balance at 31 May 2019 £137,332.
- Tecmag Inc – Purchases £50,798. Inter-company creditor balance at 31 May 2019 £50,798.

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Avingtrans plc, which is registered in England and Wales. Copies of the financial statements of Avingtrans plc can be obtained from the Company Secretary at Chatteris Business Park, Honeysome Road, Chatteris, Cambridgeshire, PE16 6SA.

Virtual Meeting User Guide

Getting Started

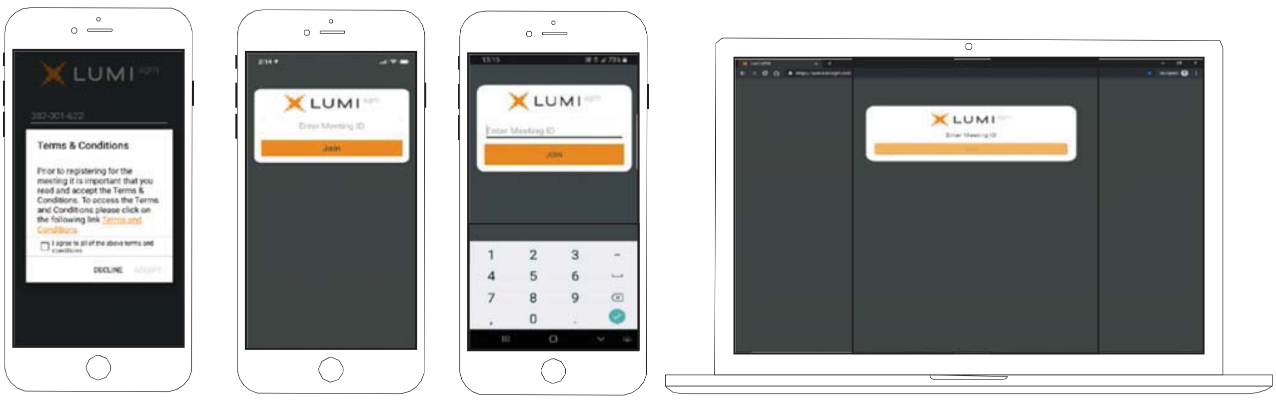
In order to participate in the meeting, you will need to download the App onto your smartphone device. This can be downloaded from the Google Play Store™ or the Apple® App Store by searching by app name "**Lumi AGM**".

Alternatively, **Lumi AGM** can be accessed using any web browser on a PC, tablet or smartphone device. To use this method, please go to **https://web.lumiagm.com**.

To log in to the portal, you will need the following information:

Meeting ID: 321-688-671	
Australian Residents	**Username - Voting Access Code (VAC*)** and **Password** (postcode of your registered address) *Voting Access Code (VAC) can be located on the first page of your proxy form or on your notice of meeting email.
Overseas Residents	**Username - Voting Access Code (VAC*)** and **Password** (three character country code e.g. New Zealand – NZL. A full list of country codes can be found at the end of this guide.) *Voting Access Code (VAC) can be located on the first page of your proxy form or on your notice of meeting email. A full list of country codes can be found at the end of this guide.
Appointed Proxy	To receive your Username and Password, please contact our share registry, Boardroom Pty Ltd on **1300 737 760** or **+61 2 9290 9600** between 8:30am to 5:30pm (Sydney time) Monday to Friday the day before the meeting.

To join the meeting, you will be required to enter the above unique 9 digit meeting ID and select '**Join**'. To proceed to registration, you will be asked to read and accept the terms and conditions.

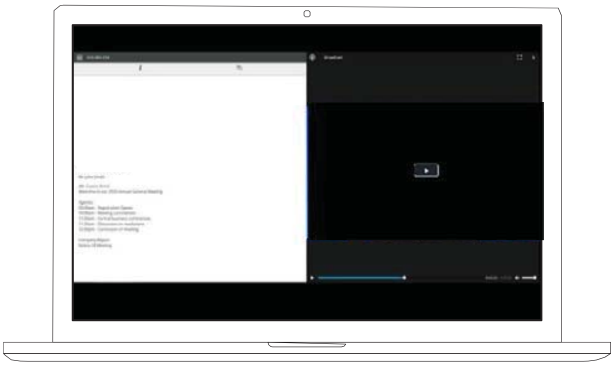


If you are a Shareholder, select 'I have a login' and enter your Username VAC (Voting Access Code) and Password (postcode or country code). **If you are a Proxyholder** you will need to enter the unique Username and Password provided by Boardroom and select **'Login'.**

If you are not a Shareholder, select 'I am a guest'. You will be asked to enter your name and email details, then select 'Enter'. Please note, guests are not able to ask questions at the meeting.

Navigating

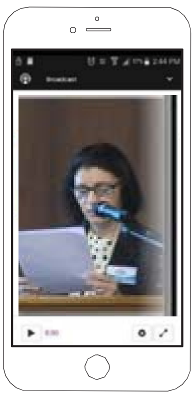
Once you have registered, you will be taken to the **homepage** which displays your name and meeting information.



To activate the webcast, please click on the **Broadcast bar** at the bottom of the screen. If prompted you may have to click the play button in the window to initiate the broadcast.

Once you select to view the webcast from a smartphone it can take up to approximately 30 seconds for the live feed to appear on some devices. If you attempt to log into the app before the Meeting commences, a dialog box will appear.

NOTE: We recommend once you have logged in, you keep your browser open for the duration of the meeting. If you close your browser you will be asked to repeat the log in process.

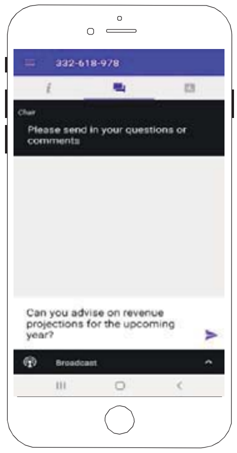


To ask a Question

If you would like to ask a question:

1. Select the question icon
2. Compose your question.
3. Select the send icon
4. You will receive confirmation that your question has been received.

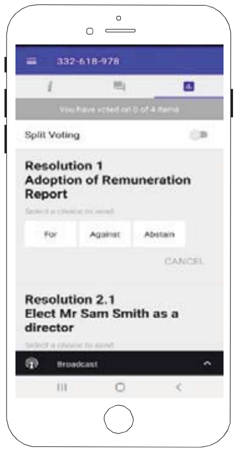
The Chair will give all Shareholders a reasonable opportunity to ask questions and will endeavor to answer all questions at the Meeting.

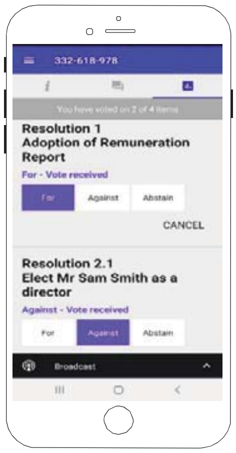


To Vote

If you would like to cast a vote:

1. When the Chair declares the polls open, the resolutions and voting choices will appear.
2. Press the option corresponding with the way in which you wish to vote.
3. Once the option has been selected, the vote will appear in blue.
4. If you change your mind and wish to change your vote, you can simply press the new vote or cancel your vote at any time before the Chair closes the polls.
5. Upon conclusion of the meeting the home screen will be updated to state that the meeting is now closed.





Need help? If you require any help using this system prior to or during the Meeting, please call **1300 737 760** or **+61 2 9290 9600** so we can assist you

Country Codes

For overseas shareholders, select your country code from the list below and enter it into the password field.

ABW	Aruba
AFG	Afghanistan
AGO	Angola
AIA	Anguilla
ALA	Aland Islands
ALB	Albania
AND	Andorra
ANT	Netherlands Antilles
ARE	United Arab Emirates
ARG	Argentina
ARM	Armenia
ASM	American Samoa
ATA	Antarctica
ATF	French Southern
ATG	Antigua & Barbuda
AUS	Australia
AUT	Austria
AZE	Azerbaijan
BDI	Burundi
BEL	Belgium
BEN	Benin
BFA	Burkina Faso
BGD	Bangladesh
BGR	Bulgaria
BHR	Bahrain
BHS	Bahamas
BIH	Bosnia & Herzegovina
BLM	St Barthelemy
BLR	Belarus
BLZ	Belize
BMU	Bermuda
BOL	Bolivia
BRA	Brazil
BRB	Barbados
BRN	Brunei Darussalam
BTN	Bhutan
BUR	Burma
BVT	Bouvet Island
BWA	Botswana
CAF	Central African Republic
CAN	Canada
CCK	Cocos (Keeling) Islands
CHE	Switzerland
CHL	Chile
CHN	China
CIV	Cote D'ivoire
CMR	Cameroon
COD	Democratic Republic of Congo
COK	Cook Islands
COL	Colombia
COM	Comoros
CPV	Cape Verde
CRI	Costa Rica
CUB	Cuba
CYM	Cayman Islands
CYP	Cyprus
CXR	Christmas Island
CZE	Czech Republic
DEU	Germany
DJI	Djibouti
DMA	Dominica
DNK	Denmark
DOM	Dominican Republic
DZA	Algeria
ECU	Ecuador
EGY	Egypt
ERI	Eritrea
ESH	Western Sahara
ESP	Spain
EST	Estonia
ETH	Ethiopia
FIN	Finland
FJI	Fiji
FLK	Falkland Islands (Malvinas)
FRA	France
FRO	Faroe Islands
FSM	Micronesia
GAB	Gabon
GBR	United Kingdom
GEO	Georgia
GGY	Guernsey
GHA	Ghana
GIB	Gibraltar
GIN	Guinea
GLP	Guadeloupe
GMB	Gambia
GNB	Guinea-Bissau
GNQ	Equatorial Guinea
GRC	Greece
GRD	Grenada
GRL	Greenland
GTM	Guatemala
GUF	French Guiana
GUM	Guam
GUY	Guyana
HKG	Hong Kong
HMD	Heard & Mcdonald Islands
HND	Honduras
HRV	Croatia
HTI	Haiti
HUN	Hungary
IDN	Indonesia
IMN	Isle Of Man
IND	India
IOT	British Indian Ocean Territory
IRL	Ireland
IRN	Iran Islamic Republic of
IRQ	Iraq
ISM	Isle of Man
ISL	Iceland
ISR	Israel
ITA	Italy
JAM	Jamaica
JEY	Jersey
JOR	Jordan
JPN	Japan
KAZ	Kazakhstan
KEN	Kenya
KGZ	Kyrgyzstan
KHM	Cambodia
KIR	Kiribati
KNA	St Kitts And Nevis
KOR	Korea Republic of
KWT	Kuwait
LAO	Laos
LBN	Lebanon
LBR	Liberia
LBY	Libyan Arab Jamahiriya
LCA	St Lucia
LIE	Liechtenstein
LKA	Sri Lanka
LSO	Lesotho
LTU	Lithuania
LUX	Luxembourg
LVA	Latvia
MAC	Macao
MAF	St Martin
MAR	Morocco
MCO	Monaco
MDA	Republic Of Moldova
MDG	Madagascar
MDV	Maldives
MEX	Mexico
MHL	Marshall Islands
MKD	Macedonia Former Yugoslav Rep
MLI	Mali
MLT	Mauritania
MMR	Myanmar
MNE	Montenegro
MNG	Mongolia
MNP	Northern Mariana Islands
MOZ	Mozambique
MRT	Mauritania
MSR	Montserrat
MTQ	Martinique
MUS	Mauritius
MWI	Malawi
MYS	Malaysia
MYT	Mayotte
NAM	Namibia
NCL	New Caledonia
NER	Niger
NFK	Norfolk Island
NGA	Nigeria
NIC	Nicaragua
NIU	Niue
NLD	Netherlands
NOR	Norway Montenegro
NPL	Nepal
NRU	Nauru
NZL	New Zealand
OMN	Oman
PAK	Pakistan
PAN	Panama
PCN	Pitcairn Islands
PER	Peru
PHL	Philippines
PLW	Palau
PNG	Papua New Guinea
POL	Poland
PRI	Puerto Rico
PRK	Korea Dem Peoples Republic of
PRT	Portugal
PRY	Paraguay
PSE	Palestinian Territory Occupied
PYF	French Polynesia
QAT	Qatar
REU	Reunion
ROU	Romania
RUS	Russian Federation
RWA	Rwanda
SAU	Saudi Arabia Kingdom Of
SDN	Sudan
SEN	Senegal
SGP	Singapore
SGS	Sth Georgia & Sth Sandwich Isl
SHN	St Helena
SJM	Svalbard & Jan Mayen
SLB	Solomon Islands
SCG	Serbia & Outlying
SLE	Sierra Leone
SLV	El Salvador
SMR	San Marino
SOM	Somalia
SPM	St Pierre And Miquelon
SRB	Serbia
STP	Sao Tome And Principe
SUR	Suriname
SVK	Slovakia
SVN	Slovenia
SWE	Sweden
SWZ	Swaziland
SYC	Seychelles
SYR	Syrian Arab Republic
TCA	Turks & Caicos Islands
TCD	Chad
TGO	Togo
THA	Thailand
TJK	Tajikistan
TKL	Tokelau
TKM	Turkmenistan
TLS	Timor-Leste
TMP	East Timor
TON	Tonga
TTO	Trinidad & Tobago
TUN	Tunisia
TUR	Turkey
TUV	Tuvalu
TWN	Taiwan
TZA	Tanzania United Republic of
UGA	Uganda
UKR	Ukraine
UMI	United States Minor
URY	Uruguay
USA	United States of America
UZB	Uzbekistan
VNM	Vietnam
VUT	Vanuatu
WLF	Wallis & Futuna
WSM	Samoa
YEM	Yemen
YMD	Yemen Democratic
YUG	Yugoslavia Socialist Fed Rep
ZAF	South Africa
ZAR	Zaire
ZMB	Zambia
ZWE	Zimbabwe