MAGNETICA

Magnetica Limited

ACN 010 679 633

Offer Information Statement

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

Signed in in accordance with section 351 of the Corporations Act:

D Stovell

Duncan Stovell
Director
15/11/2022

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

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IMPORTANT INFORMATION

This Offer Information Statement is dated 15 November 2022 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. ASIC takes no responsibility for the contents of this Offer Information Statement or the merits of the investment to which it relates.

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

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

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

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

This Offer Information Statement neither purports to be exhaustive nor contain all of the information which a prospective investor may require to make an investment decision, and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus.

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

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

Message from the Managing Director

15 November 2022

Dear Shareholder

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

The Share Purchase Plan is part of a wider equity capital raising being undertaken by the Company (**Capital Raising**) comprising:

- **(AVG Capital Raising)** subject to shareholder approval, the proposed issue of shares to our majority shareholder Avingtrans plc (**AVG**) by way of:
  - **(AVG Placement)** a placement of up to approximately 135,000,000 shares at A$0.05 per share to raise up to A$6,750,000 of additional cash (with the final size of the placement being reduced by the level of participation by retail and non-retail investors). The funds committed under the AVG Placement will be provided on a staged basis as follows:
    (i) **Discretionary drawdowns** – when requested by the Board of Magnetica (with the consent of the MNA Directors); and
    (ii) **Mandatory drawdown** – when the cash held by Magnetica at the end of any month is less than A$400,000, AVG must contribute A$250,000 by subscribing for 5,000,000 Shares; and
  - **(AVG Debt Reduction)** capitalisation of AVG's shareholder loans, by issuing approximately 87,000,000 shares at A$0.05 per share, to retire up to A$4,350,000 of working capital loans provided to the Company;
- **(Placement)** a proposed placement at A$0.05 per Share to new and/or existing sophisticated, professional and other investors to whom no disclosure is required under the Corporations Act, subject to shareholder approval for the AVG Capital Raising (with the final size of the placement to be reduced by the level of participation under the Share Purchase Plan); and
- **(Share Purchase Plan)** this Share Purchase Plan offer, which is also subject to shareholder approval of the AVG Capital Raising.

Binding commitments from AVG conditional on shareholder approval are currently being formalised. The Company expects these to be in place in a timely manner. Similar commitments are being sought from other potential investors under the proposed Placement.

On completion, the Capital Raising is expected to raise A$6,750,000 of cash funding and retire A$4,350,000 of shareholder loans.

Use of Capital Raising proceeds

Details of the uses proposed for the A$6,750,000 in cash funds raised from the Capital Raising are set out in Clause 2.9 of this Offer Information Statement.

Details of the Share Purchase Plan

Under the Share Purchase Plan, all Eligible Shareholders will be able to purchase additional Shares in the capital of the Company at an Offer Price of A$0.05 per New Share, subject to shareholder approval of the AVG Capital Raising. The Share Purchase Plan opens on Wednesday, 23 November 2022.

Participation in the Share Purchase Plan is optional and is open to all Eligible Shareholders who were registered holders of ordinary shares and restricted ordinary shares in the Company as at 5:00pm (Brisbane time) on Tuesday, 22 November 2022 (**Record Date**).

This Offer Information Statement contains details about the Share Purchase Plan, instructions on how to participate in the Share Purchase Plan and risk factors relevant to a further investment in Magnetica.

Actions required to participate in the Share Purchase Plan

The Share Purchase Plan closes at 5.00pm (Brisbane time) on Friday, 6 January 2023, unless extended. To participate, you need to ensure that either your completed Application Form and Application Money, or your Application Money submitted by BPAY®, are received before this time in accordance with the instructions set out on the Application Form and in section 3 of this Offer Information Statement.

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

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

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

Yours sincerely

Duncan Stovell
Managing Director

KEY FEATURES OF THE SHARE PURCHASE PLAN

Summary of Offer

Offer Price	A$0.05 per New Share

Key dates

Record Date	5:00pm (Brisbane time) on Tuesday, 22 November 2022
Announcement of the Share Purchase Plan	Tuesday, 15 November 2022
Opening date of the Share Purchase Plan	Wednesday, 23 November 2022
Closing Date — last date for lodgement of Applications and payment of Application Money	5:00pm (Brisbane time) on Friday, 6 January 2023
AVG Capital Raising – general meeting	Monday, 16 January 2023
Issue and allotment of New Shares (subject to shareholder approval of the AVG Capital Raising)	Friday, 27 January 2023

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

1 About Magnetica

Magnetica specialises in the development and engineering of next-generational MRI technologies including compact helium-free MRI (Magnetic Resonance Imaging) systems for dedicated applications (e.g. MSK (musculoskeletal) extremity imaging) and MRI system components. The Company utilises its Intellectual Property (**IP**) portfolio to develop market offerings. The IP portfolio is made up of patents (including those originally acquired from the University of Queensland (**UQ**)), trademarks and know-how/trade secrets.

In January 2021, Magnetica completed a merger with Space Cryomagnetics Limited (trading as Scientific Magnetics Limited), whereby:

(a) Magnetica acquired all the share capital of Space Cryomagnetics Limited (Company Number 03950388) from AVG and two minority shareholders;

(b) AVG acquired a majority interest in Magnetica; and

(c) AVG agreed to provide Magnetica with up to £3.2 million of funding by subscribing for Shares at A$0.15 per Share.

The merger enabled Magnetica:

- to become an MRI system Original Equipment Manufacturer (**OEM**). As an MRI system OEM, Magnetica can design, manufacture and sell products without reliance on third party manufacturers or being in the supply chain of large medical device system integrators; and
- continue to fund its operations including the commercialisation of its MSK (musculoskeletal) Extremity MRI system.

The total funding committed by AVG as part of the merger has been fully drawn down and consequently, Magnetica is undertaking the Capital Raising.

2 Details of the Share Purchase Plan

2.1 The Share Purchase Plan

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

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

Please refer to section 2.9 of this Offer Information Statement for information regarding the purpose of the Share Purchase Plan and section 4 for the risk factors.

2.2 Offer Price

The Offer Price per New Share is A$0.05.

2.3 No minimum amount to be raised

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

2.4 Eligible Shareholders

This Offer Information Statement contains an Offer of New Shares to Eligible Shareholders only. Eligible Shareholders are those holders of Shares who:

(a) are registered as a holder of Shares on the Record Date;

(b) have a registered address in Australia, New Zealand and the United Kingdom; and

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

Shareholders that are not Eligible Shareholders are Ineligible Shareholders.

2.5 Participation by Eligible Shareholders

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

Parcel	Amount payable	Number of New Shares
A	A$2,500	50,000
B	A$5,000	100,000
C	A$7,500	150,000
D	A$10,000	200,000
E	A$12,500	250,000
F	A$15,000	300,000
G	A$17,500	350,000
H	A$20,000	400,000
I	A$22,500	450,000
J	A$25,000	500,000
K	A$27,500	550,000
L	A$30,000	600,000

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

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

(b) greater than A$30,000 – subject to scale back, the Company will allocate 600,000 New Shares to you in relation to A$30,000 and will refund the excess application money to you; or

(c) for an amount between A$2,500 and A$30,000 that is not a multiple of A$2,500 – subject to scale back, the Company will allocate to you the number of New Shares that would have been allocated had you applied for a multiple of A$2,500 that is nearest to but less than the amount of payment, and will refund the excess application money to you.

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

2.6 Maximum amount to be raised and allocation policy

Under the Capital Raising, the Company is expected to raise up to A$6,750,000 of cash funding before costs from the AVG Placement, Placement and this Share Purchase Plan. Accordingly, the maximum amount to be raised under this Share Purchase Plan is A$6,750,000.

If the Share Purchase Plan is oversubscribed, the Company will give applicants under this Share Purchase Plan priority over applicants (including AVG) under the Placement.

As between Share Purchase Plan applicants, the Company reserves the right (in its absolute discretion) to scale back Applications. If there is such a scale back, Eligible Shareholders may receive less than the parcel of New Shares for which they applied. If a scale back produces a fractional number of New Shares when applied to a parcel, the number of New Shares will be rounded up to the nearest whole number of New Shares.

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

2.7 Completion subject to shareholder approval of the AVG Capital Raising

Completion of the issue of New Shares under this Share Purchase Plan is subject to and conditional on shareholder approval for the issue of shares to AVG by way of:

(a) **(AVG Placement)** a placement of up to approximately 135,000,000 shares at A$0.05 per share to raise up to A$6,750,000 of additional cash (with the final size of the placement being reduced by the level of participation by retail and non-retail investors); and

(b) **(AVG Debt Reduction)** capitalisation of AVG's shareholder loans, by issuing approximately 87,000,000 shares at A$0.05 per share, to retire up to A$4,350,000 of working capital loans provided to the Company.

(**AVG Capital Raising**).

The Company intends to convene a meeting to be held on Monday, 16 January 2023 to consider the resolutions required for the shareholder approval. The notice of meeting will be accompanied by an independent expert's report as to whether the proposed AVG Capital Raising is fair and reasonable to shareholders not associated with AVG.

If approval is not obtained by Wednesday, 28 February 2023, the Offer will be withdrawn and any Application Money received by the Company will be refunded to applicants without interest.

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

(a) **Share capital**

The principal effect of the Share Purchase Plan on the Company's capital structure will be to increase the total number of issued Shares. The table below illustrates on a pro-forma basis the effect of the issue of New Shares under the Share Purchase Plan shares assuming that 87 million shares are issued under the AVG Debt Reduction, 10%, 25% and 50% of Eligible Shareholders[1] participate for their full entitlement by subscribing for 600,000 New Shares each and additional Shares are issued so that the maximum amount of cash funding raised under the Placement, AVG Placement and this Share Purchase Plan is A$6,750,000 before costs.

Participation under Share Purchase Plan	10%	25%	50%
Existing Shares			
Shares on issue	339,871,648	339,871,648	339,871,648
New Shares			
AVG Debt Reduction	87,000,000	87,000,000	87,000,000
Share Purchase Plan	33,480,000	83,700,000	135,000,000[2]
Placement and AVG Placement	101,520,000	51,300,000	Nil
Total	**561,871,648**	**561,871,648**	**561,871,648**

[1] Based on 558 Eligible Shareholders as at 11 November 2022.

[2] Maximum New Shares to be issued after priority given to Share Purchase Plan applicants and total New Shares scaled back to the A$6,750,000 (before costs) maximum amount to be raised. New Shares at 50% participation rate before scale back would have been 167,400,000 New Shares.

(b) **Other securities**

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

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

2.9 Application of funds

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

(a) commercialising its MSK Extremity MRI system, including;

(i) completing the development of a system capable of being produced on a commercial basis;

(ii) verification activities, including compliance testing; and

(iii) preparatory activities for in-clinic usability trials including preparing applications for regulatory approvals;

(b) relocating the Brisbane team to a new facility in Brisbane (approximately three times the size of the current facility);

(c) engaging additional personnel and scaling up manufacturing to build out production capabilities for manufacture of the MRI system, with sub-systems being manufactured at each of its locations in Brisbane (AU), Abingdon (UK) and Houston (US);

(d) on going development of market entry plans (with timing and scope of activities always being subject to applicable regulatory approvals);

(e) collaboration with Adaptix plc on a range of matters including evaluating the opportunity to combine the images produced from Magnetica's Cryogen-free MRI system and Adaptix PLC's **DT** (Digital Tomosynthesis) imaging system; and

(f) general support for ongoing operations across its three sites.

The precise activities undertaken may change without notice depending on market conditions and circumstances generally from time to time. There is no guarantee that funds will be applied to all or any of the matters set out above, and in particular to the collaboration with Adaptix plc which is subject to Adaptix plc's co-operation.

Magnetica anticipates that its existing cash resources, together with funding to be provided under the Capital Raising, will enable it to maintain its currently planned operations until mid 2023. After that, Magnetica may be required to raise further funding by way of debt, equity, a combination of debt and equity or other means. The associated funding risks are set out in Section 4.3.

2.10 Waiver or Withdrawal of Share Purchase Plan

The Board reserves the right to:

(a) waive compliance with any provision of the terms and conditions of the Offer either generally or in specific circumstances; or

(b) to amend or vary any terms and conditions of the Offer or to suspend, terminate or withdraw all or part of the Share Purchase Plan at any time before the issue of New Shares, in which case the Company will refund Application Money without payment of interest. Any amendment, variation, suspension or termination will be binding on all Eligible Shareholders even where the Company has not notified the Eligible Shareholder of that event.

2.11 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application or payment once it has been accepted, except as allowed by law.

2.12 Opening and Closing Date for applications

The Share Purchase Plan opens for acceptances on Wednesday, 23 November 2022 and all Applications and payments of Application Money must be received by no later than 5:00pm (Brisbane time) on Friday, 6 January 2023, subject to any variation of the Closing Date by the Directors.

2.13 Allotment of New Shares

The allotment of the New Shares will take place after shareholder approval of the AVG Capital Raising. It is expected that the New Shares will be allotted no later than Friday, 27 January 2023. However, if the date of the shareholder approval occurs later than expected, the date for allotment may also be extended.

2.14 Share rights

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

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

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

Every Shareholder in the Company has a right to:

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

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

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

(b) **Voting rights**

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

(c) **Transfer of Shares**

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

(d) **Variation of rights**

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

(e) **Meetings of Members**

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

2.15 Fees and commissions

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

3 How to participate

3.1 If you wish to apply for New Shares

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

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

Either:

Payment by cheque or bank draft

If you are paying for your New Shares by cheque, bank cheque or bank draft, complete and return the Application Form with your payment.

You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. The Company will not re-present any dishonoured cheques. The Share Registry must receive your completed Application Form together with full payment for the number of New Shares for which you are applying by no later than **5:00pm (Brisbane time) on Friday, 6 January 2023**.

Your cheque, bank cheque or bank draft must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. Your payment must be for the full amount required to pay for the New Shares applied for. Payments in cash will not be accepted.

Cheques must be made payable to **'Magnetica Limited SPP A/c'** and crossed 'Not Negotiable'.

or:

Pay by BPAY®

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

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

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by **5:00pm (Brisbane time) on Friday, 6 January 2023**.

Excess Application Money that is not sufficient to subscribe for a number of New Shares by the Issue Price will be refunded to you except where that amount is less than A$2.00, in which case it will be retained by the Company. The method by which you receive the refund will be at the discretion of the Company. No interest will be paid to Eligible Shareholders on any Application Money received or refunded.

3.2 **Acceptance of the Share Purchase Plan**

By the Company receiving your Application, in the form of either your personalised Application Form with the requisite Application Money or you making a payment of the Application Money by BPAY®, you:

(a) agree to be bound by the terms of this Offer Information Statement and the provisions of the Company's Constitution;

(b) authorise the Company to register you as the holder(s) of the New Shares allotted to you;

(c) declare that all details and statements made in your personalised Application Form are complete and accurate;

(d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Share Purchase Plan;

(e) acknowledge that once the Company receives your Application, you may not withdraw it except as allowed by law;

(f) agree to apply for, and be issued with up to, the number of New Shares that your payment of Application Money will pay for at the Offer Price;

(g) authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your Application Form;

(h) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Application Form as being held by you on the Record Date;

(i) acknowledge that the information contained in this Offer Information Statement is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs, and that the Offer Information Statement is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing disclosure announcements;

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

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

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

(m) you acknowledge that if shareholder approval is not received for the AVG Capital Raising, the New Shares will not be issued. The Company makes no representations or warranties in relation to the likelihood of shareholder approval being obtained for the AVG Capital Raising; and

(n) you have not and will not send any materials relating to the Offer to any person in the United States or that is a US Person, or is acting for the account or benefit of a US Person.

3.3 Payment for New Shares

The Issue Price of A$0.05 per New Share is payable in full on application.

The Application Money payable for your Application is set out on the Application Form.

Application Money will be held in trust in a subscription account until allotment. Any interest earned on Application Money will be for the benefit of the Company and will be retained by the Company whether or not the allotment of New Shares takes place.

3.4 Address details and enquiries

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

Boardroom Pty Limited
Level 8, 210 George Street
Sydney, NSW 2000
Australia

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

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

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

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

4 Risks

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

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

4.1 Strategy risk

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

4.2 Loss of key personnel

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

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

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

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

4.3 Funding Risk

Under the proposed AVG Placement, AVG will provide the total commitment in stages rather than a lump sum in advance. Whilst it is expected that the funding commitment will have been secured from AVG under the scope of the AVG Capital Raising, there is no absolute guarantee that the staged funding will be available when required.

Magnetica anticipates that its existing resources, together with funding to be provided under the Capital Raising, will enable it to maintain its currently planned operations until mid 2023.

Future financial requirements cannot be precisely calculated and will depend upon various factors, including product sales revenues and margins, the progress of research and development projects and the success of the various business ventures and negotiations by Magnetica. Any future acquisitions, expansion, activity and/or business development will require additional capital, whether equity or debt.

By mid-2023, if the Capital Raising funds have been expended, Magnetica will need to raise new funding whether by way of debt, equity, a combination of debt and equity and other means. There can be no assurance that such additional funds will be available on a timely basis, on favourable terms, or at all, or that such funds, if raised, would be sufficient to enable Magnetica to continue to implement its business strategy. Magnetica may be required to curtail significantly one or more of its business programs or obtain funds from the sale or license of assets. If adequate funds are not available, Magnetica's business will be materially and adversely affected. Even if Magnetica can raise additional equity, it may be required to do so at an offer price which is dilutive to shareholders and investors under the Capital Raising.

4.4 **Product Risk**

During calendar year 2023 the Group is aiming to complete the development of a 3T compact MRI system for human MSK (musculoskeletal) extremity clinical applications (including a SciMag manufactured extremity magnet). Activities will include finalizing the development activities, undertaking verification testing, completing in-clinic usability trials as well as preparing and submitting its first regulatory submission to seek approval to market the MRI system as a medical device for clinical use. Further, the group will be exploring the opportunity to apply the product into a parallel industrial application, which remains confidential at this time.

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

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

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

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

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

4.5 **Sales and Revenue Risk**

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

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

4.6 **Development risks and costs**

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

SciMag is an experienced designer and manufacturer of compact superconducting magnets for use primarily in Nuclear Magnetic Resonance (NMR) applications and to a lesser extent in MRI applications. Nevertheless, Magnetica's MSK Extremity magnet design utilises its patented asymmetric technology, which results in an improved patient experience through ease of access and positioning of the limb for scanning of the joint/area of interest. SciMag had not built an asymmetric magnet before the merger. Despite some setbacks and redesign activities, the first-off magnet performance is highly encouraging. Nevertheless, there is a risk that SciMag is unable to manufacture Magnetica's MSK Extremity magnet in the projected timeframe, or at the required cost to support successful commercialisation activities.

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

4.7 **Business risks**

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

4.8 **Unforeseen expenses**

Unforeseen costs can always materialise. For example, supplies and price of superconducting wire (including raw components) can cause delays and cost increases.

4.9 **Manufacturing risk - general**

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

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

4.10 **Manufacturing risks – specific**

(a) **Manufacturing capacity risk**

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

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

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

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

(b) **Manufacturing production**

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

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

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

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

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

(c) **Regulatory and compliance risk**

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

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

4.11 Commercialisation risk

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

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

4.12 **Regulatory and compliance risk**

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

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

For example, Magnetica intends to submit an application to the US Food and Drug Administration (**FDA**) in respect of its Musculoskeletal (**MSK**) Extremity (**EXT**) system. There is no guarantee that the MSK EXT system will be approved or that it will be approved in a timely manner. If FDA approval is not obtained or there are significant delays in obtaining FDA approval, Magnetica will be adversely affected.

Nevertheless, Magnetica is already certified as compliant to ISO 13485, a Quality Management System (QMS) for medical device companies, and supplied regulatory compliant product into the European market. During 2022, following an Extension to Scope audit, SciMag and Tecmag have obtained approval that each of their QMS are compliant with ISO 13485.

4.13 **Minority Shareholder Risk**

AVG has control over Magnetica and is able to exert significant influence over the Group.

4.14 **Legislative and regulatory changes**

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

4.15 **Government policy**

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

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

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

4.16 **Insurance Risk**

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

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

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

4.17 **Supply Risk**

The Group's manufacturing operations will depend on obtaining raw materials, parts and components, manufacturing equipment and other supplies, including services from reliable suppliers in adequate quality and quantity, in a timely manner. COVID-19 has affected the Group's supply chain in that there has been a reduction in the number of suppliers available and the remaining suppliers are overloaded. Suppliers are also suffering from cashflow issues and more are demanding proforma invoices.

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

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

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

4.18 **Intellectual Property (IP) and patent risk**

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

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

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

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

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

4.19 **Reverse engineering risk and trade secret risk**

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

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

4.20 **Research and development risk**

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

4.21 **Health and safety risk**

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

4.22 Market competition and technological advancement risk

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

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

4.23 Dependence on general economic conditions

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

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

There are also other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that are beyond the control of the Company and may be exacerbated in an economic recession or downturn. These include but are not limited to (i) changes in inflation, interest rates and foreign currency exchange rates; (ii) changes in employment levels and labour costs; (iii) changes in aggregate investment and economic output; and (iv) other changes in economic condition which may affect the revenue or costs of the Group.

4.24 Ukraine conflict

The current evolving war between Ukraine and Russia (**Ukraine Conflict**) is impacting global economic markets. The nature and extent of the effect of the Ukraine Conflict on the performance of the Group remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by the Ukraine Conflict.

The Magnetica's directors are continuing to closely monitor the potential secondary and tertiary macroeconomic impacts of the Ukraine Conflict, including the changes in pricing of commodity and energy markets and the potential of cyber activity impacting governmental or industry measures taken in response to the Ukraine Conflict (such as restrictions on travel). This could also lead to staff erosion as staff look for higher paid employment.

The Ukraine Conflict may have secondary effects on global supply-chain and freight movements which would impact the supply of raw materials and delivery of finished goods.

4.25 Foreign exchange risk

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

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

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

4.26 Tax risk

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

4.27 Litigation risk

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

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

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

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

4.28 Sovereign risk

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

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

5 Additional information

5.1 Financial information

The Company's audited financial statements for the 12 month period ending 31 May 2022 are set out in the Annexure to this Offer Information Statement.

5.2 Exposure period

As required by the Corporations Act, this Offer Information Statement is subject to an exposure period of 7 days following lodgement of it with the ASIC. That period may be extended by the ASIC for a further 7 days. No Applications will be accepted by the Company during the Exposure Period. Any Applications received during the Exposure Period will only be processed (without preference) after the Exposure Period has ended.

5.3 Foreign jurisdictions

(a) **General restrictions**

This Offer Information Statement and accompanying Application Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares, or to otherwise permit an offering of New Shares outside Australia, New Zealand and the United Kingdom. The New Shares may not be offered in a jurisdiction outside Australia, New Zealand and the United Kingdom where such an offer is not made in accordance with the laws of that place.

The distribution of this Offer Information Statement in jurisdictions outside Australia, New Zealand or the United Kingdom may be restricted by law and therefore persons who come into possession of this document outside Australia should seek advice on and observe any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

It is the responsibility of any applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed Application and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws and that the applicant is physically present in Australia, New Zealand or the United Kingdom.

(b) **Ineligible Shareholders**

The Company is not extending the Share Purchase Plan to Ineligible Shareholders having regard to the cost of complying with legal and regulatory requirements outside Australia, New Zealand or the United Kingdom, the number of Ineligible Shareholders and the number and value of New Shares which could be offered to Ineligible Shareholders.

Where this Offer Information Statement has been dispatched to Ineligible Shareholders, it is provided for information purposes only.

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

5.4 Eligible Shareholders in New Zealand – important information

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

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

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

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

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

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

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

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

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

5.5 Eligible Shareholders in the United Kingdom

Neither the information in this Offer Information Statement nor any other document relating to the Offer Information Statement has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Offer Information Statement is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Market Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investment to which Offer Information Statement relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this Offer Information Statement.

5.6 Taxation consequences

The taxation consequences of any investment in New Shares will depend upon your particular circumstances. Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

5.7 Privacy

The information about Eligible Shareholders included on an Application is used for the purposes of processing the Application and to administer the Eligible Shareholder's holding of New Shares. By submitting an Application, each Eligible Shareholder agrees that the Company may use the information provided by an Eligible Shareholder on the Application for the purposes set out in this privacy statement and may disclose it for those purposes to the Share Registry and the Company's related bodies corporate, agents and contractors and third party service providers, including mailing houses and professional advisers, and to other regulatory authorities.

The Corporations Act requires the Company to include information about each Shareholder (including name, address and details of the Shares held) in the Register. The information contained in the Register must remain there even if that person ceases to be a Shareholder. Information contained in the Register is also used to facilitate payments and corporate communications (including the Company's financial results, annual reports and other information that the Company wishes to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by, or on behalf of, the Company or the Share Registry. For further details, including how to access your personal information, and information on the privacy complaints handling procedure, please contact the Share Registry Privacy Officer at privacyofficer@boardroomlimited.com.au or see Share Registry's Privacy Policy at https://boardroomlimited.com.au/corp/privacy-policy/.

5.8 Future performance and forward looking statements

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

Forward looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Share Purchase Plan.

5.9 Consents

The following persons have given and have not before the lodgement of this Offer Information Statement, withdrawn their written consent to the issue of this Offer Information Statement in the terms specified below:

(a) Hall Chadwick have given their consent to the inclusion of their auditor's report and to being named as the Company's auditors in the form and context in which the report is included or they are named.

(b) Thomson Geer have given their consent to be named as the solicitors of the Company in the form and context in which they are named.

(c) Boardroom Pty Limited have given their consent to be named as the Share Registry to the Company in the form and context in which they are named.

None of Hall Chadwick, Thomson Geer and Boardroom Pty Limited have authorised or caused the issue of this document and, except as set out in this section, make or purport to make any statement in this document and to the maximum extent permitted by law, each expressly disclaims and takes no responsibility for any part of this document other than giving its consents as set out in this section.

5.10 Authorisation

This Offer Information Statement is issued by Magnetica Limited. Each Director has given his consent in writing in accordance with section 720 of the Corporations Act to the lodgement of this Offer Information Statement with the ASIC and has not withdrawn his consent prior to lodgement.

5.11 Electronic Offer Information Statement

This Offer Information Statement is available in electronic form via https://magnetica.com/about/investor-downloads/. Eligible Shareholders using the Application Form must be located within Australia, New Zealand or the United Kingdom. Persons who receive an electronic version of this Offer Information Statement should ensure they download and read the entire Offer Information Statement.

5.12 Governing law

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

5.13 Interpretation

Some capitalised words and expressions used in this Offer Information Statement have meanings which are explained in section 6.

A reference to time in this Offer Information Statement is to the local time in Brisbane, Australia, unless otherwise stated. All financial amounts in this Offer Information Statement are expressed in Australian dollars.

6 Definitions

Application	(a) Completed Application Form and Application Money: or (b) Application Money submitted via BPAY®,
Application Form	The personalised application form accompanying this Offer Information Statement
Application Money	The payment of the Offer Price under the Share Purchase Plan submitted by an Eligible Shareholder for the purposes of making an Application
ASIC	The Australian Securities and Investments Commission
AVG	Avingtrans plc (Company Number 01968354)
AVG Capital Raising	The meaning stated in section 2.7
Board	The Board of Directors
Capital Raising	The AVG Capital Raising, the Placement and this Share Purchase Plan.
Closing Date	5:00pm (Brisbane time) on Friday, 6 January 2023
Company or Magnetica	Magnetica Limited ACN 010 679 633
Constitution	The constitution of the Company as amended from time to time
Corporations Act	*Corporations Act 2001* (Cth) (Australia)
Director	A director of the Company
DT	Digital Tomosynthesis
Eligible Shareholder	The meaning stated in section 2.4
Exposure Period	The period during which Magnetica cannot accept Applications as described in Section 727(3) of the Corporations Act
Group	Magnetica, SciMag, Tecmag, SML, NMR 1 and NMR 2
Ineligible Shareholder	A Shareholder who is not an Eligible Shareholder
IP	Intellectual Property
NMR 1	NMR Holdings No. 1 Pty Limited ACN 088 225 530
NMR 2	NMR Holdings No. 2 Pty Limited ACN 088 225 610
MNA Directors	Mr Duncan Stovell and Prof. Stuart Crozier or such replacement directors appointed under clause 8 of the shareholder and subscription agreement entered into by AVG and Magnetica on 5 January 2021.
MRI	Magnetic Resonance Imaging
MSK	Musculoskeletal
New Shares	Shares issued under the Share Purchase Plan
OEM	Original Equipment Manufacturer
Offer	The offer contained in this Offer Information Statement to participate in the Share Purchase Plan
Offer Information Statement	This booklet as modified or varied by any supplementary Offer Information Statement given by the Company from time to time
Offer Price	A$0.05 per New Share

Placement	A placement at A$0.05 per Share to new and/or existing sophisticated, professional and other investors to whom no disclosure is required under the Corporations Act, subject to shareholder approval of the AVG Capital Raising.
Record Date	5:00pm (Brisbane time) on Tuesday, 22 November 2022
Register	The register of Shareholders required to be kept under the Corporations Act
SciMag	Space Cryomagnetics Limited (Company Number 03950388).
Share	A fully paid ordinary share in the Company
Share Purchase Plan	The offer of New Shares in accordance with the terms and conditions of this Offer Information Statement
Share Registry	Boardroom Pty Limited
Shareholder	A holder of Shares
SML	Scientific Magnetics Limited (Company Number 05519442).
Tecmag	Tecmag Inc (Texas SOS File Number 0065455100).
UQ	The University of Queensland

CORPORATE DIRECTORY

Directors

Mr Steve McQuillan – Non Executive Director and Chair
Prof. Stuart Crozier – Non Executive Director
Mr Stephen King – Non Executive Director
Mr Duncan Stovell – Executive Director
Mr Clint Gouveia – Executive Director

Management

Mr Duncan Stovell – Chief Executive Officer
Mr Clint Gouveia – Chief Operating Officer
Dr Peter Penfold – General Manager – Business Development
Dr Sara Eastwood – Program, Operations and Production Manager
Dr Atul Minhas – Head of Product Development
Mr Ryan Grieger – Finance Manager
Mr Stephen Denaro – Company Secretary

Registered office

Units 3 & 4, 55 Links Avenue North
Eagle Farm, Queensland, 4009
Australia

Website

https://magnetica.com

Share Registry

Boardroom Pty Limited
Level 8, 210 George Street
Sydney NSW 2000
Australia

Auditors

Hall Chadwick
Level 4, 240 Queen Street
Brisbane QLD 4000
Australia

Legal advisors

Thomson Geer
Level 28, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Australia

ANNEXURE – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022

MAGNETICA

ANNUAL REPORT

FOR THE YEAR ENDED 31 MAY 2022

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

Magnetica Limited & Controlled Entities

NEXT GENERATION MRI TECHNOLOGIES

Resolve / Evolve / Productise

Contents

Corporate Information

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

SECRETARY
Stephen Denaro

AUDITORS
Hall Chadwick QLD
Level 4, 240 Queen St
Brisbane, QLD, 4000, Australia

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

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

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

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

FY22 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

It is now over eighteen months since the merger completed, which moved Magnetica up the value chain, seeing us become an MRI system Original Equipment Manufacturer (OEM). Bringing together the capabilities and experience of the teams within AU-based Magnetica Ltd, UK-based Space Cryomagnetics Ltd (trading as Scientific Magnetics Ltd (SciMag)) and US-based Tecmag, Inc is proving very powerful. One of the most important aspects of the merger was establishing an in-house superconducting magnet detailed design and manufacture capability, realised through the skills and experience of the SciMag team augmenting our existing magnet high-level design capability.

Significant progress has been made in many areas of the business since the merger. During FY2022 our activities have included:

- Advancing the commercialisation of our disruptive compact MRI systems, with our first system to address musculoskeletal (MSK) Extremity (EXT) imaging;
- Ongoing sales and supply of bespoke MRI/NMR/NQR products, primarily to research-based customers; and
- Business integration, transitioning us from three companies located in different geographies to become one company with three regional offices; each located in key addressable markets to drive our future success.

The global pandemic has provided ongoing challenges for the business, not least being the lack of opportunity for international travel, both in the build up to, and since the completion of, the merger. March/April of this year saw our Managing Director and CEO, Duncan Stovell, able to travel to the US to visit the Tecmag team in the US for the first time, before travelling on to visit the SciMag team in the UK again, with his last visit having been in December 2019. Whilst the value of in-person catch-ups to strengthen team relations is clear, the teams have continued to operate effectively throughout the year using video conferencing and other remote tools to conduct business.

On a very positive note, despite a number of team members testing positive to COVID over the period, none of the impacts appear to have been too severe. In most cases team members were able to isolate and continue working from home, or were able to efficiently return to the office once they came out of isolation. We continue to monitor the situation and follow official guidance.

Overall progress with respect to the commercialisation of our MSK EXT MRI system has been positive, with good momentum having been built as we work through a range of challenges. The issues we have contended with have been diverse, not least being timely access to personnel and supply chain issues; common problems faced by many businesses. Whilst we are not as far progressed as we originally forecast, we are still working to submit our first application for regulatory approval later in calendar year 2023.

Stepping up to address all aspects of an MRI system, rather than historically focusing upon only those sub-systems we were already designing and supplying, has provided significant learning for the team. We have engaged consultants, where deemed appropriate, to mitigate risks and minimise delays in getting our market offerings available to customers. Medical device regulations and the plethora of underpinning ISO and IEC standards with which we must comply, will help to ensure our products are safe and effective. The targeted hiring of people into key roles with existing medical device, and in certain cases MRI, knowledge has been very effective, but has often taken longer than ideal.

In the half year report issued in February, we described how the first 3T asymmetric extremity magnet built by SciMag experienced some technical challenges, resulting in a design iteration. The redesign activities have been completed and delivered a superior first magnet, with opportunities to enhance the magnet performance incorporated as part of the rework. Whilst the corrective actions introduced some delays, the team members working on other MRI sub-systems exploited the time window to good effect.

Now delivered and installed in Brisbane, we have commenced the systematic task of integrating and testing the magnet with the many other sub-systems, as they become available in prototype and then later in pre-production form. As we continue these activities, we expect to identify new challenges that we will work through as a team.

FY22 Review of Operations and Future Developments (continued)

In parallel to the commercialisation of our compact MRI systems, we continue to develop and supply MRI/NMR/NQR products, primarily to research-focused customers. In addition to maintaining a focus on this customer group, these orders ensure we sustain and develop our market leading capabilities in bespoke MRI sub-systems, that we are using to develop our MSK EXT MRI system.

A feature of research-focused customer sales is that the timing and size of orders is "lumpy" in nature. A number of factors, ranging from delays in customers securing funding, to pandemic induced deferrals, saw reductions in order conversion in the first half of FY2022.

Whilst the sales team worked hard throughout the year, the second half of the year was much stronger, seeing us secure a range of high and lower value orders from both new and existing customers. Unfortunately, the order delays in the first half of the year had a direct knock-on impact on in-year revenue recognition. However, on the upside, we ended FY2022 with a strong order book, which is keeping the delivery teams very busy. Further, the efforts of the sales team means we have a healthy sales pipeline of qualified opportunities, some of which have already been closed, and many others that are expected to close, during FY2023.

A range of business integration and compliance activities have progressed during the year, to align the teams based across our three offices, together with the adoption of common underpinning systems and processes. An ongoing journey, activities during the FY have included (but are not limited to) those in the following areas:

- Quality Management System (QMS);
- Customer Relationship Management (CRM) system;
- Enterprise Resource Planning (ERP) system;
- IT security upgrades and underpinning infrastructure alignment;
- Migration of data to common cloud-based hosting; and
- General Data Protection Regulation (GDPR) compliance.

The second half of the FY saw a focus upon the establishment of a QMS at our US office and upgrading the existing ISO 9001 compliant QMS in the UK office to requirements of ISO 13485, a QMS standard for medical device companies. External 'Extension to Scope' Audits conducted after the end of the FY (during July and August) at all three sites have gone well; certification for the three sites is anticipated in coming months. A key feature of any successful QMS is the demonstrable commitment to Continuous Improvement. The teams in each location have made such a commitment and are utilising the QMS as a core underpinning element of how we do business.

Working in a highly regulated industry, such as healthcare/medical devices, requires compliance with regulations and standards and this is part-and-parcel of our day-to-day activities. Work is underway to achieve compliance across the whole business with the requirements of EU and UK General Data Protection Regulations (GDPR). Achieving GDPR compliance will prepare us for a more seamless scale out and growth of the company into key markets, which will include the EU and UK. An important step on the journey, our UK office has confirmed GDPR compliance, forging the pathway for the other locations to follow suit during FY2023.

Earlier in the FY, a new lease was signed for the existing UK facility, ensuring the resources required to design and manufacture our compact helium-free superconducting magnets remain available to deliver new product lines and support the expected ramp up in manufacturing, as our MRI systems enter the market. The search to identify a suitable larger facility in the greater Brisbane area identified several potential properties. We are currently negotiating on a new-build facility on the north side of Brisbane. The build is expected to be completed and the facility available for us to move into in the first half of CY2023. At ~1250m2, the new facility will provide us with three times the area of our current facility at Eagle Farm.

FY22 Review of Operations and Future Developments (continued)

With some delays seen in the commercialisation program and the timeframes to find and hire the right talent in tight labour markets to propel the business forward, our overall cash burn rate during the year was reduced. Cash flows resulting from the sale and supply of superconducting magnets and spectrometers by SciMag and Tecmag respectively also contributed strongly, to manage our monthly cash burn rate. As a result, the business was able to carefully manage cash flows, to stretch the committed equity funding from Avingtrans (as part of the merger deal) to finish the FY with no additional funds being required.

Since the end of FY2022 on the 31st May, Avingtrans has provided funding to Magnetica via intercompany loans, in support of our ongoing operations and specifically to support the MSK EXT MRI system commercialisation program. These loans will be converted to equity, as part of a planned capital raising to be completed before the end of the calendar year. With Avingtrans agreeing to cornerstone the round, existing investors based in certain jurisdictions (where it is cost effective for the Company to be able to do so) will also be offered the opportunity to take part in the capital raising.

Our IP portfolio has been strengthened through the granting of patents, in a number of countries where we expect to market our disruptive products. We continue to await review of the patent applications in other countries where we have lodged applications. These newly obtained patent grants serve to counter several aged patents expiring from within the patent portfolio. Patents are, and will remain, an important element in our IP strategy. Trade secrets/know-how are another important element in the IP portfolio and the merger significantly strengthened the breadth of these. The ongoing commercialisation of our compact MRI systems is further fleshing out the portfolio.

An exciting collaboration opportunity for the business continues by way of ongoing investment by Avingtrans into a “sister” company, Adaptix plc, a UK-based company transforming radiology, through low-cost, low-dose 3D portable imaging. Adaptix has developed a number of novel technologies and imaging approaches, in relation to Digital Tomosynthesis (“DT”). We are collaborating with Adaptix on a range of matters to drive business efficiency. Further, we are examining the opportunity to develop a disruptive multi-modality business offering for low-cost 3D imaging, by combining our Cryogen-free MRI and Adaptix’s DT. The offering would allow fusing of the image data, giving enhanced low-cost diagnostic capability, initially for orthopaedic imaging.

The merger resulted in a ‘changing of the guard’ in terms of Magnetica’s Board of Directors. Appointed as part of the merger, we continue to operate with three Non-Executive Directors and two Executive Directors. Whilst we intend to hire an independent Chair at the right time to round out the Board composition, the Directors are comfortable that the existing Board, with myself in the role of Chair, remains effective and meets the needs of the business at the current phase in our journey.

The Directors acknowledge the continuing support provided by our customers, partners, suppliers, shareholders, other stakeholders and the broader community. Enabling high-quality imaging close to the patient point-of-care remains the focus for our global team and we continue to work hard to realise the shareholder value that should result.

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Stephen McQuillan

Chair

Chatteris, UK, 22 September 2022

DIRECTORS' REPORT

Your directors present their report for the year ended 31 May 2022.

DIRECTORS

The following persons were directors of Magnetica Limited during the financial year, from the 1st June 2021 and up to the date of this report:

- Stephen McQuillan;
- Prof Stuart Crozier;
- Clint Gouveia;
- Stephen King; and
- Duncan Stovell.

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

Steve joined Avingtrans as CEO in October 2008. Over the last fourteen years, the market cap of Avingtrans has increased by more than a factor of 15, 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 Director General 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. A long period at Mars Inc followed, mostly at Mars Electronics, where Steve moved to France to run Western European operations and then 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 has 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, including a part-time CSO role at EMVision medical devices Ltd. 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 40 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 Medical Imaging, particularly 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 past 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, Chair 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 14 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 25 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.

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	-

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 2022, 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 Share Incentive Plan

Under the Share and Option Plan adopted in January 2021, at year end (as detailed in Note 15(b) to the financial statements), 8,925,000 restricted ordinary shares were on issue.

A new Share Incentive Plan was adopted by the Board in January 2022, however, at the date of this report no shares or options have been issued under the plan.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

CORPORATE INFORMATION

Corporate structure

Magnetica Limited is a company limited by shares which is incorporated and domiciled in Australia. Magnetica Limited has prepared a consolidated financial report which consolidates its wholly owned subsidiaries 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

The principal activities of the Company during the financial year has focused upon:

- Commercialisation of 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 designer and manufacturer, within MRI, NMR and NQR markets, specialising in:
  - Superconducting magnets;
  - Gradient coils;
  - RF coils; and
  - Spectrometers.

Employees

As at 31 May 2022, the Company employed 40 full-time and 8 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 well as compliance and regulatory, when 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 2022, 25,500,000 shares were issued (2021: 194,804,464).

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 2022, the loss from ordinary activities for the consolidated entity after providing for income tax was $(2,479,652), (2021: $(1,685,985)).

DIVIDENDS PAID OR RECOMMENDED

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs during the reporting period.

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

From the start of FY2023, Avingtrans has been providing Magnetica with cash via intercompany loans to support business operations. A capital raising, with Avingtrans being the cornerstone investor, is expected to complete before the end of calendar year 2022, at which point the loan funds will convert into equity as part of the funding round.

DIRECTORS' REPORT (CONTINUED)

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	10	10	2	2
Prof Stuart Crozier	10	10	2	2
Clint Gouveia	10	10	2	2
Stephen King	10	10	2	2
Duncan Stovell	10	10	2	2

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 13 of the Annual Report.

Signed in Chatteris, UK this 22 day of September 2022 in accordance with a resolution of the directors.

S. McQuillan

Stephen McQuillan
Chair

HALL CHADWICK
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS | QLD

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240 Queen Street
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hallchadwickqld.com.au

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 2022, 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 22nd day of September 2022

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 2022, 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 2022 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 2022, 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.

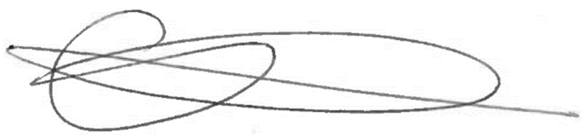
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 22nd day of September 2022

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 18 to 51 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 2022 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 22 day of September 2022 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 year ended 31 May 2022

	Notes	2022 June 21-May 22 $	2021 July 20-May 21 $
Revenue	2	4,500,806	2,183,913
Expenses	3	(6,980,458)	(3,869,898)
Loss before income tax		(2,479,652)	(1,685,985)
Income tax expense	4	-	-
Loss attributable to members of Magnetica Limited		(2,479,652)	(1,685,985)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign controlled entities		6,521	128,824
Other comprehensive income for the year, net of tax		6,521	128,824
Total comprehensive loss for the year attributable to the members of Magnetica Limited		(2,473,131)	(1,557,161)

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 2022

	Notes	31 May 2022 $	31 May 2021 $
CURRENT ASSETS			
Cash and cash equivalents	20	395,027	1,331,144
Trade and other receivables	5	1,765,061	623,724
Inventories		670,966	707,219
Other assets	6	289,748	582,631
TOTAL CURRENT ASSETS		**3,120,802**	**3,244,718**
NON-CURRENT ASSETS			
Property, plant and equipment	8	549,447	705,853
Right-of-use assets	11	725,775	323,599
Intangible assets	9	17,009,790	14,089,320
Investments	25	118,630	118,630
TOTAL NON-CURRENT ASSETS		**18,403,642**	**15,237,402**
TOTAL ASSETS		**21,524,444**	**18,482,120**
CURRENT LIABILITIES			
Trade and other payables	10	2,898,822	1,975,618
Lease liabilities	11	281,011	152,450
Employee Benefits	12	146,252	84,224
Interest bearing loans borrowings	24	675,550	628,502
TOTAL CURRENT LIABILITIES		**4,001,635**	**2,840,794**
NON-CURRENT LIABILITIES			
Employee Benefits	12	89,420	5,563
Lease Liability	11	492,283	188,227
TOTAL NON-CURRENT LIABILITIES		**581,703**	**193,790**
TOTAL LIABILITIES		**4,583,338**	**3,034,584**
NET ASSETS		**16,941,106**	**15,447,536**
EQUITY			
Issued capital	13	89,705,503	85,880,503
Reserves	14,15	(18,572,005)	(18,720,227)
Accumulated losses		(54,192,392)	(51,712,740)
TOTAL EQUITY		**16,941,106**	**15,447,536**

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

Consolidated Statements of Changes in Equity

For the year ended 31 May 2022

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 June 2021	**85,880,503**	**(19,130,051)**	**281,000**	**-**	**-**	**128,824**	**(51,712,740)**	**15,447,536**
Vesting of all remaining performance rights before deed of cancellation and issue of ordinary shares	-	-	-	-	-	-	-	-
Conversion of Vested Performance Rights into Ordinary Shares	-	-	-	-	-	-	-	-
Issue of Ordinary Shares	3,825,000	-	-	-	-	-	-	3,825,000
Share premium adjustment on acquisition – see note 27.		-	-	-	-	-	-	-
Share Issue Costs	-	-	-	-	-	-	-	
Loss for the year	-	-	-	-	-		(2,479,652)	(2,479,652)
Other Comprehensive income for the year	-	-	-	-	-	148,222	-	148,222
Balance at 31 May 2022	**89,705,503**	**(19,130,051)**	**281,000**	**-**	**-**	**277,046**	**(54,192,392)**	**16,941,106**

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 for 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**

MAGNETICA

Consolidated Statement of Cash Flows

For the year ended 31 May 2022

	Inflows/(Outflows)	
	31 May 2022 $	**31 May 2021 $**
Cash flows from operating activities		
Receipts from customers and grants	3,788,875	1,576,104
Payments to suppliers and employees	(5,476,053)	(1,571,099)
Finance costs paid	(50,817)	-
GST Recovered/(Paid)	151,113	144,467
Interest Received	26	761
Net cash used in operating activities (Note 21)	**(1,586,856)**	**150,233**
Cash flows from investing activities		
Payments for property, plant and equipment	(62,148)	(425,993)
Cash acquired from purchase of subsidiaries	-	1,085,055
Payment for development costs	(2,973,774)	(985,686)
Net cash used in investing activities	**(3,035,922)**	**(326,624)**
Cash flows from financing activities		
Share issue costs	-	(29,951)
Share Capital Issued	3,772,574	-
Payment of lease liabilities	(85,913)	(109,034)
Reimbursement for stamp duty costs (acquisition of SciMag)	-	66,888
Net cash provided by financing activities	**3,686,661**	**(72,097)**
Net increase (decrease) in cash and cash equivalents held	(936,117)	(248,488)
Cash and cash equivalents at the beginning of the financial year	1,331,144	1,579,632
Cash and cash equivalents at the end of the financial year (Note 20)	**395,027**	**1,331,144**

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 31 May 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 compact MRI Systems, Superconducting Magnets, Spectrometers, Gradient Coils and Radio Frequency (RF) Coils;
- Interest;
- R&D Tax Offsets; and
- Grants.

The Company manufactures and sells compact MRI Systems, 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 investment hedge.

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

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 ($2,479,652) and a loss of ($1,685,985) 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. Avingtrans PLC has confirmed its' willingness to provide funding in support of the agreed plan that is being executed during financial year 2023;
2. Periodic 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 Musculoskeletal (MSK) Extremity (EXT) 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 2022 reporting periods and have not been adopted early 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.

		2022 $	2021 $
2.	**REVENUE**		
	Sales	3,987,479	1,186,729
	Interest received	26	761
	Grant income	65,368	141,250
	Research and development tax offset	447,381	559,009
	Other income	552	296,164
		4,500,806	**2,183,913**
3.	**EXPENSES**		
	Consultancy	744,702	713,808
	Travel	53,754	2,250
	Employee benefits expense	3,139,895	1,752,781
	General and Admin – Premises and Facilities	359,728	120,520
	General and Admin – Corporate and other costs	604,613	297,366
	Standards and Approvals	-	2,716
	Marketing and Sales	20,646	1,707
	Depreciation	395,011	171,968
	Interest Expense	43,542	11,564
	Cost of Goods Sold	3,009,789	571,253
	Amortisation	9,226	5,973
	Share based payments	-	66,888
	Other	543,894	949,759
	Less Development costs capitalised applicable to costs above	(1,944,342)	(729,051)
	Less IP costs capitalised applicable to costs above	-	-
4.	**INCOME TAX**		
a)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Loss before income tax expense	(2,457,355)	(1,685,985)
	Tax at the Australian tax rate of 25% (2021: 26%)	(614,339)	(438,356)
	Research and development not assessable	(118,845)	(145,342)
	Non-deductible entertainment	-	-
	Depreciation and amortisation	6,979	(9,162)
	Prepayments	12,065	(8,468)
	Research and development expenses capitalised	(483,988)	(189,550)
	Lease payments – right of use	(16,251)	(128)
	Research and development expenses non-deductible	269,878	280,673
	Share based payments	-	211,416
	Movements in provisions and accruals	38,960	(71)

Income not assessable – other	-	(13,000)
Tax Effect of Profit of Tecmag and loss of SciMag	239,248	73,251
Net Capital Gain – lapse of offer	-	-
Deferred tax assets (recognised)/not recognised	659,293	238,472
Losses Utilised	-	-
Income tax expense	**-**	**-**

4b) **Tax losses (continued)**	**2022**	**2021**
	$	**$**
Unused tax losses for which no deferred tax asset has been recognised	31,735,856	29,331,687
Potential tax benefit @ 25% (2021: 26%)	7,933,964	7,626,239

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.

	2022	**2021**
	$	**$**
5. TRADE AND OTHER RECEIVABLES		
Trade receivables	1,672,661	609,160
GST receivable	92,400	14,564
	1,765,061	**623,724**
6. OTHER CURRENT ASSETS		
Refundable deposits	13,750	13,750
Deposits paid	7,336	7,336
Prepayments	196,416	106,056
Unearned revenue	2,793	390,928
Other Assets	69,453	64,561
	289,748	**582,631**

7. CONTROLLED ENTITIES

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

	Country of Incorporation	Class of share	2022 % holding	2021 % 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%	100%
Scientific Magnetics Limited (non-trading)	England	Ordinary	100%	100%
Tecmag Inc	United States of America	Ordinary	100%	100%

	2022 $	2021 $
8. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
Cost	852,689	800,470
Less: Accumulated depreciation	(303,242)	(94,617)
Total plant and equipment	**549,447**	**705,853**

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

	2022 $	2021 $
Plant and equipment		
Carrying amount at beginning of year	705,853	192,743
Additions	52,219	607,727
Depreciation	(208,625)	(94,617)
Carrying amount at end of year	**549,447**	**705,853**

		2022 $	2021 $
9.	**INTANGIBLE ASSETS**		
	Goodwill (i)		
	At cost	5,972,548	5,972,548
	Less: Accumulated impairment losses	-	-
	Total goodwill	**5,972,548**	**5,972,548**
	Computer software		
	At cost	19,551	19,551
	Less: Accumulated amortisation	(12,728)	(6,245)
	Total computer software	**6,823**	**13,306**
	Patents		
	At cost	623,388	583,848
	Less: Accumulated impairment losses	(224,950)	(231,195)
	Total patents	**398,438**	**352,653**
	Development costs		
	At cost	11,114,010	8,115,031
	Less: Accumulated amortisation	(482,029)	(364,218)
	Total development costs	**10,631,981**	**7,750,813**
	Total intangible assets	**17,009,790**	**14,089.320**
	Reconciliations		
	Carrying amount at beginning of year	14,089,320	5,856,890
	Goodwill acquired	-	5,972,548
	Additions	3,038,281	2,311,448
	Amortisation	(117,811)	(51,566)
	Carrying amount at end of year	**17,009,790**	**14,089,320**

(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. 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.

		2022 $	2021 $
10.	**TRADE AND OTHER PAYABLES**		
	Trade payables	988,853	628,169
	Unearned revenue	373,436	905,339
	PAYG withholding payable	41,904	26,325
	Accrued expenses	278,613	249,141
	Other Payables	1,216,016	166,644
		2,898,822	**1,975,618**

		2022 $	2021 $
11.	**LEASES**		
	Right of use Assets		
	Carrying Amount at beginning of year	323,599	27,085
	Additions	626,717	389,498
	Less Accumulated Amortization	(224,541)	(92,984)
	Carrying amount at end of year	**725,775**	**323,599**
	Lease Liability		
	Opening Balance	340,677	27,085
	Additions on Transition	-	-
	Additions during the year	626,717	406,794
	Payments	(194,100)	(93,202)
	As at 31 May 2022	**773,294**	**340,677**

The right-to-use assets represent leases of office and factory premises at Eagle Farm in AU, Abingdon in UK and Houston in US.

		2022 $	2021 $
12	**EMPLOYEE BENEFITS**		
	Current		
	Provision for Long Service Leave	-	-
	Provision for Annual leave	146,252	84,224
		146,252	84,224
	Non-Current		
	Provision for Long Service Leave	89,420	5,536
		89,420	5,536

		2022 No. of Shares	2022 $	2021 No. of Shares	2021 $
13.	**ISSUED CAPITAL**				
(a)	*Ordinary shares*				
	Balance at 1 July 2020			**119,567,184**	**58,088,535**
	Balance at 1 June 2021	**314,371,648**	**85,880,503**		
	Ordinary Shares issued during the year at $0.15 per share	25,500,000	3,825,000	185,479,464	27,821,919
	Share issue costs		-	-	(29,951)
	Ordinary Shares issued following conversion from Vested Performance Rights	-	-	400,000	-
	Restricted Ordinary Shares issued in lieu of Performance Rights	-	-	8,925,000	-
	Balance at 31 May 2021			**314,371,648**	**85,880,503**
	Balance at 31 May 2022	**339,871,648**	**89,705,503**		

		2022 No. of Options	2022 $	2021 No. of Options	2021 $
(b)	*Options*				
	Balance at 1 July 2020			**3,000,000**	**281,000**
	Balance at 1 June 2021	**3,000,000**	**281,000**		
	Options lapsed	-	-	-	-
	Balance at 31 May 2021			**3,000,000**	**281,000**
	Balance at 31 May 2022	**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 financial year (2021: 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 31 May 2022	Balance at 31 May 2021
20-May-05	Relisting date	Relisting date+3yr	$0.50	1,000,000	1,000,000
20-May-05	Relisting date+1yr	Relisting date+4yr	$0.54	1,000,000	1,000,000
20-May-05	Relisting date+2yr	Relisting date+5yr	$0.60	1,000,000	1,000,000
				3,000,000	**3,000,000**
Options outstanding at year-end				3,000,000	3,000,000
Options exercisable at year-end				-	-
Weighted average exercise price of outstanding options				$0.54	$0.54
Weighted average fair value of outstanding options				$0.09	$0.09

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

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

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

Historically a Performance Rights Plan instituted by the company was used to incentivise staff, directors and contractors. Under the scope of a Magnetica Share and Option Plan adopted in January 2021, 8,925,000 fully paid Restricted Ordinary Shares were issued at no cost to recipients in exchange for 8,925,000 cancelled Performance Rights that were on issue under the historical Performance Rights Plan.

A Share and Option 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.

	2022 $	2021 $
17. **AUDITOR'S REMUNERATION**		
Remuneration of the auditors of the parent entity for:		
- auditing or reviewing the financial report	36,000	26,000

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**

From the start of FY2023, Avingtrans has been providing Magnetica with cash via intercompany loans to support business operations. A capital raising, with Avingtrans being the cornerstone investor, is expected to complete before the end of calendar year 2022, at which point the loan funds will convert into equity as part of the funding round.

	2022 $	2021 $
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	**395,027**	**1,331,144**

21. **RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO LOSS AFTER INCOME TAX**

	2022 $	2021 $
Loss after income tax	(2,479,652)	(1,685,985)
Depreciation and amortisation	340,919	146,182
Movements in other reserves	87,516	(1,085,055)
Change in assets and liabilities		
(Increase) decrease in assets		
Trade debtors	(1,198,990)	(903,562)
Inventory	(101,622)	(633,447)
Other current assets	(6,974)	(464,126)
Increase (decrease) in liabilities		
Trade creditors & other payables	1,756,218	4,763,422
Unearned revenue	-	-
Provisions	15,729	12,804
Net cash used in operating activities	**(1,586,856)**	**150,233**

22. MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel

(i) Details of Directors

Stephen McQuillan – Non-Executive Director and Board 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

(ii) Details of Other Key Management Personnel

Dr. Sara Eastwood – Program, Operations and Production Manager
Ryan Grieger – Finance Manager
Dr. Atul Minhas – Head of Product Development
Dr. Peter Penfold – General Manager – Business Development

(iii) Key Management Personnel Compensation

	2022 $	2021 $
Non-Executive Director fees	45,000	15,000
Short term employee benefit	902,642	432,625
Post-employment employee benefit	143,228	87,362
Other related parties – director related entities		
- consulting expenses	88,000	-
Other long-term employee benefits	-	-
Share based payments rights – Restricted Ordinary Shares	-	937,500
Total	**1,178,870**	**1,472,687**

(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 (2021: 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 (including both ordinary and restricted ordinary) 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 2022	Balance 1 June 2021	Restricted Ordinary Shares	Options Exercised	Net Change Other	Balance 31 May 2022
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
Other Key Management Personnel					
Dr. Sara Eastwood	250,000	-	-	-	250,000
Ryan Grieger	-	-	-	-	-
Dr. Atul Minhas	-	-	-	-	-
Dr. Peter Penfold	904,138	-	-	-	904,138
	5,498,580	**-**	-	**-**	**5,498,580**

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	-	-	-	-	-
Dr. Peter Penfold	-	-	-	904,138	904,138
	23,938,430	**6,250,000**	-	**2,743,580**	**32,932,010**

		2022 $	2021 $
23.	**PARENT ENTITY INFORMATION**		
	Net loss attributable to members of Magnetica Limited	(1,267,363)	(1,403,214)
	Total comprehensive income for the year	**(1,267,363)**	**(1,403,214)**
	Current assets	329,973	862,686
	Total assets	**18,659,288**	**15,981,608**
	Current liabilities	(500,144)	(374,558)
	Total liabilities	**(500,144)**	**(380,122)**
	Issued capital	89,705,503	85,880,503
	Reserves	(18,849,051)	(18,720,227)
	Accumulated losses	(52,697,308)	(51,558,790)
	Total Equity	**18,159,144**	**15,601,486**

		2022 $	2021 $
24.	**BORROWINGS**		
	Current		
	Bank loan	675,550	628,502
	Total borrowings	**675,550**	**628,502**

This represents a loan interest and principal bill of US$485,518 (converted to AU$675,550) by a wholly owned subsidiary Tecmag to HSBC. This a rolling facility with an interest rate of between 4.1% and 4.5%.

		2022 $	2021 $
25.	**INVESTMENTS**		
	Investment in Acorn NMR Incorporated	118,630	118,630
	Total comprehensive income for the year	**118,630**	**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).

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; and
- 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; and
- 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 Executive Officer and Finance Manager have 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 90-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 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.

The Group has no significant credit risk to any specific geographical region.

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.