MAGNETICA

ANNUAL REPORT

FOR THE PERIOD ENDED 31 MAY 2021

Magnetica Limited
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Magnetica Limited & Controlled Entities

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CORPORATE INFORMATION

DIRECTORS
Stephen McQuillan
Prof Stuart Crozier
Clint Gouveia
Stephen King
Duncan Stovell

SECRETARY
Stephen Denaro

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BANKERS
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Sydney, NSW, 2000, Australia

SHARE REGISTRY
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Sydney, NSW, 2000, Australia

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Units 3 & 4
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FY21 Review of Operations and Future Developments

Overview

We are now approaching nine months since the merger was completed, bringing Magnetica together with UK-based Space Cryomagnetics Ltd (trading as Scientific Magnetics (SciMag)), together with US-based Tecmag, Inc, a subsidiary of SciMag.

We are proud to note how well our people across the geographically diverse businesses have come together to work as a team, to deliver upon the vision and rationale for the merger. We continue to be focused upon generating compelling solutions to meet the needs of clinicians and patients, as well as to return value to you, our shareholders, along with other key stakeholders.

Like many companies we have experienced impacts resulting from the continuing global pandemic. Challenges in efficiently recruiting talented and experienced people to build commercialisation momentum, together with global supply chain challenges, have somewhat tempered our progress.

Our activities remain mostly in line with discussions between the parties during the merger negotiations and resulting underpinning agreements. However, in part due to resourcing and supply-chain constraints, we have prioritised the commercialisation of the Extremity MRI system over the planned Small Companion Animal (SCA) MRI system parallel development activities.

Despite the challenges we have faced, product commercialisation activities progress at a pace, in parallel with integrating the three companies to become one global business, with three regional offices. We continue to be supported with resourcing and financial investment from our majority shareholder, Avingtrans PLC (AVG) based in the UK.

The Merger – a Recap

On 29 January 2021 Magnetica completed a merger transaction with UK-based Space Cryomagnetics Ltd and its wholly owned US-based subsidiary Tecmag Inc. The transaction also resulted in AVG, a UK based company listed on the AIM, becoming the majority shareholder in Magnetica.

SciMag designs, manufactures, tests and installs for academic research and commercial applications:

- bespoke superconducting magnet systems; and
- associated spectrometers and other instrumentation (through Tecmag).

As such, the capabilities of Magnetica and SciMag are complementary, given Magnetica's existing 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.

On its own, Magnetica did not have the capability to manufacture superconducting MRI magnets and integrate subcomponents of MRI systems. Consequently, Magnetica was reliant on third parties to manufacture its MRI systems. SciMag and Tecmag have the capability to design, engineer and manufacture superconducting magnets and associated spectrometers used in MRI systems. However, on its own, SciMag did 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.

Post-merger the group now has the technical capability to design and manufacture the "balance of system" for use by clinicians, which until now was supplied by Magnetica's former integration partner. Further, the merged group has the internal technical capability to design and manufacture next-generation MRI systems in its own right, and the ability to commercialise its own systems globally, especially in the United Kingdom, Europe, the United States and Australia, being home markets for Magnetica post-merger.

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

FY21 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Australia based Magnetica remains the head entity post-merger, headquartered in Brisbane. We will move to a single Magnetica brand, encompassing all of the new and existing capabilities and the talented team, based over three continents, that has been brought together through the merger.

As part of the commercial transaction AVG has committed to provide up to £3.2M of additional equity funding (less any cash on hand in SciMag at completion) at an issue price of $0.15 per share. Periodic equity drawdowns have occurred since the merger completed. The funding, together with the existing revenue streams across SciMag, Tecmag, and to a lesser extent Magnetica, ensures the company has sufficient funds to execute the first part of its post-merger strategy during calendar year 2021 and into early 2022. Ongoing funding support is being addressed to ensure a continuity of financial resource to maintain momentum.

Commercialising our disruptive dedicated compact MRI systems

Our goal to bring high-quality imaging closer to the patient point-of-care remains as relevant as ever, but now we have more control over our destiny than previous commercial arrangements provided.
Through the merger, the entities have moved up the value chain as one business, Magnetica. No longer three separate MRI sub-system OEMs, we are now the newest global MRI System OEM.

The main focus of the business remains the commercialisation of our technology and underpinning Intellectual Property (IP). Our IP portfolio has been significantly strengthened with the addition of superconducting magnet design and build capability in the UK, together with spectrometer design and build capability in the USA.

The product development team continues to work hard to develop the Extremity MRI system. As the first in a pipeline of market offerings, the program of work is progressing well, guided by the plans agreed between the parties as part of structuring the merger. The Extremity Magnet is currently being manufactured by SciMag and will be integrated into the MRI system at our Brisbane facility.

We have been working to establish new, and modernise existing, manufacturing capabilities. Underpinned by grant funding support from both the Australian Federal Government and the Queensland State Government, these activities will ensure we have a solid base to build upon as we complete our commercialisation activities and launch product into the market.

Integrating to become one global business

We are working to exploit a range of cloud-based systems and tools to encourage cross-team collaboration and ensure we are developing compelling products that will achieve the regulatory approvals required to market them in the different geographical regions we are seeking to access. A program of integration activities is progressing well, with common systems and processes being rolled out to the different offices to plan. To date activities have primarily addressed finance, quality management, system engineering, sales/business development and backend IT systems.

In support of aligning the businesses, Magnetica has changed its company financial and tax years to align with SciMag, Tecmag and AVG. As such, FY2021 was an 11-month financial year, ending on 31st May 2021, with future financial years running from 1st June to 31st May.

Strengthening our portfolio of market offerings and resulting revenue streams

Our lines of business have been greatly strengthened as a result of the merger, through:

- SciMag's existing and ongoing business, developing compact helium-free superconducting magnets for MRI and NMR customers around the world; and
- Tecmag's existing and ongoing business, developing spectrometers and accessories for NMR, MRI and NQR applications globally.

Whilst the primary application of these capabilities is in enabling our compact MRI system products, these lines of business are welcome contributors to Magnetica's consolidated revenue since the merger was finalised at the end of January.

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FY21 Review of Operations and Future Developments (continued)

Your new Board of Directors

The merger saw a change to our Board of Directors, with all existing Magnetica Directors retiring from their roles, and new Directors being appointed from AVG, the SciMag management team and Magnetica management team, creating a board composed of non-executive and executive Directors.

Upon completion of the merger, Magnetica's new Board of Directors was formed; bios for the Directors may be found in the Directors' Report. After several months of acting in the capacity, Stephen McQuillan has been appointed as Board Chair until a non-executive Independent Chair is appointed. The Board has been working effectively and with a common purpose since formation.

The tireless work undertaken by the now previous Board of Directors is again acknowledged. Directors, Mr. Howard Stack, Dr. Philip Dubois, Dr. Charles Ho, Mr. Justin Schaffer, Mr. Richard Aird and Alternate Directors, Mr. Jonathan Schaffer and Mr. Thomas Stack have made significant contributions in leading Magnetica over many years, culminating in the merger. Without their efforts, support, guidance and resilience the company would not be where it is today.

Strengthening the team

We are working to fill a range of roles in each of Magnetica's three regional offices, with an initial focus upon strengthening the Product Development team to support our move up the value chain to become an MRI System OEM.

Completing the merger has enabled us to welcome top talent onto Magnetica's Executive team:

- Clint Gouveia is Magnetica's Chief Operating Officer. Whilst also maintaining his existing role as Managing Director of SciMag, Clint is responsible for our global manufacturing activities, amongst his many duties and responsibilities; and
- Peter Penfold is Magnetica's General Manager - Business Development. Previously Business Development Director at SciMag, Peter is working on our go-to-market strategy planning and execution.

Senior hires joining our existing Management team since the merger include:

- Ryan Grieger, Finance Manager, based in our Brisbane office; and
- Carl Glass, General Manager - Tecmag, based in our Houston office.

The Company has also formed two advisory boards, to provide counsel and recommendations on relevant matters to the Board of Directors, being a:

- Clinical Advisory Board; and
- Scientific and Technical Advisory Board.

In Conclusion

As we continue to grow as a company and mature our market offerings through this exciting new phase of our journey, the Directors acknowledge the continued support provided by our customers, partners, suppliers, shareholders and other stakeholders.

S. McQuillan

Stephen McQuillan

Chair

Chatteris, UK, 21 October 2021

MAGNETICA

DIRECTORS' REPORT

Your directors present their report for the year ended 31 May 2021.

DIRECTORS

The following persons were directors of Magnetica Limited during the financial year, from the 29th January 2021 and up to the date of this report:

Stephen McQuillan

Prof Stuart Crozier

Clint Gouveia

Stephen King

Duncan Stovell

The following persons were directors of Magnetica Limited during the financial year, ceasing in their roles on the 29th January 2021:

Howard Stack

Dr Philip Dubois

Dr Charles Ho

Justin Schaffer

Richard Aird

Jonathan Schaffer (alternate to Justin Schaffer)

Thomas Stack (alternate to Howard Stack)

Stephen McQuillan
(Non-Executive Chair, Member of Audit & Risk Management Committee)

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.

Prof. Stuart Crozier
(Non-Executive Director, Member of Audit & Risk Management Committee)

Stuart been Associate Dean (Research) in The Faculty of Engineering Architecture and IT at The University of Queensland for the past ten years. He recently left UQ to pursue commercial opportunities. He is an ATSE Fellow, a Fellow of The Institute of Physics (UK) and a Senior Fellow of ISMRM. 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 ATSE 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.

Clint Gouveia
(Executive Director and Chief Operating Officer)

Clint has worked within the superconducting magnet industry since 1987. He gained significant global commercial and technical experience via numerous customer-facing engineering and management roles whilst with Oxford Instruments, coupled with OEM account, product and project management. Clint joined Varian Inc. in 2006, taking responsibility for their superconducting magnet test facility and product output, generating approximately $80M of revenue per annum. By 2012 Clint was overseeing the entire manufacturing and test functions at Agilent's Oxford campus, with approximately 100 reports.

Formerly Scientific Magnetics (SciMag) Director of Operations, Clint took over the role of Managing Director of SciMag in February 2018. Clint is a Chartered Scientist with the UK Science Council, holds a BSc with first-class honours and is a fellow of The Institute of Science and Technology. Clint also works as a volunteer, assessing Chartered Scientist Applications on behalf of the Institute of Science and Technology.

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

Steve was appointed as Chief Financial Officer 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 3 significant disposals to date for Avingtrans, as well as the establishment of Chinese wholly-owned foreign enterprises, restructuring & turnaround of underperforming businesses, capital raising and reporting.

Duncan Stovell
(Managing Director and Chief Executive Officer)

Duncan has spent the last 13+ 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.

Howard Stack
BA LLB
(Non-Executive Chair, Chair of Audit & Risk Management Committee)

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

He previously has served amongst others as a Director of Eastern Corporation Limited (2006-July 2007; Chairman March-July 2007), Australian National Industries (1987-1997) and Data #3 Limited (Chairman from 1997-September 2000); as Chairman of Southern Cross Pumps and Irrigation (1996-1997); Voxson Limited as Chairman (1999-2003); Waratah Coal Inc (2009); and Redflow Limited (2012-June 2019; Chairman 2012-2015).

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

In the community he has been Chairman of Brisbane Grammar School Board of Trustees from 1991-2019 and served as a Director of Queensland Events Corporation (1996-1998) and as a Director, Flight Centre Limited 1995-2005.

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

Dr Dubois is a Director of ASX Listed Sonic Healthcare Ltd and a Director of ASX listed EM Vision Ltd. He is a neuro-radiologist and nuclear imaging specialist having spent ten years in academic radiology in the United States. He is the author of over fifty scientific publications and has been an invited speaker at many national and international conferences in the field of diagnostic radiology.

Dr Dubois is currently an Associate Professor of Radiology at the University of Queensland Medical School. He has represented his profession on numerous government and craft group committees.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Jonathan Schaffer – Alternate Director to Justin Schaffer

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

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

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

He migrated with his family to Australia in 2009 and established Plum Products Australia Pty Ltd as a sister company to the UK company, and later Plum Products Hong Kong Ltd. Today he is Chairman of the same business, which he owns 50/50 with Diane, a solicitor qualified in South Africa and the UK. The group has sales under its Plum brand of activity toys in excess of $USD 20 million in more than 40 countries. It employs about 50 full time staff in four countries. www.plumplay.com

Thomas Stack – Alternate Director to Howard Stack

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

Tom is the managing partner of Howard Stack Associates, which provides professional services to family offices supporting their investment management, alternative investments, strategy, governance and operations management.

Prior to Howard Stack Associates, Tom practised as a senior lawyer at top-tier firms in Australia and in London specialising in public and private acquisitions, disposals and joint ventures.

Tom has particularly strong transactional and corporate governance experience having advised companies on transactions in the United States, the United Kingdom, France, Germany, the United Arab Emirates, Singapore, South Africa and Australia.

Tom is a qualified Australian legal practitioner and holds a Bachelor of Commerce and Law (Honours).

COMPANY SECRETARY

Stephen Denaro CA

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

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

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

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

Director	Ordinary Shares	Restricted Ordinary Shares	Unlisted options
Stephen McQuillan	-	-	-
Stuart Crozier	-	1,500,000	-
Clint Gouveia	1,844,442	-	-
Stephen King	-	-	-
Duncan Stovell	-	1,000,000	-
Howard Stack	8,806,540	500,000	-
Philip Dubois	901,250	500,000	-
Charles Ho	333,305	500,000	-
Justin Schaffer	13,579,835	500,000	-
Richard Aird	312,500	1,500,000	-
Jonathan Schaffer	-	-	-
Thomas Stack	-	-	-

SHARE OPTIONS

Unissued shares

As at the date of this report (and at the end of the reporting period) there were 3,000,000 unissued ordinary shares under options as detailed in Note 15(a) to the financial statements. During the year ended 31 May 2021, and up to the date of this report, no shares were issued as a result of the exercise of an option over unissued shares.

Share & Option Plan and Performance Rights Plan

A Performance Rights Plan instituted by the company was used to incentivise staff, directors and contractors. Having regard to the objectives of the Company following the merger, the Board determined that the remaining Performance Rights were no longer appropriate in the context of the merged entity's new strategy. Accordingly the Board, in agreement with the Performance Rights holders, cancelled the Performance Rights in exchange for the issue of fully paid restricted ordinary shares, under the scope of a Share and Option Plan, adopted in January 2021.

Under the Share and Option Plan, at year end (as detailed in Note 15(b) to the financial statements), 8,925,000 restricted ordinary shares were on issue.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE INFORMATION

Corporate structure

Magnetica Limited is a company limited by shares which is incorporated and domiciled in Australia. Magnetica Limited has prepared a consolidated financial report which consolidates its wholly owned subsidiaries Space Cryomagnetics Limited (trading as Scientific Magnetics Limited), Tecmag Inc., NMR Holdings No. 1 Pty Limited, NMR Holdings No. 2 Pty Limited and Scientific Magnetics Limited.

Nature of operations and principal activities

Prior to the merger with Space Cryomagnetics Limited in January 2021, the principal activities of the Company during the financial year were in sub-system design, development and commercialisation of:

- superconducting magnets;
- gradient coils; and
- RF (Radio Frequency) Coils.

Subsequent to the merger with Space Cryomagnetics Limited in January 2021, as the newest global MRI Original Equipment Manufacturer (OEM), the principal activities of the Company during the financial year changed to focus upon:

- Commercialisation and supply of dedicated compact MRI systems, aimed at niche and emerging global human magnetic resonance imaging (MRI) markets; as well as
- Operating in the capacity as a sub-system design and manufacturer, but with increased scope in MRI, NMR and NQR markets, in:
    - Superconducting magnets;
    - Gradient coils;
    - RF coils; and
    - Spectrometers.

Employees

Prior to the merger, the company employed 8 full-time and 1 part-time employees (excluding the Non-Executive Directors and Secretary). As at 31 May 2021, the Company employed 31 full-time and 4 part-time employees (excluding the Non-Executive Directors and Secretary), including employees engaged through Magnetica's subsidiaries. The Company also engages external consultants, particularly for research and development work, as required. The most notable of these are from The University of Queensland's Biomedical Engineering Group.

REVIEW OF FINANCIAL CONDITION

Capital structure

During the period to 31 May 2021, 194,804,464 shares were issued (2020: Nil).

Treasury policy

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

OPERATING RESULTS

For the year ended 31 May 2021, the loss from ordinary activities for the consolidated entity after providing for income tax was $(1,685,985), (2020: $(881,485)).

DIVIDENDS PAID OR RECOMMENDED

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On the 29th January 2021 Magnetica acquired 100% of the ordinary shares of Space Cryomagnetics Limited (trading as Scientific Magnetics Limited), a recognised design, development and manufacture superconducting magnet systems based in the UK. Scientific Magnetics is sole shareholder of Tecmag Inc., a company based in Houston USA that develops and innovates for the magnetic resonance community. The purchase of Scientific Magnetics was completed by issuing 180,381,683 ordinary shares to Avingtrans at $AU0.15 each for a total value of $AU27,057,252. Avingtrans are now the majority shareholder of Magnetica.

FUTURE DEVELOPMENTS

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

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

ENVIRONMENTAL REGULATIONS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

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

The Company has not indemnified its auditor.

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

DIRECTORS' MEETINGS

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

	Board meetings		Audit & Risk Management Committee meetings	
	Number of meetings held while in office	**Meetings attended**	**Number of meetings held while in office**	**Meetings attended**
Stephen McQuillan	3	3	1	1
Prof Stuart Crozier	3	3	1	1
Clint Gouveia	3	3	1	1
Stephen King	3	3	1	1
Duncan Stovell	3	3	1	1
Howard Stack	7	7	1	1
Dr Philip Dubois	7	5	1	1
Dr Charles Ho	7	7	1	1
Justin Schaffer	7	6	1	1
Richard Aird	7	7	1	1
Jonathan Schaffer	7	5	1	1
Thomas Stack	7	6	1	1

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 15 of the Annual Report.

Signed in Chatteris, UK this 21 day of October 2021 in accordance with a resolution of the directors.

S. McQuillan

Stephen McQuillan
Chair

HALL CHADWICK
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS | QLD

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

As lead auditor for the audit of the financial report of Magnetica Limited for the financial year ended 31 May 2021, I declare to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

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

Clive Massingham
Director

HALL CHADWICK QLD
Chartered Accountants

Dated this 21st day of October 2021

HALL CHADWICK
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS | QLD

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Independent Auditor's Report

To the members of Magnetica Limited

Report on the Financial Report

Opinion

We have audited the financial report of Magnetica Limited and controlled entities (the Company), which comprises the statement of financial position as at 31 May 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 May 2021 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

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

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 May 2021, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

Clive Massingham
Director

HALL CHADWICK QLD
Chartered Accountants

Dated this 21st day of October 2021

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 20 to 54 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
    b. give a true and fair view of the consolidated entity's financial position as at 31 May 2021 and of its performance for the period ended on that date.

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

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

Signed in Chatteris, UK this 21 day of October 2021 in accordance with a resolution of the directors.

S. McQuillan

Stephen McQuillan
Chair

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the 11 months ended 31 May 2021

	Notes	2021 Jul-20 - May-21 $	2020 Jul-19 - Jun-20 $
Revenue	2	2,183,913	751,158
Expenses	3	(3,869,898)	(1,632,643)
Profit/(loss) before income tax		(1,685,985)	(881,485)
Income tax expense	4	-	-
Profit/(loss) attributable to members of Magnetica Limited		(1,685,985)	(881,485)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign controlled entities		128,824	-
Other comprehensive income for the year, net of tax		128,824	-
Total comprehensive income/(loss) for the year attributable to the members of Magnetica Limited		(1,557,161)	(881,485)

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

Consolidated Statement of Financial Position

As at 31 May 2021

	Notes	31 May 2021 $	30 June 2020 $
CURRENT ASSETS			
Cash and cash equivalents	20	1,331,144	1,579,632
Trade and other receivables	5	623,724	16,676
Inventories		707,219	73,772
Other assets	6	582,631	118,505
TOTAL CURRENT ASSETS		**3,244,718**	**1,788,585**
NON-CURRENT ASSETS			
Property, plant and equipment	8	705,853	192,742
Right-of-use assets	11	323,599	27,085
Intangible assets	9	14,089,320	5,856,892
Investments	25	118,630	-
TOTAL NON-CURRENT ASSETS		**15,237,402**	**6,076,719**
TOTAL ASSETS		**18,482,120**	**7,865,304**
CURRENT LIABILITIES			
Trade and other payables	10	1,975,618	164,706
Lease liabilities	11	152,450	27,085
Employee Benefits	12	84,224	74,244
Interest bearing loans borrowings	24	628,502	
TOTAL CURRENT LIABILITIES		**2,840,794**	**266,035**
NON-CURRENT LIABILITIES			
Employee Benefits	12	5,563	2,739
Lease Liability	11	188,227	-
TOTAL NON-CURRENT LIABILITIES		**193,790**	**2,739**
TOTAL LIABILITIES		**3,034,584**	**268,744**
NET ASSETS		**15,447,536**	**7,596,530**
EQUITY			
Issued capital	13	85,880,503	58,088,535
Reserves	14,15	(18,720,227)	903,500
Accumulated losses		(51,712,740)	(51,395,505)
TOTAL EQUITY		**15,447,536**	**7,596,530**

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

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Consolidated Statements of Changes in Equity

For the year ended 31 May 2021

Consolidated	Share capital	Reserves	Reserves	Reserves	Reserves	Reserves		
	Ordinary	Share premium Reserve	Share option Reserve	Vested Performance Rights	Share Based Payments	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	$	$	$	$	$	$	$	$
Balance at 1 July 2020	**58,088,535**	**-**	**281,000**	**622,500**	**-**	**-**	**(51,395,505)**	**7,596,530**
Vesting of all remaining performance rights before deed of cancellation and issue of ordinary shares	-	-	-	746,250	-	-	-	746,250
Conversion of Vested Performance Rights into Ordinary Shares	-		-	(1,368,750)	-	-	1,368,750	-
Issue of Ordinary Shares	27,821,919	-	-	-	-	-	-	27,821,919
Share premium adjustment on acquisition – see note 27.		(19,130,051)	-	-	-	-	-	(19,130,051)
Share Issue Costs	(29,951)		-	-	-	-	-	(29,951)
Loss of the year	-	-	-	-	-		(1,685,985)	(1,685,985)
Other Comprehensive income for the year	-	-	-	-	-	128,824	-	128,824
Balance at 31 May 2021	**85,880,503**	**(19,130,051)**	**281,000**	**-**	**-**	**128,824**	**(51,712,740)**	**15,447,536**

Consolidated	Share capital	Reserves	Reserves	Reserves	Reserves	Reserves		
	Ordinary	Share premium Reserve	Share option Reserve	Vested Performance Rights	Share Based Payments	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	$	$	$	$	$	$	$	$
Balance at 1 July 2019	**58,088,535**	**-**	**281,000**	**270,000**	**2,280,000**	**-**	**(54,314,020)**	**6,605,515**
Reserve against performance rights issued during year	-	-	-	352,500	-	-	-	352,500
Development Contributions	-	-	-	-	1,520,000	-	-	1,520,000
Transfer of Development Contributions on lapse of option to convert to shares	-	-	-	-	(3,800,000)	-	3,800,000	-
Share Issue Costs	-	-	-	-	-	-	-	-
Loss of the year	-	-	-	-	-	-	(881,485)	(881,485)
Balance at 30 June 2020	**58,088,535**	**-**	**281,000**	**622,500**	**-**	**-**	**(51,395,505)**	**7,596,530**

Consolidated Statement of Cash Flows

For the year ended 31 May 2021

	Inflows/(Outflows)	
	31 May 2021 **$**	**30 Jun 2020** **$**
Cash flows from operating activities		
Receipts from customers and grants	1,576,104	903,463
Payments to suppliers and employees	(1,571,099)	(1,337,246)
Finance costs paid	-	-
GST Recovered/(Paid)	144,467	77,915
Interest Received	761	5,159
Net cash used in operating activities (Note 21)	**150,233**	**(350,709)**
Cash flows from investing activities		
Payments for property, plant and equipment	(425,993)	(72,194)
Cash acquired from purchase of subsidiaries	1,085,055	-
Payment for development costs	(985,686)	(856,946)
Net cash used in investing activities	**(326,624)**	**(929,140)**
Cash flows from financing activities		
Share issue costs	(29,951)	-
Proceeds from Development Contributions		1,520,000
Payment of lease liabilities	(109,034)	(96,559)
Reimbursement for stamp duty costs (acquisition of SciMag)	66,888	-
Net cash provided by financing activities	**(72,097)**	**1,423.441**
Net increase (decrease) in cash and cash equivalents held	(248,488)	143,592
Cash and cash equivalents at the beginning of the financial year	1,579,632	1,436,040
Cash and cash equivalents at the end of the financial year (Note 20)	**1,331,144**	**1,579,632**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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

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

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

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

Accounting Policies

a. Principles of consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 7 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Business Combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

c. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Revenue Recognition

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

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

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

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

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

The Company manufactures and sells Superconducting Magnets, Spectrometers, Gradient Coils and RF Coils.

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

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

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

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

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

Interest

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

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

Research and Development Tax Offset

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

Grants

Non-reciprocal grants revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

Grants with conditions attached which must be satisfied before the contributions will be received will be recognised as revenue only when those conditions are satisfied.

When grant revenue is received whereby the company incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Sale of non-current assets

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

e. Intangible assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i) the consideration transferred;

ii) any non-controlling interest; and

iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination. The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

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

Intellectual property

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

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

Research and development

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

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is - years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f. Property, plant and equipment

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

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

Depreciation

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

The principal rates of depreciation for plant and equipment are the rate which corresponds to the company's assessment of the particular asset's useful life, e.g if it is assessed to have a 5-year life, it is depreciated 20% each year.

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

Impairment

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

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

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

g. Inventories

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

h. Income Tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged in the statement of profit or loss and other comprehensive income except where it relates to items that may be charged directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be claimed. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated entity and its constituent member entities as applicable, will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

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

i. Financial Instruments

(i) Recognition and initial measurement

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

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

(ii) Classification

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

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

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

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

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

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated.

with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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

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

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

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

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

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

(v) Derecognition

Financial assets

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

Financial liabilities

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

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

(vi) Financial currency

Functional and presentation currency

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

Transactions and balances

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

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

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

investment hedge.

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

j. Employee benefits

Wages, salaries and annual leave

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

Long Service Leave

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

Equity-settled compensation

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

Provisions

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

k. Cash and cash equivalents

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

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

l. Leases

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

m. Fair value measurement

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

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

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

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

n. Comparatives

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

Foreign operations

The translation of foreign operations with different functional currency from Australian dollars is performed as follows:

- Assets and liabilities (including goodwill and fair value adjustments on acquisition) for each statement of financial position presented are translated at the closing rate at the date of the statement;
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at the rate at the date of the transaction (or an average rate if that rate approximates the rate at the date of transaction; and
- All resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange difference related to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Going Concern

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

Magnetica Ltd is an emerging technology company and is in the continuing process of fund raising to develop the technology to a stage where the company becomes profitable and self-sufficient. The Company has made a net loss over the last financial year of ($1,685,985) and a loss of ($881,485) in the corresponding prior period.

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

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

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

1. As part of the merger completed in January 2021, Avingtrans PLC committed to provide funding in support of the agreed plan that is being executed during calendar year 2021;
2. Periodic coil sales of superconducting magnets, spectrometers, gradient coils and RF coils are expected to occur throughout the financial year;
3. As an MRI system OEM, Magnetica will be focused upon the commercialisation of dedicated compact MRI systems, with the Extremity MRI system as the first such market offering, from which future revenues are expected to be generated;
4. The company has historically had the ability to secure Government grant funding and to secure share capital as needed;
5. The company is entitled to a substantial annual research and development tax rebate; and
6. The company has a surplus of net current assets at period end and as the date of this report.

(q) Critical Accounting Estimates and Judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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

(r) New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 31 May 2021 reporting periods and have not been early adopted by the Company. There are no new standards to be applied in future periods that are expected to have a significant impact on the Company.

		2021 $	2020 $
2.	**REVENUE**		
	Sales	1,186,729	4,341
	Interest received	761	5,159
	Grant income	141,250	-
	Research and development tax offset	559,009	636,851
	Other income	296,164	104,807
		2,183,913	**751,158**
3.	**EXPENSES**		
	Consultancy	713,808	395,988
	Travel	2,250	31,096
	Employee benefits expense	1,752,781	1,185,547
	General and Admin – Premises and Facilities	120,520	29,709
	General and Admin – Corporate and other costs	297,366	241,949
	Standards and Approvals	2,716	15,547
	Marketing and Sales	1,707	17,612
	Depreciation	171,968	105,617
	Interest Expense	11,564	-
	Cost of Goods Sold	571,253	11,896
	Amortisation	5,973	272
	Share based payments	66,888	352,500
	Other	949,759	82,306
	Less Development costs capitalised applicable to costs above	(729,051)	(837,396)
	Less IP costs capitalised applicable to costs above	-	-
4.	**INCOME TAX**		
a)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit/(loss) before income tax expense	(1,685,985)	(881,485)
	Tax at the Australian tax rate of 26% (2020: 27.5%)	(438,356)	(242,408)
	Research and development not assessable	(145,342)	(175,134)
	Non-deductible entertainment	-	327
	Depreciation and amortisation	(9,162)	16,595
	Prepayments	(8,468)	(467)
	Research and development expenses capitalised	(189,550)	(230,284)
	Lease payments – right of use	(128)	(17,659)
	Research and development expenses non-deductible	280,673	355,266
	Share based payments	211,416	96,938
	Movements in provisions and accruals	(71)	15,062

Income not assessable – other	(13,000)	(13,750)
Tax Effect of Profit of TecMag	(41,525)	-
Tax Effect of Loss of SciMag	115,046	-
Net Capital Gain – lapse of offer	-	913,444
Deferred tax assets (recognised)/not recognised	238,472	-
Losses Utilised	-	(717,930)
Income tax expense	-	-

4b) **Tax losses (continued)**

	2021 $	2020 $
Unused tax losses for which no deferred tax asset has been recognised	29,331,687	28,414,488
Potential tax benefit @ 26% (2020: 27.5%)	7,626,239	7,613,984

Realisation of the potential tax benefit is dependent upon:

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

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

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

		2021 $	2020 $
5.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	609,160	-
	GST receivable	14,564	16,676
		623,724	**16,676**
6.	**OTHER CURRENT ASSETS**		
	Refundable deposits	13,750	13,750
	Deposits paid	7,336	53,365
	Prepayments	106,056	51,390
	Unearned revenue	390,928	-
	Other Assets	64,561	-
		582,631	**118,505**

7. CONTROLLED ENTITIES

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

	Country of Incorporation	Class of share	2021 % holding	2020 % holding
NMR Holdings No. 1 Pty Ltd (non-trading)	Australia	Ordinary	100%	100%
NMR Holdings No. 2 Pty Ltd (non-trading)	Australia	Ordinary	100%	100%
Space Cryomagnetics Limited (trading as Scientific Magnetics Limited)	England	Ordinary	100%	0%
Scientific Magnetics Limited (non-trading)	England	Ordinary	100%	0%
Tecmag Inc	United States of America	Ordinary	100%	0%

8. PROPERTY, PLANT AND EQUIPMENT

	2021 $	2020 $
Plant and equipment		
Cost	800,470	414,868
Less: Accumulated depreciation	(94,617)	(222,126)
Total plant and equipment	**705,853**	**192,742**

Reconciliations of the movements in carrying amounts for each class of property, plant and equipment are set out below:

	2021 $	2020 $
Plant and equipment		
Carrying amount at beginning of year	192,743	156,691
Additions	607,727	72,194
Depreciation	(94,617)	(36,143)
Carrying amount at end of year	**705,853**	**192,472**

		2021 $	2020 $
9.	**INTANGIBLE ASSETS**		
	Goodwill (i)		
	At cost	5,972,548	-
	Less: Accumulated impairment losses	-	-
	Total goodwill	**5,972,548**	**-**
	Computer software		
	At cost	19,551	19,551
	Less: Accumulated amortisation	(6,245)	(272)
	Total computer software	**13,306**	**19,279**
	Patents		
	At cost	583,848	517,011
	Less: Accumulated impairment losses	(231,195)	(224,950)
	Total patents	**352,653**	**292,061**
	Development costs		
	At cost	8,115,031	5,545,552
	Less: Accumulated amortisation	(364,218)	-
	Total development costs	**7,750,813**	**5,545,552**
	Total intangible assets	**14,089.320**	**5,856,892**
	Reconciliations		
	Carrying amount at beginning of year	5,856,890	5,000,218
	Goodwill acquired	5,972,548	-
	Additions	2,311,448	856,946
	Amortisation	(51,566)	(272)
	Carrying amount at end of year	**14,089,320**	**5,856,892**

(i). On the 29th of January 2021 Magnetica acquired 100% of the ordinary shares of Space Cryomagnetics Limited which was valued at $7,927,201 for accounting purposes. The identifiable net assets of Space Cryomagnetics Limited comprises of $4,918,497 and liabilities of $2,963,845. As a result, the net identifiable assets were $1,954,652 and Goodwill is $5,972,548. Refer to note 27 for details of the business combination. Recognition and measurement Goodwill: Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Where consideration is less than the fair value of acquired net assets, the difference is recognised immediately in the income statement. Goodwill is not amortised and is measured at cost less any impairment losses.

		2021 $	2020 $
10.	**TRADE AND OTHER PAYABLES**		
	Trade payables	628,169	18,465
	Unearned revenue	905,339	52,909
	PAYG withholding payable	26,325	25,772
	Accrued expenses	249,141	67,560
	Other Payables	166,644	-
		1,975,618	**164,706**

	2021 $	2020 $
11. **LEASES**		
Right of use Assets		
Carrying Amount at beginning of year	27,085	-
Additions on transition	-	31,555
Additions	389,498	65,004
Less Accumulated Amortization	(92,984)	(69,474)
Carrying amount at end of year	**323,599**	**27,085**
Lease Liability		
Opening Balance	27,085	-
Additions on Transition	-	31,555
Additions during the year	406,794	65,004
Payments	(93,202)	69,474
As at 31 May 2021	**340,677**	**27,085**

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

	2021 $	2020 $
12 **EMPLOYEE BENEFITS**		
Current		
Provision for Long Service Leave	-	1,630
Provision for Annual leave	84,224	56,103
	84,224	57,733
Non-Current		
Provision for Long Service Leave	5,536	1,192
	5,536	1,192

		No. of Shares	2021 $	No. of Shares	2020 $
13.	**ISSUED CAPITAL**				
(a)	*Ordinary shares*				
	Balance 1 July	119,567,184	58,088,535	119,567,184	58,088,535
	Ordinary Shares issued during the year at $0.15 per share	185,479,464	27,821,919	-	-
	Share issue costs		(29,952)	-	-
	Ordinary Shares issued following conversion from Vested Performance Rights	400,000	-	-	-
	Restricted Ordinary Shares issued in lieu of Performance Rights	8,925,000	-	-	-
	Balance 30 June 2020			**119,567,184**	**58,088,535**
	Balance 31 May 2021	**341,371,648**	**85,880,502**		

		No. of Options	2021 $	No. of Options	2020 $
(b)	**Options**				
	Balance 1 July	3,000,000	281,000	3,000,000	281,000
	Options lapsed	-	-	-	-
	Balance 30 June 2020			**3,000,000**	**281,000**
	Balance 31 May 2021	**3,000,000**	**281,000**		

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

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

Capital Risk Management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern. The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

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

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

14. RESERVES

Share Option Reserve

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

15(a) SHARE-BASED PAYMENTS - OPTIONS

No options were granted or exercised during the current financial year (2020: Nil).

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

Grant date	First exercise date	Last exercise date	Exercise price per share	Balance at 30 May 2021	Balance at 30 June 2020
20-May-05	Relisting date	Relisting date+3yr	$0.50	1,000,000	1,000,000
20-May-05	Relisting date+1yr	Relisting date+4yr	$0.54	1,000,000	1,000,000
20-May-05	Relisting date+2yr	Relisting date+5yr	$0.60	1,000,000	1,000,000
				3,000,000	**3,000,000**

	30 May 2021	30 June 2020
Options outstanding at year-end	3,000,000	3,000,000
Options exercisable at year-end	-	-
Weighted average exercise price of outstanding options	$0.54	$0.54
Weighted average fair value of outstanding options	$0.09	$0.09

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

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

15(b) **SHARE–BASED PAYMENTS – PERFORMANCE RIGHTS AND RESTRICTED ORDINARY SHARES**

A Performance Rights Plan instituted by the company has been used to incentivise staff, directors and contractors.

During the financial year and prior to the merger, 400,000 vested performance rights were converted into ordinary shares and 100,000 performance rights lapsed, leaving a total of 8,925,000 Performance Rights (including both vested and unvested) on issue.

Having regard to the objectives of the Company following the merger, the Board determined that the remaining Performance Rights were no longer appropriate in the context of the merged entity's new strategy. Accordingly, the Board, in agreement with the Performance Rights holders, cancelled the remaining Performance Rights on issue in exchange for the issue of fully paid restricted ordinary shares at no cost to recipients, under the scope of a Magnetica Share and Option Plan, adopted in January 2021.

A plan participant must not dispose or otherwise deal with any shares issued or transferred to a participant under the plan while they are restricted shares and subject to a restriction period. The restriction period is from the date of issue until the earlier of:

(a) the occurrence of a Liquidity Event;

(b) the date that is 15 years from the date of issue; or

(c) the date determined by the Board in its absolute discretion.

Liquidity Event means the first to occur of:

a) the date on which any Shares are either or both allotted or transferred under a prospectus lodged with the Australian Securities and Investments Commission (or other relevant regulatory body) in connection with an IPO;
b) the date on which a takeover bid for all of the Shares not owned by the bidder becomes unconditional;
c) the merger or consolidation of the company into another company;
d) a scheme of arrangement is made or undertaken in respect of the company;
e) the date on which, following a trade sale all or part of the net proceeds of sale are paid to shareholders; or
f) any event similar to those described in (a) to (e) involving a change in ownership or control of the company or all or substantial part of the assets of the group.

When a share ceases to be a restricted share, all restrictions on disposing of or otherwise dealing or purporting to deal with that share under the rules of the plan will cease.

16. **CONTINGENT LIABILITIES**

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

	2021 $	2020 $
17. **AUDITOR'S REMUNERATION**		
Remuneration of the auditors of the parent entity for:		
- auditing or reviewing the financial report	26,000	15,700

18. **RELATED PARTIES**

Directors and specified executives:

Disclosure relating to directors and key management personnel remuneration are included in note 22.

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

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

Wholly Owned Group:

The wholly owned group consists of Magnetica Limited and its wholly owned controlled entities. Information relating to the controlled entities is set out in note 7.

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

There were no other events occurring subsequent to the end of the reporting period.

	2021 $	2020 $
20. **RECONCILIATION OF CASH**		
For the purpose of the statement of cash flows, cash includes cash on hand and at banks and investments in the money market, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	**1,331,144**	**1,579,632**

	2021 $	2020 $
21. **RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO LOSS AFTER INCOME TAX**		
Loss after income tax	(1,685,985)	(881,485)
Depreciation – fixed assets	94,616	36,143
Depreciation – Right-of-use Assets	51,566	69,474
Amortisation – Intangibles	-	272
Movements in other reserves	(1,085,055)	352,500
Change in assets and liabilities		
(Increase) decrease in assets		
Trade debtors	(903,562)	67,333
Inventory	(633,447)	(1,464)
Other current assets	(464,126)	23,365
Increase (decrease) in liabilities		
Trade creditors	4,763,422	(56,089)
Unearned revenue	-	-
Provisions	12,804	39,242
Net cash used in operating activities	**150,233**	**(350,709)**

22. **MANAGEMENT PERSONNEL DISCLOSURES**

(a) Key Management Personnel

(i) Details of Directors

From 29th January 2021 to date of this report:

Stephen McQuillan – Non-Executive Chair
Prof. Stuart Crozier – Non-Executive Director
Clint Gouveia – Executive Director and Chief Operating Officer
Stephen King – Non-Executive Director
Duncan Stovell – Managing Director and Chief Executive Officer

From start of financial year until 29th January 2021:

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

(ii) Details of Other Key Management Personnel

Dr Sara Eastwood – Product and Operations Manager
Ryan Grieger – Finance Manager
Peter Penfold – General Manager – Business Development

(iii) Key Management Personnel Compensation

	2021 $	2020 $
Non-Executive Director fees	15,000	-
Short term employee benefit	432,625	488,677
Post-employment employee benefit	87,362	50,278
Other related parties – director related entities -consulting expenses	-	-
Other long-term employee benefits	-	1,390
Share based payments rights – Restricted Ordinary Shares	937,500	131,250
Total	**1,472,687**	**671,595**

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

There were no options over ordinary shares in the company held during the financial year by any director or other key management personnel (2020: Nil).

(c) Share Based Payments

Information pertaining to share based payments is detailed in note 15.

MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Shareholdings of Directors and Other Key Management Personnel

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

31 May 2021	Balance 1 July 2020	Restricted Ordinary Shares	Options Exercised	Net Change Other	Balance 31 May 2021
Directors					
Stephen McQuillan	-	-	-	-	-
Prof. Stuart Crozier	-	1,500,000	-	-	1,500,000
Clint Gouveia	-		-	1,844,442	1,844,442
Stephen King	-	-	-	-	-
Duncan Stovell	-	1,000,000	-	-	1,000,000
Howard Stack	8,806,540	500,000	-	-	9,306,540
Dr Philip Dubois	906,250	500,000	-	(5,000)	1,401,250
Dr Charles Ho	333,305	500,000	-	-	833,305
Justin Schaffer	13,579,835	500,000	-	-	14,079,835
Richard Aird	312.500	1,500,000	-	-	1,812.500
Jonathan Schaffer	-	-	-	-	-
Thomas Stack	-	-	-	-	-
Other Key Management Personnel					
Dr Sara Eastwood	-	250,000	-	-	250,000
Ryan Grieger	-	-	-	-	-
Peter Penfold	-	-	-	904,138	904,138
	23,938,430	**6,250,000**	-	**2,743,580**	**32,932,010**

30 June 2020	Balance 1 July 2019	Restricted Ordinary Shares	Options Exercised	Net Change Other	Balance 30 June 2020
Directors					
Howard Stack	8,806,540	-	-	-	8,806,540
Dr Philip Dubois	906,250	-	-	-	906,250
Dr Charles Ho	333,305	-	-	-	333,305
Justin Schaffer	13,579,835	-	-	-	13,579,835
Richard Aird	312,500	-	-	-	312.500
Jonathan Schaffer	-	-	-	-	-
Thomas Stack	-	-	-	-	-
Other Key Management Personnel					
Duncan Stovell	-	-	-	-	-
Dr Riyu Wei	-	-	-	-	-
Dr Sara Eastwood	-	-	-	-	-
Total	**23,938,430**	-	-	-	**23,938,430**

		2021 $	2020 $
23.	**PARENT ENTITY INFORMATION**		
	Net loss attributable to members of Magnetica Limited	(1,403,214)	(34,107)
	Total comprehensive income for the year	**(1,403,214)**	**(34,107)**
	Current assets	862,686	1,734,227
	Total assets	**15,981,608**	**6,891,136**
	Current liabilities	374,558	285,261
	Total liabilities	**380,122**	**285,261**
	Issued capital	85,880,503	58,088,535
	Reserves	(18,720,227)	2,831,000
	Accumulated losses	(51,558,790)	(54,314,020)
	Total Equity	**15,601,486**	**6,605,515**

		2021 $	2020 $
24.	**BORROWINGS**		
	Current		
	Bank loan	628,502	-
	Total borrowings	**628,502**	**-**

This represents a loan interest and principal bill of US$485,518 (converted to AU$628,502) by a wholly owned subsidiary Tecmag to HSBC. This a rolling facility with an interest rate of between 3% and 3.35%.

		2021 $	2020 $
25.	**INVESTMENTS**		
	Investment in Acorn NMR Incorporated	118,630	-
	Total comprehensive income for the year	**118,630**	**-**

In 2019 Tecmag Inc entered into an intellectual property assignment agreement with Acorn NMR Incorporated for trademarks and Logos. This investment was brought into the group through the acquisition of Space Cryomagnetics Limited (trading as Scientific Magnetics), see note 27.

26. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks through its use of financial instruments. The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk and interest rate risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Lease liabilities
- Fixed and floating rate loans

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place. Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

26. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

26. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Group's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in Australia.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At the reporting date, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

(ii) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency.

The Group operates internationally and is exposed to foreign exchange risk primarily arising from sale and purchase transactions denominated in GBP dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

27. BUSINESS COMBINATION

On the 29th January 2021 Magnetica acquired 100% of the ordinary shares of Space Cryomagnetics Limited (trading as Scientific Magnetics), a recognised design, development and manufacture of bespoke superconducting magnet systems based in the UK. Scientific Magnetics is sole shareholder of Tecmag a company based in Houston USA that develops and innovates for the magnetic resonance community.

The purchase of Scientific Magnetics was completed by issuing 180,381,683 ordinary shares to Avingtrans at A$0.15 each for a total value of A$27,057,252. Avingtrans are now a major shareholder of Magnetica.

The directors acknowledge the accounting valuation method used for Space Cryomagnetics Limited should not take account of factors that are specific to this unique business combination, such as the Magnetica Limited intended use of an asset or synergies that would not be available to other market participants.

AASB 3 paragraph 33 allows for the acquirees equity interest to be used to determine the fair value of an investment when only equity interests are used as consideration in a business combination. The directors believe it would be more appropriate to use the fair value of Space Cryomagnetics Limited to determine the valuation of the investment in Space Cryomagnetics Limited.

Given that Space Cryomagnetics Limited is not actively traded on an exchange, and there are no similar types of companies which are actively traded the directors believe it appropriate to use an income approach which estimates fair value based on an asset's expected future cash inflows, discounted or capitalised at an appropriate rate. This approach is commonly used to value working capital type assets and liabilities, intangible assets, liabilities and equity instruments.

Based on a discounted cashflow calculation the directors believe the valuation of £4,421,000 (AU$7,927,000) is appropriate for the valuation of Space Cryomagnetics Limited for accounting purposes.

The resulting valuation has given rise to a discount on the share issue of ($19,130,051) which has been recognised in the share premium reserve in the statement of changes in equity.

The assets and liabilities recognised as a result of the acquisition were as follows:

Asset / Liability	**Fair Value**
Fixed Assets	181,734
Intangibles	1,623,205
Other Assets	2,028,503
Cash	1,085,055
Short term Payables	(1,725,718)
Line of Credit	(635,079)
Lease Liability	(350,840)
Other liabilities	(252,208)
Net Identifiable Assets Acquired	**1,954,653**
Fair value of business given in consideration	7,927,701
Goodwill	**5,972,548**

Revenue of Space Cryomagnetics Limited included in the consolidated revenue of the group since acquisition date amounted to $1,263,855 with a loss of ($282,771).