



FINANCIAL STATEMENTS
FOR MAGNETICA LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 30 NOVEMBER 2022

Magnetica Limited
ACN 010 679 633
Units 3 & 4, 55 Links Avenue North
Eagle Farm QLD 4009
Australia
Tel: +61 7 3188 5445
<https://magnetica.com>

Magnetica Limited & Controlled Entities



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DIRECTORS' REPORT

Your directors present their report for the half-year ended 30 November 2022.

DIRECTORS

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

Steve McQuillan – Board Chair
Prof. Stuart Crozier
Client Gouveia
Stephen King
Duncan Stovell

REVIEW OF OPERATIONS

Our teams working on the design and manufacture of superconducting magnets and spectrometers remain very busy, with a healthy backlog of work. In fact, the magnet team's order backlog is the largest it has ever been, which speaks volumes regarding the relationships the team have established with their customers. The range of projects underway continue to be primarily for research-focused applications. Whilst the secured work ensures the delivery teams are fully committed, the closing of new orders remains inconsistent from month to month. The approval of funding sources and a level of bureaucracy in some organisations mean the orders can take a good amount of time to come to fruition. Nevertheless, the sales team continues to work to close these orders as efficiently as they are able.

The continuing global pandemic provides daily challenges for the business to address. Similar to many companies, we have been tested by stress within global supply chains and the resulting delays in the availability of materials and finished goods. These delays have continued to impact our progress in a range of areas across our 3-Tesla MSK (musculoskeletal) extremity MRI system commercialisation program. The timely availability of people with the required skill sets to join our team is a further hurdle we are working to overcome.

Nevertheless, despite the challenges described, activity continues at a pace, with the team working diligently to complete the development of the product, ahead of testing (verification and validation) activities and US-based in-clinic usability trials. Once these phases are complete, we will be proceeding to make applications to regulators for approval to market the product as a medical device in their specific regulatory controlled region.

We are regularly being contacted by potential customers enquiring about our MSK extremity MRI system, seeing it as their upgrade pathway to replace existing older or less capable systems. This market pull is very encouraging and helps the team to remain focused upon the end goal of getting our products into customer sites and making a difference for their clinicians and the patients they serve. With this in mind, our activities to appoint our first US-based distributor, to undertake the sales and support of the system, are progressing well.

With the Product Development team broadly established, and product realisation activities progressing well, our attention has now shifted towards scaling out other key functions within our business. These functions include production, marketing and sales, and service and support. Ensuring we have the appropriate resources available at the right time is going to be critical to success during our anticipated growth phase. With that in mind, we are progressing to develop the readiness of our systems, processes and equipment, along with our people.

One key personnel change has been the retirement of Dr Peter Penfold, our General Manager – Business Development, at the end of 2022. We are sorry not to have Peter as a part of the team now, but wish him well in his future endeavours. Nevertheless, we are very fortunate to have been able to appoint Antonio Augello into the role. Based in Italy, Antonio has been consulting with us for a number of months. Having him join us in a full-time capacity is really exciting, not least because Antonio originally trained as a Radiographer. Together with his previous experience selling compact MRI systems and managing distributors, Antonio is a key new hire for Magnetica and we look forward to working with him more closely in his new role.



DIRECTORS' REPORT (CONTINUED)

Ensuring we supply medical devices that are safe and effective is a core requirement in everything that we do. Quality Assurance is one of the areas that we continue to focus upon. Ongoing activities to progress and mature our Quality Management System (QMS) at each of our sites has led to all three sites being certified as compliant with ISO 13485, a QMS standard for medical device companies. Continuous Improvement is now a key focus for our teams, as we work to embed the cultural change required to fully exploit the inherent value that has been created.

As we continue to gear-up for the impending growth phase of our business, we have outgrown our existing Brisbane-based facility in the suburb of Eagle Farm. We have signed a lease on a new facility in the suburb of Northgate, which is approximately three times the size of the current facility. We expect the lease at the new facility to commence in March. We will maintain both facilities for a number of months to enable us to undertake testing of our MRI system in parallel at each site, once a new imaging suite has been installed at the Northgate site. Further, we expect our Houston-based team to relocate from their existing facility into a new facility later in calendar year 2023, with the UK-based team remaining in their existing facility for the foreseeable future.

Compliance with regulations and standards is a core activity as a medical device company. Building upon our UK office confirming GDPR compliance last year, work continues to achieve compliance across the whole business with the requirements of EU and UK General Data Protection Regulations (GDPR). With the review of the Australian Privacy Act presently underway by the Australian Federal Government, the level of impact for us should be minimised as a result of the existing work we are undertaking.

Collaboration between Adaptix Ltd and Magnetica continues, with a range of activities fostering increasingly strong relations between the two teams. We see good synergies and see the opportunity to fuse image data from our two imaging system modalities as an exciting development that we will be exploring further. With Adaptix recently announcing that they have been granted 510(k) approval to market their low-cost, low-dose 3D portable imaging in the USA, we are able to manage some of our risk by learning from their experiences.

A capital raising was announced on the 30th November. An event occurring after the end of the half-year period, the capital raise was completed in late January. The outcome of the capital raise saw shareholders approve the:

- retirement of debt on the Company's balance sheet, by converting A\$4.35M of loans from Avingtrans into equity, with new shares being issued;
- issuing of ~A\$0.54M of new shares to non-Avingtrans investors, both new and existing, who took up the opportunity to participate in the capital raise via both a Placement and Share Purchase Plan; and
- drawdown of ~A\$6.21M of new equity funding from Avingtrans, in tranches in the coming year, with new shares being issued for each tranche.

Prior to the capital raise Avingtrans held 61.27% of Magnetica's issued capital. At completion of the capital raise and allotment of the new shares, Avingtrans held 67.46% of Magnetica's issued capital, as approved by shareholders via an Extraordinary General Meeting held in January. The ongoing drawdown of new funds in tranches in coming months (as described above) will see Avingtrans' holding gradually increase up to a total of 74.65%.

Our plan to hire an independent Chair, at the appropriate time, to round out the Board composition has not changed. However, the Directors remain comfortable that the existing Board, with myself in the role of Chair, remains effective and meets the needs of the business at this current phase of our journey.

The Directors wish to acknowledge the continuing support we receive from 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, in spite of the range of challenges we have faced, we continue to strive to achieve the milestones that should deliver value to shareholders and the broader stakeholder community.



DIRECTORS' REPORT (CONTINUED)

RESULTS OF OPERATIONS

Results for the half-year are summarised as follows:

	30 November 2022	30 November 2021
	\$	\$
Loss before income tax	(913,589)	(808,793)
Income tax expense	(74,058)	-
	<hr/>	<hr/>
Loss for the period	(987,647)	(808,793)
	<hr/>	<hr/>

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than highlighted above, there were no significant changes in the state of affairs during the half-year.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration has been received and can be found on page 6 of this financial report.

A handwritten signature in blue ink, appearing to read "S. McQuillan", with a wavy line extending to the right.

Steve McQuillan

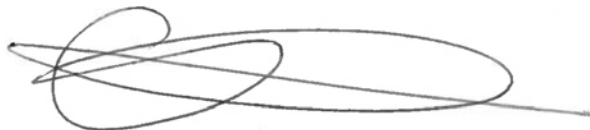
Chair

Chatteris, UK, 27th February 2023

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

I declare that, to the best of my knowledge and belief, during the half year ended 30 November 2022, there have been:

- i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



HALL CHADWICK QLD

Clive Massingham
Director
HALL CHADWICK QLD

Signed at Brisbane this 27th day of February 2023.

Independent Auditor's Review Report

To the members of Magnetica Limited and controlled entities

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Magnetica Limited and controlled entities which comprises the statement of financial position as at 30 November 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Magnetica Limited does not comply with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Group's financial position as at 30 November 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 review report.

Responsibility of the Directors for the Financial Report

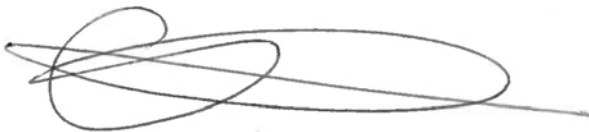
The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the

Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 30 November 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



HALL CHADWICK QLD

Clive Massingham
Hall Chadwick QLD
Chartered Accountants

Signed this 27th day of February 2023



DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 30 November 2022 and of its performance for the half-year ended on that date; and
 - (b) complying with the Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in Chatteris, UK this 27th day of February 2023 in accordance with a resolution of the directors.

A handwritten signature in blue ink, appearing to read "S. McQuillan". The signature is fluid and cursive, with a long, wavy tail.

Steve McQuillan
Chair



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022**

	Note	30 November 2022 \$	30 November 2021 \$
Revenue	2	2,616,571	1,875,886
Expenses		(3,530,160)	(2,684,679)
Profit/(loss) before income tax expense		(913,589)	(808,793)
Income tax expense		(74,058)	-
Net profit/(loss) attributable to members of Magnetica Limited		(987,647)	(808,793)
Other comprehensive income, net of income tax		-	-
Exchange differences on translating foreign controlled entities		(34,456)	(6,686)
Other comprehensive income for the year, net of tax		(34,456)	(6,686)
Total comprehensive income for the period attributable to members of Magnetica Limited		(1,022,103)	(815,479)

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2022

	Note	30 November 2022 \$	31 May 2022 Restated \$
CURRENT ASSETS			
Cash and cash equivalents		69,232	395,027
Trade and other receivables		486,665	1,551,438
Inventories		1,285,182	670,966
Related party loan receivable		506,571	496,704
Other current assets		1,129,362	289,748
TOTAL CURRENT ASSETS		3,477,012	3,403,883
NON-CURRENT ASSETS			
Property, plant and equipment		490,091	640,947
Right of Use Asset		592,591	725,775
Intangible assets	3	19,247,693	17,036,920
TOTAL NON-CURRENT ASSETS		20,330,375	18,403,642
TOTAL ASSETS		23,807,387	21,807,525
CURRENT LIABILITIES			
Trade and other payables		2,138,266	2,898,822
Lease liabilities		265,192	281,011
Related party loan payables		3,850,000	-
Employee Benefits		269,897	146,252
Interest bearing loans borrowings		687,545	675,550
TOTAL CURRENT LIABILITIES		7,210,900	4,001,635
NON-CURRENT LIABILITIES			
Employee Benefits		22,460	89,420
Lease liability		371,943	492,283
TOTAL NON-CURRENT LIABILITIES		394,403	581,703
TOTAL LIABILITIES		7,605,303	4,583,338
NET ASSETS		16,202,084	17,224,187
EQUITY			
Issued capital	4	89,705,503	89,705,503
Reserves	5	(18,606,461)	(18,572,005)
Accumulated losses		(54,896,958)	(53,909,311)
TOTAL EQUITY		16,202,084	17,224,187

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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY RESTATED

FOR THE HALF YEAR ENDED 30 NOVEMBER 2022

Consolidated	Share capital		Reserves	Reserves	Reserves	Reserves	Reserves	Accumulated Losses	Total equity
	Ordinary	Share premium Reserve	Share option Reserve	Vested Performance Rights	Share Based Payments	Foreign Currency Translation Reserve			
	\$	\$	\$	\$	\$	\$	\$		
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	-	-	-	-	-	-	(2,196,571)	(2,196,571)	
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	(53,909,311)	17,224,187	

Consolidated	Share capital		Reserves	Reserves	Reserves	Reserves	Reserves	Accumulated Losses	Total equity
	Ordinary	Share premium Reserve	Share option Reserve	Vested Performance Rights	Share Based Payments	Foreign Currency Translation Reserve			
	\$	\$	\$	\$	\$	\$	\$		
Balance at 1 June 2022	89,705,503	(19,130,051)	281,000	-	-	277,046	(53,909,311)	17,224,187	
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	-	-	-	-	-	-	-	-	
Share premium adjustment on acquisition – see note 27.	-	-	-	-	-	-	-	-	
Share Issue Costs	-	-	-	-	-	-	-	-	
Loss for the year	-	-	-	-	-	-	(987,647)	(987,647)	
Other Comprehensive income for the year	-	-	-	-	-	(34,456)	-	(34,456)	
Balance at 31 November 2022	89,705,503	(19,130,051)	281,000	-	-	242,590	(54,896,958)	16,202,084	



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022**

	30 November 2022	30 November 2021
	\$	\$
Cash flows from operating activities		
Receipts from customers and grants	4,042,303	2,077,477
Payments to suppliers and employees	(6,747,853)	(3,221,109)
GST recovered/(paid)	133,245	144,467
Net cash provided by/ (used in) operating activities	(2,572,305)	(999,165)
Cash flows from investing activities		
Payments for property, plant and equipment	(14,587)	(8,759)
Payments for intangible assets	(1,518,848)	(1,443,403)
Net cash provided by/ (used in) investing activities	(1,533,435)	(1,452,162)
Cash flows from financing activities		
Proceeds from borrowings (convertible note)	3,816,976	2,250,000
Payment of Interest bearing loans borrowings	(37,031)	-
Net cash provided by/ (used in) financing activities	3,779,945	2,250,000
Net increase (decrease) in cash and cash equivalents held	(325,795)	(201,327)
Cash and cash equivalents at the beginning of the financial period	395,027	1,331,144
Cash and cash equivalents at the end of the financial period	69,232	1,129,817

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022

1. BASIS OF PREPARATION

These general-purpose financial statements for the interim half-year reporting period ended 30 November 2022 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of the group. As such, they do not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the group for the year ended 31 May 2022, together with any disclosures made during the half-year.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

a. 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 period of (\$987,647) and a loss of (\$808,793) 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. After the funds committed by Avingtrans PLC as part of the January 2021 merger were fully drawn down by the end of FY2022, Avingtrans provided loans to Magnetica during the first half of FY2023;
2. In January 2023 Magnetica successfully raised \$11.1 million which was underwritten by Avingtrans, and included the conversion of the existing loans from Avingtrans into equity (\$4.35 million);
3. Sales of superconducting magnets and spectrometers, and periodic sales of gradient coils and RF coils, are expected to occur throughout the financial year;
4. As an MRI system OEM, Magnetica will be focused upon the commercialisation of dedicated compact MRI systems, with the Extremity MRI system as the first such market offering, from which future revenues are expected to be generated;
5. The company has historically had the ability to secure Government grant funding and to secure share capital as needed;
6. The company is entitled to a substantial annual research and development tax rebate; and
7. The company has a surplus of net current assets at period end and as the date of this report.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022

2. REVENUE

	30 November 2022	30 November 2021
	\$	\$
Sale of goods	2,613,037	1,362,584
Other Income	-	552
Research and development tax rebate	-	447,382
Grants	-	65,368
Interest income	3,534	-
	<hr/>	<hr/>
	2,616,571	1,875,886
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022
3. INTANGIBLE ASSETS

	30 November 2022	31 May 2022
	\$	\$
Goodwill		
At cost	5,972,548	5,972,548
Less: Accumulated impairment losses	-	-
Total Goodwill	5,972,548	5,972,548
Other Intangible assets		
At cost	14,116,564	11,901,890
Less: Accumulated amortisation and impairment losses	(841,419)	(837,518)
Total Other Intangible assets	13,275,145	11,064,372
Total Intangible assets	19,247,693	17,036,920

(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 comprised of \$4,918,497 and liabilities of \$2,963,845. As a result, the net identifiable assets were \$1,954,652 and Goodwill was \$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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022

4. ISSUED CAPITAL

	No of shares	\$
Ordinary Shares		
Balance as at 1 June 2022	339,871,648	89,705,503
Shares issued during the period	-	-
Balance as at 30 November 2022	339,871,648	89,705,503

5. SHARE-BASED PAYMENTS - OPTIONS

No options were granted or exercised during the half year ended 30 November 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022

5. SHARE-BASED PAYMENTS – OPTIONS (CONTINUED)

Grant date	First exercise date	Last exercise date	Exercise price per share	Balance at 30 November 2022	Balance at 30 May 2022
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.

5. SHARE-BASED PAYMENTS – RESTRICTED ORDINARY SHARES

A Share and Option Plan instituted by the company in January 2021 replaced a Performance Rights Plan operated prior to the merger. A total of 8,925,000 fully paid Restricted Ordinary Shares are on issue, replacing Performance Rights previously held by plan participants.

A holder of Restricted Ordinary Shares 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022

5. SHARE BASED PAYMENTS – RESTRICTED ORDINARY SHARES (CONTINUED)

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.

6. CONTINGENT LIABILITIES

There has been no material change in contingent liabilities since the last annual reporting date.

7. CORRECTION OF PRIOR PERIOD ERROR

The tax returns for Scientific Magnetics and its consolidated tax group were completed after the finalisation of annual report of Magnetica Australia for the year ended 31 May 2022. The tax returns resulted in an income tax benefit of \$283,081 being recognised in the profit and loss for the year ended 31 May 2022.

The tax adjustment of \$283,081 is connected to a related entity and is recognised as an asset in the balance sheet as a related party loan receivable.

The prior year tax adjustment affects the statement in Changes in equity, equity for Magnetica Limited and its controlling entities it is 283,081 higher at the 31 May 2022.

The prior year adjustments also included the reclassification of the following accounts:

- Reclassification of related party loan balance from trade and other receivables to related party loans;
- Reclassification of an investment account to intangible assets; and
- Reclassification of an investment account to property plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 30 NOVEMBER 2022
7. CORRECTION OF PRIOR PERIOD ERROR

Details in relation to the impact on these corrections on comparative financial information are as follows:

	Previously reported 31 May 2022	Adjustment	Restated amount 31 May 2022
Statement of financial position (extract)			
Accumulated losses	54,192,392	(283,081)	53,909,311
Trade and other receivables	1,765,061	(213,623)	1,551,438
Related party loan receivable	-	496,704	496,704
Property plant and equipment	549,447	91,500	640,947
Intangible assets	17,009,790	27,130	17,036,920
Investments	118,630	(118,630)	-
Statement of profit or loss and other comprehensive income (extract)			
Income tax benefit	-	(283,081)	(283,081)