

Magnetica Limited

A.C.N 010 679 633

Notice of Annual General Meeting

Notice is given that the annual general meeting of the shareholders of Magnetica Limited (the **Company**) will be held at, Level 2, Naldham House, 1 Eagle Street, Queensland on Wednesday 30 November 2005 at 8.30am.

Business

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider:

- (a) the financial report;
- (b) the directors' report; and
- (c) the auditor's report,

of the Company for the year ended 30 June 2005.

To consider and if thought fit, pass the following resolutions as ordinary resolutions

2. REMUNERATION REPORT

That the Remuneration Report be adopted

The Remuneration Report is set out on pages 12 to 17 of the Company's 2005 Annual Report. Please note that the vote on this resolution is advisory only and does not bind the directors or the Company.

3. RE-ELECTION OF DIRECTOR – MR ANDREW DAVIS

That Mr Andrew Davis, who retires as Director of the Company in accordance with the provisions of the Constitution and being eligible, offers himself for re-election, be appointed as a Director of the Company.

4. ISSUE OF SHARES PURSUANT TO PROSPECTUS

That in accordance with the provisions of Listing Rule 7.1 of the Australian Stock Exchange Ltd the Company be authorised to issue up to 14,300,000 shares at a minimum issue price of 35 cents per share pursuant to a prospectus to be issued by the Company.

To consider and if thought fit, pass the following resolution as a special resolution

5. SELECTIVE BUYBACK OF SHARES

That in accordance with and pursuant to the provisions of 257(B) and 257D(1) of the Corporations Act the shareholders approve the selective buy-back by the Company from BK Hospitality Pty Ltd (In Liquidation) of up to 1,616,859 shares in the Company at the price at which shares are to be issued by the Company pursuant to a prospectus to be issued by the Company.

By order of the Board

D P Cornish
Company Secretary
31 October 2005

Explanatory Memorandum

Item 1 - Financial Statements

The Corporations Act 2001 requires the Financial Report, Directors' Report and Auditor's Report for the past financial year to be tabled before the Annual General Meeting, and the Company's Constitution provides for such Reports to be received and considered at that Meeting. Neither the Corporations Act 2001 nor the Company's Constitution requires a vote of Shareholders on the Reports. The Annual General Meeting provides a forum for shareholders to ask questions and make comment on the Company's Reports and Accounts and on the business and operations of the Company for the year ended 30 June 2005.

In addition shareholders may at the meeting ask questions of the auditor in relation to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company for the preparation for the financial statements, and the auditor's independence in relation to the conduct of the audit. Members may submit written questions to the auditor in relation to the above items. Any written questions to the auditor must be submitted to the Company five days before the Annual General Meeting.

Item 2 – Remuneration Report

The remuneration report of the Company for the Financial Year ended 30 June 2005 is set out in the Directors Report on pages 12 to 17 of the 2005 Annual Report to Shareholders (the Remuneration Report).

The Remuneration Report sets out the Company's remuneration arrangements for the Managing Director, executives and non-executive directors. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting. In addition, the Corporations Act requires that Item 2, to adopt the Remuneration report, be put to the vote. However, the vote on this resolution is only advisory and does not bind the Company or its directors.

Item 3 - Re-election of a director of the Company

In accordance with the Company's Constitution, Mr Andrew Davis retires by rotation and, being eligible, offers himself for re-election. The Directors, other than Mr Davis, recommend that the shareholders vote in favour of Item 3. Mr Davis makes no recommendation in relation to Item 3.

Mr Davis is presently Group Manager, Technology Commercialisation for UniQuest Pty Limited. As a part of this role, he is responsible for the commercialisation of technologies developed by the University of Queensland's Centre for Magnetic Resonance and Biomedical Engineering group.

Mr Davis manages UniQuest's existing MRI technology licenses to GE Medical Systems and Siemens. He is also a Director of Spin Systems (Qld) Pty Ltd, which develops and manufactures subsystems for magnetic resonance micro-imaging and spectroscopy systems, as well as RF coils for use in MRI systems and bio-electronic systems for use in other imaging modalities.

Mr Davis has over 15 years experience in technology venture management and financing, from start-ups to new venture development with Telstra and line management to management consultancy. He is a Director of four venture companies, with operations spanning biomedical engineering and manufacturing, medical diagnostics and immunotherapy development. He chairs UniQuest's Patent Committee which has approximately 700 patent and patent applications under management.

Item 4 – Further Capital Raising

Immediately following the conclusion of the Annual General Meeting and the obtaining of the necessary approvals to the Proposal the Company intends to proceed with the issue of a prospectus (the **Prospectus**) to raise up to \$5,000,000 (the **Capital Raising**). It is proposed that shares will be issued at a minimum of 35 cents per share. This minimum issue price may be increased subject to market conditions.

ASX Listing Rule 7.1 provides that an entity must not, without the approval of shareholders, make or agree to make a new issue of equity securities which would exceed 15% of its existing equity securities over a 12 month period.

The proposed issue of a maximum of approximately 14,300,000 ordinary shares pursuant to the prospectus (the **Prospectus Shares**) represents in excess of 15% of the Company's equity and accordingly approval is required from shareholders pursuant to Listing Rule 7.1.

ASX Listing Rule 7.3 requires the Notice and Information Memorandum for a general meeting at which shareholders are required to consider a resolution pursuant to ASX Listing Rule 7.1 to include certain specified information in relation to the equity securities proposed to be issued.

This information is set out below in relation to the proposed issue of the Prospectus Shares.

Securities to be issued

The allotment of Prospectus Shares will result in the issue of up to 14,300,000 ordinary shares in the Company.

Date of issue of the securities

It is anticipated that the Prospectus Shares will be issued within 5 business days after the close of the offer to subscribe for the Prospectus Shares. The Listing Rules of the ASX require that this allotment take place no more than 3 months after the date of the obtaining of shareholder approval. In any event the Company will issue the Prospectus Shares within this period.

Issue price of the Securities

The issue price of the prospectus shares will be made at a minimum of 35 cents per fully paid ordinary share.

The names of the allottees

The issue of the Prospectus Shares will be made to parties who subscribe for shares pursuant to a prospectus to be issued by the Company. The offer to subscribe for shares in the prospectus will be made to existing shareholders of the Company as well as to the public.

The terms of the securities

The shares issued pursuant to the prospectus will be ordinary shares in the capital of the Company and will rank equally with all other ordinary shares on issue at the time of their allotment.

The intended use of the funds raised

If the offers under the prospectus were fully subscribed (at an issue price of 40 cents per share) the funds raised would be made in the following manner:-

Use of Funds	Amount
Design work on magnet technologies	\$ 1,225,000
Prototype development	\$ 925,000
Buy-back of Liquidators Shares	\$ 650,000
Litigation Costs – Compact magnet	\$500,000
Working Capital	\$1,300,000
Costs of the Issue	\$ 400,000
<i>Total Funds Raised</i>	\$5,000,000

In the event that the Company raises less than \$5,000,000 then the commitment of funds to the commercialisation process, working capita, and the costs of the Issue will be scaled back on a pro rata basis.

A detailed discussion and analysis of the proposed use of funds will be included in the Prospectus.

The dates of allotment or a statement that the allotment will occur progressively

This information is provided above.

Item 5 - Selective Buy-Back of Shares

Background

Prior to the consolidation of the Company's shares and the completion of the seed capital raising in 2004, 80% of the shares in the Company were held by Bradley Keeling Management Pty Ltd (In Liquidation) (**BKM**) and B. K. Hospitality Pty Ltd (In Liquidation) (**BKH**). Both of these companies were placed in liquidation in 2002.

In January 2005 a Buy-Back of shares equal to 25% of the liquidators' post-consolidation holding of shares was effected. A total of 2,162,329 shares were bought back from the liquidators by the Company and subsequently cancelled in return for a payment to the liquidators of \$576,628.

It was also agreed between the Company and the liquidators that a further Buy-Back of shares was to be effected upon the Company conducting another round of capital raising. That Buy-Back proposal was approved by the shareholders of the Company at a General Meeting held in May 2005. However it is not now proposed to implement that arrangement.

Accordingly this resolution seeks approval for a further amended Buy-Back agreement between the Company and the liquidators of BKH and BKM. The terms of the Buy- Back are detailed below.

Particulars of the terms of the Buy-Back

Under the Buy-Back, the Company proposes to effect a Buy-Back of up to 1,616,859 shares in the Company from BKH in the event of a successful capital raising of \$5,000,000 (see Item 4). The shares to be bought back from BKH represent all of the remaining shareholding of BKH in the Company.

In the event that the capital raising of \$3,000,000 is completed the Company will not buy-back any shares. However for every dollar raised over \$3,000,000 50 cents will be allocated to the costs of the buy-back and 50 cents will go towards meeting the costs of the issue. Once the costs of the issue have been met then all further funds raised will go towards the costs of the buy back until 1,616,859 shares are bought back at a total cost to the Company of \$646,744 (if the Capital Raising is conducted at 40 cents).

The Buy-Back will be effected following the completion of the Capital Raising and the price per share offered under the Buy-Back will be the price at which shares are issued to the public under the Capital Raising.

Capital Structure

The following table sets out the current shareholding in the Company.

Shareholder	Number of shares	%
BKH	1,616,859	3.3
BKM	4,870,130	10.1
UniQuest	25,000,000	51.5
Other Shareholders	17,041,961	35.1
Total	48,528,950	100.0

Following the completion of the Buy-Back and the Capital Raising (at 40 cents per share) the capital structure of the Company will be as follows:-

Shareholder	Number of shares	Number of shares	%	%
	(\$3m raising)	(\$5m raising)	(\$3m raising)	(\$5m raising)
BKH	1,616,859	Nil	2.9	0
BKM	4,870,130	4,870,130	8.7	8.2
UniQuest	25,000,000	25,000,000	44.6	42.1
Other Shareholders	24,541,961	29,541,961	43.8	49.7
Total	56,028,950	59,412,091	100.0	100.0

The number and percentage of shares to be bought back

The maximum number of shares to be brought back will be 1,616,859 shares. Currently this represents 3.3% of the Company. The precise number of shares to be issued pursuant to the Capital Raising has yet to be finalised. However, it is likely to be in the range of 7,500,000 shares to 12,500,000 shares. If 12,500,000 shares are issued under the Capital

Raising then the percentage of shares to be bought back from the liquidators will amount to 2.6% of the shares in the Company.

Offer price or formula for the calculation of the offer price

The offer price under the Buy-Back will be that price at which shares are issued to the public pursuant to the Capital Raising. Pursuant to the approvals sought at this Annual General Meeting the shares issued under the Capital Raising will be issued at not less than 35 cents per share. Therefore, 35 cents per share is the minimum amount per share that will be paid to BKH and BKM under the Buy-Back. If the shares are issued under the Capital Raising at a higher price then, similarly, the offer under the Buy-Back to purchase shares from BKH and BKM will be made at that higher price.

The reasons for the Buy-Back

The Company has undertaken the Buy-Back as part of the overall re-structuring of the Company to facilitate a re-quotations of the Company's shares on the ASX. The liquidators of BKH and BKM are required to realise assets under their control for the benefit of creditors in a timely fashion. The Company considers that it was in the best interests of an efficient re-structuring that they negotiate a commercial agreement with the liquidators to achieve this end and as a consequence the Buy-Back arrangements were agreed to between the parties.

The interests of any directors who may participate in the Buy-Back

No directors have any interest in the Buy-Back. No directors are participating either directly or indirectly in the Buy-Back.

The financial effect of the Buy-Back on the Company

If the Buy-Back is undertaken at a price of 35 cents per share, the maximum cost of the Buy-Back to the Company will be \$565,901. If the Buy-Back were undertaken at 40 cents per share, the total cost of the Buy-Back to the Company will be \$646,744. The Buy-Back will only be effected if the Company has successfully completed the Capital Raising.

The source of funds for the Buy-Back

The funds for the Buy-Back will be provided from the Capital Raising.

The effect the Buy-Back will have on the control of the Company

The Buy-Back will not have any significant effect on the control of the Company.

The advantages and disadvantages of the Buy-Back

The principal advantage of the Buy-Back is that it rationalises the interest of the liquidators in the Company and provides an orderly exit for them from their shareholding position in the Company at a price which the Company considers to be reasonable in all the circumstances. The principal disadvantage of the Buy-Back is the cost to the Company of effecting same.

Financial statements

A copy of the Company's Annual Report for 2005 accompanies this meeting material.

Directors recommendations

Each of the directors of the Company recommends the Buy-Back to the shareholders.

Voting and proxies

Voting

Any person who is the registered holder of a share in the Company at 7:00pm Australian Eastern Standard time on 28 November 2005 will be entitled to attend and vote at the meeting.

Proxies

- A Member who is entitled to attend and vote at the meeting may appoint a person as the Member's proxy to attend and vote on behalf of that Member.
- If a Member is entitled to cast two or more votes at the meeting, they may appoint two proxies. If you require an additional proxy form, the Company will supply it on request.
- If a Member appoints two proxies, the appointment of the proxies may specify the proportion or the number of that Member's votes that each proxy may exercise. If the appointment does not so specify, each proxy may exercise half of the votes. Fractions of votes will be disregarded.
- A proxy need not be a Member of the Company.
- To be effective, the Company must receive the completed proxy form and, if the form is signed by the Member's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 48 hours before the meeting.
- Proxies may be lodged with the Company:
 - by mail to: GPO Box 142
Brisbane QLD 4001
 - by facsimile to fax number: +61 (0)7 3221 3068
 - by delivery: c/- Hemming & Hart Lawyers
Level 2,
307 Queen Street,
Brisbane, Queensland
- Proxies given by corporate Members must be executed in accordance with section 127 of the *Corporations Act 2001* (Cth) or signed by a duly authorised officer or attorney.
- A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Company's constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.
- If a Member appoints the chairperson of the meeting as the Member's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson will vote, as proxy for that Member, in favour of that item on a poll.

Queries

If you have any queries in respect of the above please contact the Company Secretary, Mr Duncan Cornish, on +61 (0)7 3303 0699.

MAGNETICA LIMITED

PROXY FORM

APPOINTMENT OF PROXY

I/We (name of shareholder)

being a member/s of Magnetica Limited and entitled to attend and vote hereby appoint

[] the Chairman of the Meeting OR [] (mark with an "X")

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting

or failing the person named, of if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Magnetica Limited to be held at Level 2 Naldham House, 1 Eagle Street Brisbane, Qld on 30 November 2005 at 8.30 am and at any adjournment of that meeting.

[] If you do not wish to direct your proxy how to vote please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman of the meeting intends to vote undirected proxies in favour of the resolutions.

Voting directions to your proxy – please mark [X]

Table with 4 columns: Item, For, Against, Abstain*. Rows include Remuneration Report, Re-election of director - Mr Andrew Davis, Issue shares pursuant to a Prospectus, and Approval of share Buy-Back.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Execution

This section must be signed in accordance with the instructions below to enable your directions to be implemented.

Individual or Security holder 1

Security holder 2

Security holder 3

[Signature box]

[Signature box]

[Signature box]

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

How to complete the Proxy Form

1. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the Company.

2. Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy form may be obtained by telephoning the Company's share registry or you may copy this form.

To appoint on a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) Return both forms together in the same envelope.

4. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual:	where the holding is in one name, the holder must sign.
Joint Holding:	where the holding is in more than one name, all of the security holders should sign.
Power of Attorney:	to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 8.30 am on 28 November 2005, being 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged with the Company:

IN PERSON:- C/- Hemming & Hart, Level 2, 307 Queen Street, Brisbane , Queensland

BY MAIL:- C/- Hemming & Hart, GPO Box 142, Brisbane, QLD, 4001

BY FAX:- 07 – 3221 3068