XRF SCIENTIFIC LIMITED

ABN 80 107 908 314

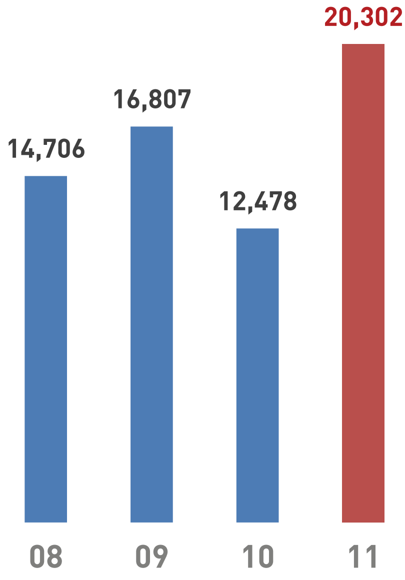
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

CONTENTS

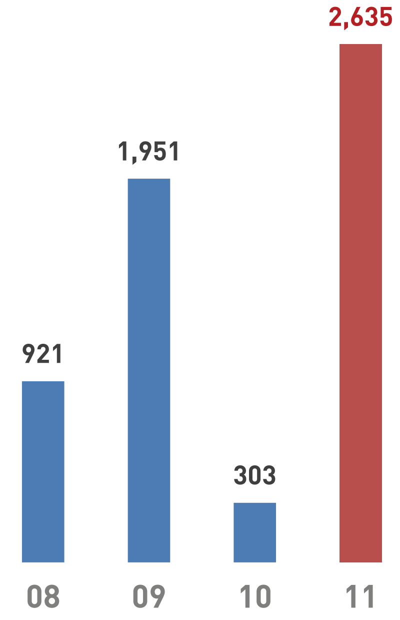
FINANCIAL RESULTS SUMMARY

Sales up 63%



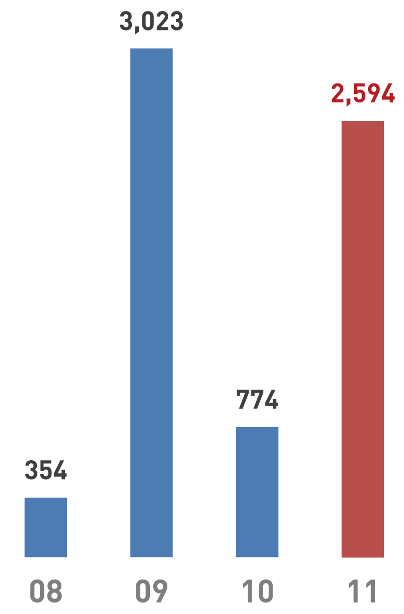
Sales Revenue ($'000)

Net Profit After Tax up 770%



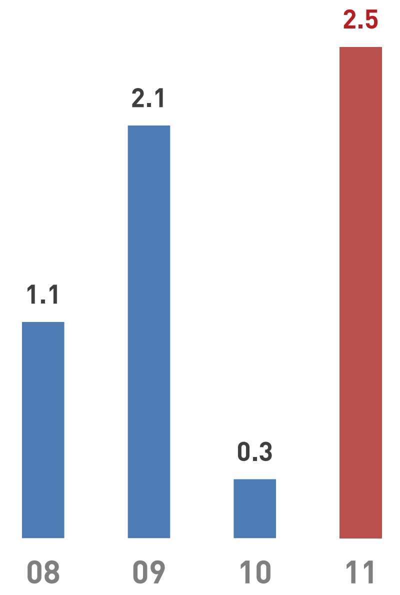
Net Profit After Tax ($'000)

Operating Cash Flow up 235%



Operating Cash Flow ($'000)

Earnings Per Share up 733%



Earnings Per Share (Cents)

CHAIRMAN'S LETTER

Dear Shareholder,

In spite of the global financial crisis and concerns about the economic situation in the USA and parts of Europe XRF Scientific Ltd has been able to considerably improve its performance and contribute to a steady growth of its share price. At the end of the financial year the share price was 15% above the float price.

Shareholders are benefiting also from the payment of a one (1) cent per share fully franked dividend.

The acquisition during the year of Sigma Chemicals significantly increased our market share for flux. Sigma's operations were integrated successfully with those of XRF Scientific. The positive synergies gained from the acquisition are reflected in the Company's after tax profit results which in turn have enhanced the market confidence in the company's products, services and management.

The results are consistent with the Company's strategic plan objectives of increasing its capitalisation, broadening the shareholder base, maintaining margins and increasing after tax profits.

Over the last 12 months the Company has attracted attention as one of the better performers in small cap sector of the Australian Stock Market. It is a Company objective to further improve its performance both in Australia and overseas. This approach will enable the company to manage, in a positive, way both the positives and negatives of the historically high value of the Australian dollar vis-à-vis the US Dollar, the Euro and the Yen.

The company has consciously strived to minimise its debt. This places the Company in a very strong position to make further acquisitions that will result in exponential growth in revenues and after tax profits.

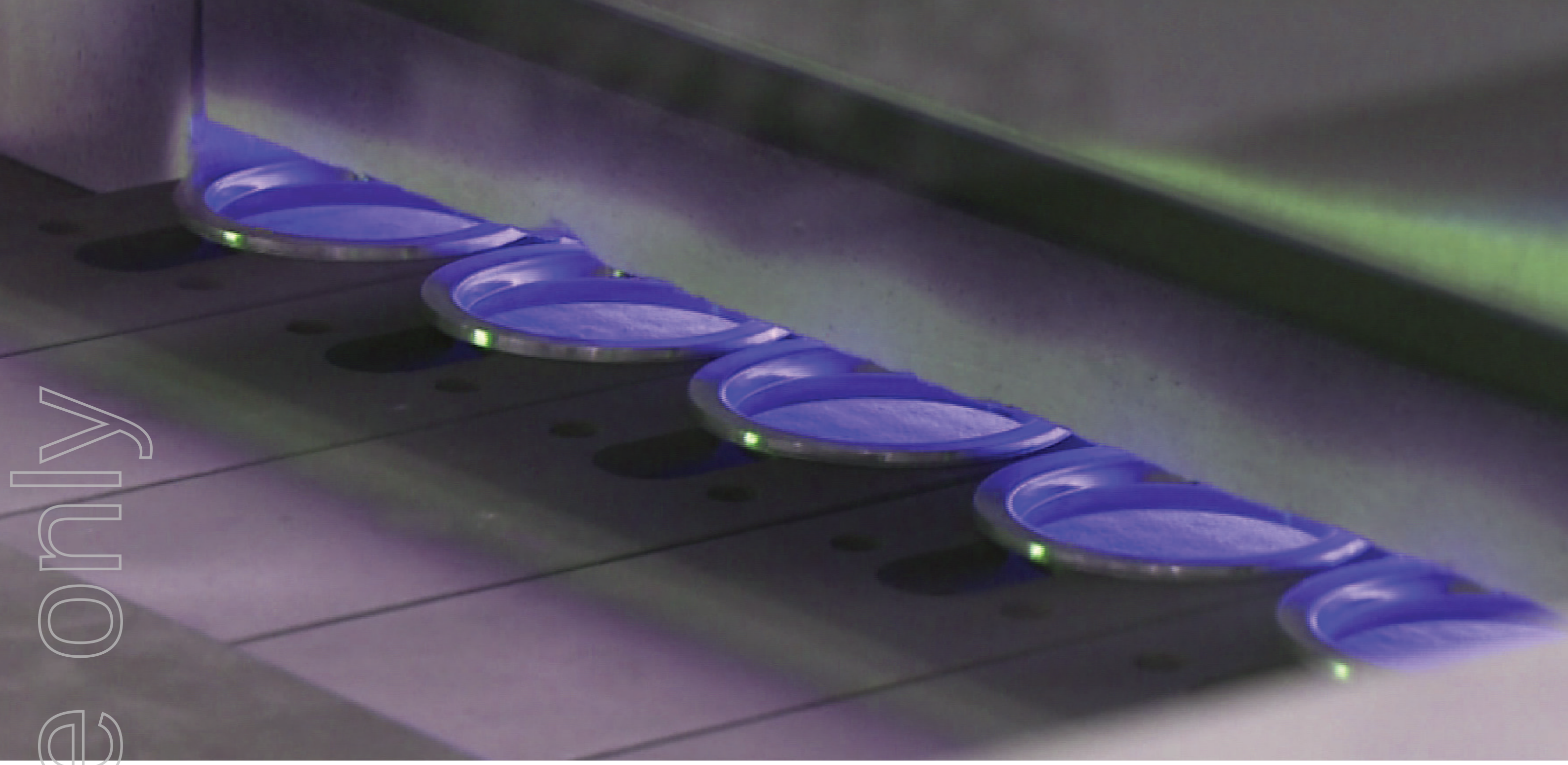
The Board is conscious that the current volatility in a number of major economies may affect sales and margins during the next 12-18 months. It is maintaining tight control over costs while ensuring maximum levels of customer service. On the technical side it has added to its product range and will be actively seeking out ways to provide a more comprehensive range of products and services.

Particular mention should be made of the contribution made to the financial results by the Management team and the Staff of XRFS. The Board has been pleased to see the growth of a strong team spirit across the Company. In this respect considerable credit goes to the Managing Director, Terry Sweet, and to Vance Stazzonelli, CFO.

Considerable uncertainty overhangs the international economic scene and there is growing evidence of a two-tier Australian economy however your Board is of the view that the company has the products, the management skills and the staff commitment to continue to improve the company's performance to the benefit of the shareholders.

On behalf of the Board, I thank you for your continuing support.

Kenneth Baxter
Chairman



DIRECTORS' REPORT

Your directors present their report on the company XRF Scientific Limited and its controlled entities for the financial year ended 30 June 2011.

DIRECTORS

The names of the directors in office at any time during or since the end of the financial year are:

Kenneth Baxter (Chairman)
David Brown
John Parsons
Terry Sweet

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITY

The principal activity of the economic entity during the financial year was the business of manufacturing and marketing precious metal products, specialised chemicals and instruments for the scientific and analytical industries and in particular, the mining industry.

No significant change in the nature of these activities occurred during the year.

DIVIDENDS – XRF SCIENTIFIC LIMITED AND CONTROLLED ENTITIES

Dividends paid to members during the financial year were as follows:

	2011	2010
	$	$
Final dividend for the year ended 30 June 2010	-	687,087

No dividends were declared during the year ended 30 June 2011. A final dividend of 1 cent per share was declared on 26 August 2011, for the 2011 financial year results, with a record date of 14 October 2011 and payment date of 28 October 2011.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

A review of the operations of the economic entity during the financial year and the results of those operations found that during the year, the economic entity continued to engage in its principal activity. The results and financial position are disclosed in the attached financial statements.

The consolidated entity has produced Earnings Before Interest and Tax (EBIT) of $3,841,980 for the year ended 30 June 2011, compared with $382,807 for the previous year.

This has resulted in a Net Profit After Tax (NPAT) of $2,634,983 for the year ended 30 June 2011, compared with $302,879 for the previous year.

Details of the results for the financial year ended 30 June 2011 are as follows:

	June 2011	June 2010	Increase over prior year
	$	$	%
Total revenue and other income	20,489,230	12,675,259	61.65
EBITDA	4,390,975	709,541	518.85
EBIT	3,841,980	382,807	903.63
NPAT	2,634,983	302,879	769.98
Basic earnings per share – (cents per share)	2.5	0.3	
Diluted earnings per share – (cents per share)	2.5	0.3	

OPERATING RESULTS

The effects of the Global Financial Crisis in 2009 were only felt in 2010, as the Company had a significant pipeline of orders when the GFC struck. Since that time the market for our products has returned to a normal situation (as opposed a boom or bust), and this, in combination with the contribution from the Sigma acquisitions, has allowed the company to resume its sales and earnings growth.

XRF Chemicals

The Sigma x-ray flux business was integrated into XRF Chemicals in August 2010, thereby adding 11 months revenue to the full-year results. Combined, this division generated sales of $6.5m for profit before tax (PBT) of $2.0m (30% PBT margin) compared to $3.0m sales for a PBT of $0.7m (23% PBT margin) in the previous 12 months. The improvement in margin percentage is a direct result of economies of scale, and greater efficiencies, as average sales prices have been maintained, despite increasing input costs (energy, raw materials).

XRF Labware

This division performed strongly, as the mining industry returned to normal operations, requiring investment in platinum laboratory products. Revenue increased 57%, to give a PBT increase of 58%.

The production of platinum laboratory products is essentially a skilled manual process, and increases in volume do not give rise to a labour saving. However, increases in the costs of skilled operators have been offset by the development of partial automation of some production aspects. Not only has this led to cost control, but improved and standardised products. Furthermore, turnaround times for refurbishing clients used labware have been significantly reduced, and we can now deliver recycled product into overseas client's stores as fast as, or faster than local operators. Clearly, this facilitates growth possibilities.

XRF Technology

Whilst sales increased some 20% the operating environment for capital equipment sales remained difficult, competition was fierce and margins were tight. Despite these difficulties, significant effort has been expended on R &D, so that as the Capex purse strings are relaxed, new equipment offerings are available. The development of Robotic fusion systems, plus the Fusomatic 15 should stand the division in good stead.

OPERATING RESULTS continued

LIBS

In March of this year, XRF entered into an agreement with Photon Machines, Inc, of Redmond, Washington, USA, to licence, and ultimately sell the Spectrolaser system, which has been developed by XRF's subsidiary Laser Analysis Technologies (LAT). The essential terms of the agreement consist of a 20-year Licence to use the IP developed by LAT, some of which is patented, with a sliding scale of royalty payments based upon sales of Spectrolasers. Additionally, a sale agreement is in place whereby a price of US$400,000 is agreed, payable by way of royalties, with a minimum royalty payment of US$200,000 within 30 months.

Personnel

Two new positions were created during the year. The new role of Commercial Manager has been filled by Steve Prossor, formerly manager of XRF Technology VIC. The position has been created with the specific objective of developing overseas sales, liaising with major client groups, facilitating distributor activities and group marketing. Secondly, Vance Stazzonelli, who also remains as CFO, was appointed to the role of Chief Operating officer in January of this year. The new role was created to help oversee the growing day-today operational requirements of the group.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the affairs of the Company.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 13 July 2011 XRF Scientific announced a placement and Share Purchase Plan to raise a total of $4.34m before costs at 21.5c per share. Both the placement and SPP were heavily oversubscribed. The funds from the capital raising will be used to fund future acquisitions.

The 5,000,000 convertible notes that were issued to help fund the Sigma acquisition were all converted in July 2011 at an issue price of 15c per share, which has reduced the company's debt by $750,000.

After completion of the above the Company had 128,823,764 shares on issue.

XRF Scientific has purchased a 19.9% interest in Canadian chemical flux manufacturer Scancia for $200,000, and has also provided a loan of $150,000 for a period of up to 27 months. This loan is able to be repaid, or converted to equity - if fully converted, would result in XRF owning 29.9% of Scancia. XRF also has the ability to increase its interest in Scancia over time.

As part of the investment, XRF has obtained exclusive distributorship of Scancia products in Australasia. Scancia's products, having a different physical form to those produced by XRF, are complementary to XRF's product range and therefore will provide customers with broader product choice.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely results in the operations of the economic entity and the expected results of those operations in the future financial year have not been included in this report, as the disclosure of such information may lead to commercial prejudice to the economic entity.

ENVIRONMENTAL REGULATION

All companies within the group continued to comply with all environmental requirements. Wherever possible, carbon emissions have been limited, and new production techniques adopted to reduce energy use.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report greenhouse gas emissions and energy use. For the measurement period 1 July 2010 to 30 June 2011 the directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future. The economic entity is also subject to the environmental regulations under the laws of the Commonwealth or of a State or Territory in which it operates. The Directors are not aware of any breaches of these regulations.

INFORMATION ON DIRECTORS

Kenneth Baxter	Chairman (Non Executive)
Qualification:	Bachelor of Economics, Fellow of Australian Institute of Management and Fellow of the Australian Institute of Company Directors.
Experience:	Chairman of TFG International Pty Ltd, former Non-Executive Director of the Hydro Electric Corporation of Tasmania, former Director of Air Niugini Ltd, former Secretary of Department of Premier & Cabinet Victoria, former Chairman of the Australian Dairy Corporation & Thai Diary Industries Ltd
Other current Directorship:	Chairman of PNG Energy Developments Ltd, Chairman of PNG Sustainable Infrastructure Ltd, Other Private Companies
Former directorship in last 3 years:	Chairman of The Traffic Group Limited, Other Private Companies
Special Responsibilities:	Chairman of the Board, Chairman of the Audit, Remuneration and Corporate Governance Committee
No. of options:	Nil
No. of shares:	518,334 fully paid ordinary shares

David Brown	Director (Non Executive)
Qualifications:	Bachelor of Science, Bachelor of Economics
Experience:	Has 39 years experience in research and development and manufacturing of X-Ray Flux chemicals, formerly chief chemist for Swan Brewery Co. Ltd, formerly Chairman of Scientific Industries Council of WA.
Other current Directorship:	Private Companies only
Former directorship in last 3 years:	Private Companies only
Special Responsibilities:	Technical consultant to XRF Chemicals Pty Ltd
No. of options:	Nil
No. of shares:	8,239,916 fully paid ordinary shares

John Parsons	Director (Non Executive)
Qualifications:	Certificate of Industrial Electronics
Experience:	Founder of XRF Technology (WA) Pty Ltd, he has over 30 years experience in the design, manufacture and repair of electrical and gas furnaces, power and temperature control system.
Other current Directorships:	Private Companies only
Former directorship in last 3 years:	Private Companies only
Special Responsibilities:	Technical consultant to XRF Technology (WA) Pty Ltd
No. of options:	Nil
No. of shares:	7,500,000 fully paid ordinary shares

DIRECTORS' REPORT

INFORMATION ON DIRECTORS continued

Terry Sweet	Managing Director (Executive)
Qualifications:	Tertiary qualifications in analytical chemistry, is a Fellow of Australian Institute of Company Directors.
Experience:	Served on the Boards of various public and private companies, including: Western Biotechnology Ltd, Scientific Services Ltd, Black Mountain Gold Ltd, Jetset Travelworld Ltd.
Other current Directorships:	Private Companies only
Former directorship in last 3 years:	Private Companies only
Special Responsibilities:	Effective as of 3 July 2007 appointed as Managing Director Member of Audit, Remuneration and Corporate Governance committee
No. of options:	Nil
No. of shares:	4,254,273 fully paid ordinary shares

COMPANY SECRETARY

The company secretary is Mr Vance Stazzonelli B.Comm, who is a Certified Practising Accountant. Vance has been in the role of Company Secretary since June 2008.

OTHER KEY MANAGEMENT

Vance Stazzonelli (Chief Financial Officer & Chief Operating Officer – XRF Scientific Limited)
Vance joined XRF Scientific as CFO in October 2008 after working for the group as its external accountant for a number of years. He was subsequently appointed to Chief Operating Officer in January 2011. Vance is a Certified Practising Accountant with a public practice background of specialising in corporate taxation and business services, in a wide range of industries, including to various public companies. He has also been in the role of Company Secretary since June 2008.

Stephen Prossor (Commercial Manager – XRF Scientific Limited)
Steve has over twenty years experience in the design, manufacture and marketing of scientific instruments for X-ray fluorescence and ICP-AE analysis sample preparation techniques. He has a strong background in electronics and scientific instrumentation. Steve is a founding director of XRF Technology (VIC) Pty Ltd. In his role as a senior manager engaged in business operations directed specifically towards the world market and having travelled extensively over the last two decades on business activities, conferences and trade shows, Steve has gained a broad spectrum of information, views and understanding enabling a proactive approach to business negotiations and promotions. Steve was appointed Commercial Manager of XRF Scientific in January 2011.

Gino Manfredi (General Manager – XRF Labware Pty Ltd)
A senior manager in the precious metal industry for over 25 years, he is very experienced in the administration, sales and marketing this industry. In 1991 he participated in the start up of AGR Industrial products. AGR Industrial products was established to give different options to value-add precious metals it refined.
In ten years APS grew to become the premier precious metal company in Australia, and Analytical Platinum Supplies had its genesis from AGR.

OTHER KEY MANAGEMENT continued

Robert McConnell (General Manager – XRF Technology (WA) Pty Ltd)

Rob graduated from UNSW in 1988 with a Bachelor of Engineering in Ceramics (Honours). Following university, Rob worked for Austral Bricks in supervisory and management roles in manufacturing and then as Technical Manager and later as Works Manager for Metro Bricks. Moving to Bristle Clay Tiles in 1999, Rob worked as Operations Manager until 2004 when he accepted the Operations Manager role at Rojan Advanced Ceramics where he was responsible for the production of high temperature technical ceramics.

Rob joined Modutemp as Production Manager in 2006 and was subsequently appointed General Manager. Rob has had extensive experience in manufacturing, industrial relations, scheduling, budgeting, strategic planning, safety and quality systems.

Jeff Brown (General Manager – XRF Chemicals Pty Ltd)

Jeff has 20 years experience in the design, manufacture and commissioning of specialised equipment for the chemical manufacturing industry. He was instrumental in the development of fluidised mining equipment for the gold industry as well as being responsible for the production of X-Ray flux.

MEETINGS OF DIRECTORS

The number of meetings held by the Board of Directors including meetings of the committees of the Board and the number of meetings attended by each of the Directors during the financial year ended 30 June 2011 were as follows:

	Full meetings of Directors		Meetings of committees - Audit, Corporate Governance & Remuneration	
	A	B	A	B
Kenneth Baxter	10	10	3	3
David Brown	10	9	**	**
John Graham Parsons	10	10	**	**
Terry Sweet	10	10	3	3

A = Meetings held during the time the director held office or was a member of the Committee during the year
B = Meetings attended
****** = Not a member of the relevant Committee

REMUNERATION REPORT (Audited)

(a) Principles used to determine the nature and amount of remuneration.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed periodically by the Board.

The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. The Chairman's remuneration is inclusive of committee fee.

Non-executive directors may receive share options.

REMUNERATION REPORT (Audited) continued

Directors' fees

The current base remuneration was last reviewed in November 2008, as ratified by a resolution passed at the 2008 Annual General Meeting. The maximum currently stands at $100,000 per annum and was approved by shareholders at the Annual General Meeting in November 2008.

Base Fees	From 1 January 2009 to 30 June 2011	From 1 July 2007 to 31 December 2008
Chairman	$45,000*	$37,500
Non-Executive Directors	$32,500	$32,500

*Reviewed from $37,500 pa as at 2 February 2011.

Executive pay

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation
- Short-term performance incentives, and
- Long-term incentives.

It is Board policy to review key management annually, and adjust such compensation taking into account the manager's performance, the performance of the entity which he or she manages, and the performance of the group of companies.

Where appropriate there is a direct link between financial performance (profit or growth) to key manager's compensation by way of bonus. This method is accepted by the Board as being an appropriate incentive for encouraging key management personnel to reach targets that are in excess of budgeted growth.

A bonus scheme is also in place for the Managing Director whereby if certain milestones are reached in the Company's share price, an amount will become payable whereby the cash equivalent of 2,000,000 ordinary shares will be paid as a bonus. Details of the milestones in the company's share price have not been disclosed to avoid prejudice against the company. The first of two tranche's, amounting to a $200,000 bonus, vested during the year, due the strong performance in the Company's share price.

(i) Base Pay

Executives are offered a competitive base pay that comprises the fixed component of pay. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is reviewed on promotion.

(ii) Benefits

Executives may receive benefits including car/mileage allowance.

(iii) Superannuation

Retirement benefits of 9% of the base pay are delivered to the individual super fund of the executive's choice.

(iv) Short-term performance incentives

Bonuses may be paid on the performance of the individual entity based on full year performance for the financial year. In most instances bonus payments are based on the achievement of a percentage of that year's budget and targets/objectives being met. A short term incentive (STI) pool is available for executives during the annual review, which is subject to caps that are in place.

Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. Specific details of key management personnel bonuses can be found under the service contracts section of this report.

REMUNERATION REPORT (Audited) continued

(v) Long-term incentives

There are no specific long term incentives in place.

(b) Details of remuneration

(i) Non-Executive

Kenneth Peter Baxter	Chairman
Paul Anthony Rengel	Non Executive Director (Resigned 27 November 2010 at AGM)
David Brown	Non Executive Director (Executive Director to 30 September 2010)
John Graham Parsons	Non Executive Director (Executive Director to 30 September 2010)

(ii) Executive

Terry Sweet	Executive Director	Managing Director

(iii) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group:

Gino Manfredi	General Manager	XRF Labware Pty Ltd
Stephen Prossor	Commercial Manager	XRF Scientific Limited
Vance Stazzonelli	Chief Financial Officer	XRF Scientific Limited
Jeff Brown	General Manager	XRF Chemicals Pty Ltd
Robert McConnell	General Manager	XRF Technology (WA) Pty Ltd

Percentage of performance related compensation of total remuneration

Certain key management personnel are paid performance bonuses in addition to set remuneration amounts. The Board of Directors have set these bonuses to encourage growth and profitability. Bonuses are paid as per the conditions set out in page 10.

Fixed Remuneration

The level of fixed remuneration is set as to provide base level of remuneration which is both appropriate to the position and its competitive market. Fixed remuneration is reviewed annually by the remuneration committee based on market rates, as well as having regard to the Company, divisional and individual performance. The fixed remuneration of the five most highly remunerated executives and other key management personnel is contained in information that follows.

Variable Remuneration

To assist in achieving the objective of retaining a high quality executive team, the remuneration committee links the nature and amount of the executive emoluments to the Company's financial and operating performance.

Options issued as part of total remuneration

No options have been issued in 2010 or 2011 as part of total remuneration.

(b) Details of remuneration continued

Amounts of remuneration

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of XRF Scientific Limited are set out in the following:

	Short-term Benefits				Post-employment Benefits	Long-term Benefits		
2011	**Cash Salary $**	**Non-monetary Benefits $**	**Cash Bonuses $**	**Other**	**Superan-nuation $**	**Long Service Leave $**	**Termination Benefits**	**Total $**
Non-executive directors								
Ken Baxter	37,049	–	–	–	3,335	–	–	40,384
David Brown[3]	–	–	–	193,026	–	–	–	193,026
John Parsons[3]	–	–	–	192,187	–	–	–	192,187
Sub-total non-executive directors	37,049	–	–	385,213	3,335	–	–	425,597
Executive directors								
Terry Sweet	159,076	–	[5]200,000	–	14,227	1,783	–	375,086
Sub-total executive directors	159,076	–	200,000	–	14,227	1,783	–	375,086
Other key management personnel								
Gino Manfredi^	136,397	–	[1]28,714	–	14,671	3,363	–	183,145
Stephen Prossor^	132,552	–	–	–	11,930	8,059	–	152,541
Vance Stazzonelli^	138,465	–	–	–	12,323	2,627	–	153,415
Jeff Brown^	130,509	–	–	–	11,745	2,610	–	144,864
Robert McConnell^	108,379	13,333	–	–	9,548	2,228	–	133,488
Sub-total key management personnel	646,302	13,333	28,714	–	60,217	18,887	–	767,453
	842,427	**13,333**	**228,714**	**385,213**	**77,779**	**20,670**	**–**	**1,568,136**

	Short-term Benefits				Post-employment Benefits	Long-term Benefits		
2010	**Cash Salary $**	**Non-monetary Benefits $**	**Cash Bonuses $**	**Other**	**Superan-nuation $**	**Long Service Leave $**	**Termination Benefits**	**Total $**
Non-executive directors								
Ken Baxter	33,962	–	–	–	3,057	–	–	37,019
David Brown[3]	43,154	–	–	143,605	4,605	–	[4]28,559	219,923
John Parsons[3]	43,154	–	–	132,162	4.605	–	[4]106,210	286,131
Paul Rengel	14,796	–	–	–	–	–	–	14,796
Sub-total non-executive directors	135,066	–	–	275,767	12,267	–	134,769	557,869
Executive directors								
Terry Sweet	167,016	–	–	–	14,651	2,672	–	184,339
Sub-total executive directors	167,016	–	–	–	14,651	2,672	–	184,339
Other key management personnel								
Gino Manfredi^	113,174	–	[2]28,241	–	12,727	1,853	–	155,995
Stephen Prossor^	117,079	–	–	–	10,382	1,889	–	129,350
Vance Stazzonelli^	91,262	–	–	–	8,190	1,554	–	101,006
Jeff Brown^	105,501	–	–	–	9,495	4,542	–	119,538
Robert McConnell^	100,213	–	–	–	8,916	1,623	–	110,752
Sub-total key management personnel	527,229	–	28,241	–	49,710	11,461	–	616,641
	829,311	**–**	**28,241**	**275,767**	**76,628**	**14,133**	**134,769**	**1,358,849**

^ denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the Corporations Act 2001.

[1] granted September 2010 in relation to XRF Labware's performance in the 2010 financial year, as per the conditions outlined in service contract section of this report.

[2] granted October 2009 in relation to XRF Labware's performance in the 2009 financial year, as per the conditions outlined in service contract section of this report.

[3] resigned as Executive Director effective 30 September 2009. From 1 October 2009 provides ongoing technical services to the Group, which has been classified as Other Short Term Benefits in the above table. No service agreement is in place for the technical services, which are provided on an as required basis to the Company.

[4] payment of employee benefits on resignation. For J Parsons amount also includes $89,925 golden handshake.

[5] bonus payment of the cash equivalent of 2,000,000 ordinary shares in relation to certain milestones being reached on the Company's share price.

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2011	2010	2011	2010	2011	2010
Executive directors						
Terry Sweet	47%	100%	53%	–	–	–
Other key management personnel						
Gino Manfredi	84%	82%	16%	18%	–	–
Stephen Prossor	100%	100%		–	–	–
Vance Stazzonelli	100%	100%		–	–	–
Jeff Brown	100%	100%		–	–	–
Robert McConnell	100%	100%		–	–	–

Shareholder Wealth

The following is a summary of key shareholder wealth statistics for the Company over the past 5 years while it has been listed on the ASX.

	EBIT	Earnings Per Share	Dividends Per Share	Share Price	Market Capitalisation
	$	Cents	Cents	Cents	$
2006/07	397,760	0.20	–	12	8,515,051
2007/08	1,378,701	1.10	–	9.5	8,703,110
2008/09	2,120,144	2.1	0.5	12	10,993,402
2009/10	382,807	0.3	0.75	15	13,741,752
2010/11	3,841,980	2.5	–	22	22,798,237

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

Service Agreements

Remuneration for the majority of key executives are set out in service agreements, which are detailed below.

Terry Sweet, Managing Director of XRF Scientific Limited

Terms of agreement - A new supplementary contract with a commencement date of 1 November 2008 was executed, which has no set term. The initial contract of appointment from June 2007 provided performance bonus payable whereby if certain milestones are reached in the Company's share price, an amount will become payable by consideration of the issue of ordinary shares or the cash equivalent. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months full pay.

Gino Manfredi, General Manager of XRF Labware Pty Ltd

Terms of agreement - Ongoing commencing June 2007. A performance bonus based on the achievement of a percentage of that year's budget and targets/objectives being met, which is part of the STI pool for the division. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the statutory amount stipulated by the legislation of the time.

Steve Prosser, Commercial Manager of XRF Scientific Limited

Terms of agreement - 2 years commencing 24 December 2010. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months full pay, after the initial two year contract period.

Vance Stazzonelli, Chief Financial Officer & Chief Operating Officer of XRF Scientific Limited

Terms of agreement – New ongoing employment contract signed on 1 January 2011 to incorporate the role of Chief Operating Officer. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months full pay.

Jeff Brown, General Manager of XRF Chemicals Pty Ltd

Terms of agreement - Ongoing contract commencing November 2010. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months full pay.

Robert McConnell, Manager of XRF Technology (WA) Pty Ltd

Terms of agreement - Ongoing commencing 30 January 2006. Base Salary plus the provision of a commercially licensed crew cab vehicle. Payment of a termination benefits on early termination by the Company, other than or gross misconduct, equal to the statutory amount required.

REMUNERATION REPORT (Audited) continued

Share-based compensation

There was no share based compensation to any Director of Key Management personnel for the years ended 30 June 2010 and 2011. The Company has not adopted an employee share option scheme.

Additional Information

For each cash bonus and grant of options included in the tables on page 12, the percentage vested in the current and prior financial years, and the percentage that was forfeited in 2011 because the person did not meet the service and performance criteria is set out below.

	Cash bonus		Options					
	Paid	Forfeited	Year granted	Vested	Forfeited	Financial years in which options may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
	%	%		%	%		$	$
Directors								
Kenneth Peter Baxter	–	–	–	–	–	–	–	–
David Brown	–	–	–	–	–	–	–	–
John Graham Parsons	–	–	–	–	–	–	–	–
Terry Sweet	100	–	2011	–	–	–	–	–
Other key management personnel								
Gino Manfredi	100	–	2011	–	–	–	–	–
Stephen Prossor	–	–	–	–	–	–	–	–
Vance Stazzonelli	–	–	–	–	–	–	–	–
Jeff Brown	–	–	–	–	–	–	–	–
Robert McConnell	–	–	–	–	–	–	–	–

End of remuneration report (Audited).

LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to directors and executives during the financial years ending 30 June 2011 or 30 June 2010.

OPTIONS

Unissued ordinary shares of XRF Scientific Limited under option at the date of this report are as follows:

Date options granted	Option holders	Expiry date	Exercise price of options	Number under option
26 July 2010	Sigma Chemicals	30 December 2012	20 cents	2,000,000
23 November 2010	Sigma Chemicals	30 December 2012	20 cents	1,333,333

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

(i) Shares may be issued on the exercise of options. 5,350,000 shares were issued at 16c on the exercise of options during the year.

INSURANCE OF OFFICERS

During the financial year, the company paid insurance premiums to insure the directors and secretaries of the company and its Australian – based controlled entities, and the general managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF OR INVOLVING THE ECONOMIC ENTITY

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or 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 any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

NON AUDIT SERVICES

Details of the non audit services provided by the Company's external auditor BDO Audit (WA) Pty Ltd during the year ended 30 June 2011 are outlined in the Audit Services section of this Directors Report on page 17. Based on advice from the Company's Audit Committee, the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and the scope of each type of non audit service provided means that auditor independence was not compromised.

NON-AUDIT SERVICES

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2011 $	Consolidated 2010 $
(a) Assurance & other services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	99,360	95,372
Taxation services	84,936	32,169
Other services	3,030	836
Total remuneration for audit and other services	187,326	128,377

The Board is satisfied that the auditors of the Company, BDO Audit (WA) Pty Ltd remains independent.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors and signed for on behalf of the Board by:

T Sweet
Managing Director

Perth
27 September 2011

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

27 September 2011

The Directors
XRF Scientific Limited
88 Guthrie Street
Osborne Park WA 6017
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF XRF SCIENTIFIC LIMITED

As lead auditor of XRF Scientific Limited for the year ended 30 June 2011 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of XRF Scientific Limited and the entities it controlled during the year.

Glyn O'Brien

Glyn O'Brien
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CORPORATE GOVERNANCE DISCLOSURE

ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

	Comply Yes/No	Reference/ Explanation
Lay solid foundations for management and oversight		
1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 23
1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 10
1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	Page 23
Structure the board to add value		
2.1: A majority of the board should be independent directors.	No	D. Brown and J. Parsons are not independent Directors, as they are both substantial shareholders. As the Board is relatively small with only four Directors, a majority of the Board is therefore not independent.
2.2: The chair should be an independent director.	Yes	K. Baxter is an independent Director.
2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Terry Sweet is Chief Executive Officer and Ken Baxter is Chairman.
2.4: The board should establish a nomination committee.	No	Given the size of the Board, it was determined that the Board will execute the functions of a nomination committee and that a separate nomination committee is not warranted.
2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Pages 9-15 of the remuneration report and Page 23.
2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	In addition to the information presented in the Company's 2011 Annual Report: • See page 7 for details of the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report. • The only director that the Board considers to be independent is K. Baxter. • There is no formal procedure agreed by the board for directors to take independent professional advice at the expense of the company. However, directors are cognoscente of the fact the independent advice should be obtained if and as when the need arises. • As no nomination committee exists, a formal charter can't be posted to the Company's website.

	Comply Yes/No	Reference/ Explanation
Structure the board to add value (continued)		
2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2. (continued)		• The terms of office for each Director to 30 June 2011 are as follows: o T. Sweet – 28 March 2007 as Non Executive Director and subsequently 4 July 2007 as Managing Director o K. Baxter – Appointed 5 July 2005 as Non Executive Director and subsequently 7 May 2009 as Chairman o D. Brown – Appointed 7 June 2004 as Executive Director and subsequently 1 October 2009 as Non Executive Director o J. Parsons – Appointed 15 June 2006 as Executive Director and subsequently 1 October 2009 as Non Executive Director • There is no formal procedure for the selection and appointment of new directors to the board
Promote ethical and responsible decision-making		
3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	No	Although the Company has an older code of conduct, it will move to adopt an up to date version, in order to address the various recommendations under Principle 3.
3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	No	The Company will seek to adopt a diversity policy in the future.
3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	The Board of Directors has determined that Gender diversification may be critical to the ongoing success of the Company. As a diversity policy has not been adopted at this stage, no measureable objectives can be disclosed at this stage.
3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Whole organisation – 12% Board of Directors – 0% Senior Executive Positions – 9%
3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3	No	N/A as a diversity policy has not yet been established.

CORPORATE GOVERNANCE DISCLOSURE

	Comply Yes/No	Reference/ Explanation
Safeguard integrity in financial reporting.		
4.1: The board should establish an audit committee.	Yes	Page 23
4.2: The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	No	Page 23. Due to the size and composition of the Board it is not practical to adhere to this recommendation.
4.3: The audit committee should have a formal charter.	No	Page 23. The audit committee will seek to establish a formal charter in the near future.
4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	No	An audit committee charter has not been posted to the Company's website as one has not been adopted at this stage. There is no formal procedure for the selection and appointment of the Company's external auditor, and for the rotation of external audit engagement partners.
Make timely and balanced disclosure		
5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 24
5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Page 24
Respect the rights of shareholders		
6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 25
6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Page 25
Recognise and manage risk		
7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 25
7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 25

CORPORATE GOVERNANCE DISCLOSURE

	Comply Yes/No	Reference/ Explanation
Recognise and manage risk (continued)		
7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	The Board has received a statement from the CEO and CFO that the declaration provided in accordance with section statement 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.
7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Page 25
Remunerate fairly and responsibly		
8.1: The board should establish a remuneration committee.	Yes	Page 23
8.2: The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	No	• There is only one independent director on the Board so this point is not able to be met. • The remuneration committee is chaired by an independent chair • The committee only currently has two members, however a third will be appointed in the near future.
8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Pages 9-15, the remuneration report discloses structure of Director remuneration.
8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	No performance evaluation has taken place in the 30 June 2011 reporting period. Descriptions for the process for performance evaluation of the board, its committees and individual directors, and key executives are available in the remuneration report on pages 9-15.

CORPORATE GOVERNANCE DISCLOSURE

ROLE OF THE BOARD

The Board of Directors is responsible for the overall corporate governance of XRF Scientific Limited, and is committed to the principles underpinning best practice in corporate governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to shareholders. Whilst the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Recommendations, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the additional expense of compliance with all recommendations.

A brief summary of XRF Scientifics' main corporate governance policies and practices is outlined below. In addition, the following policies and procedures have been adopted:

- Role of the Board
- Structure of the Board
- Responsible Decision Making and Code of Conduct
- Safeguarding integrity in Financial Reporting
- Timely and Balanced Disclosure
- Risk Recognition and Management
- Board Performance
- Remuneration Responsibility
- Securities Trading Policy

THE BOARD OF DIRECTORS

The Board will comprise both executive and non-executive Directors. Presently there are three non-executive Directors (one independent) and one executive Director. The chairman is an independent director, and the role of CEO is exercised by the Managing Director. It is XRF Scientifics' aim to have a majority of non-executive directors on the Board.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and ability to undertake Board duties and responsibilities. The Company's board is responsible for such nominations and appointments rather than a separate committee.

COMMITTEES OF THE BOARD

The Board has established the following committees:

Audit Committee
The Audit Committee comprises two Board members, one being the non-executive Chairman, the Managing Director and the Company Secretary. The Chairman of the committee is the Chairman of the Board. The primary responsibility of this Committee is to monitor the integrity of the financial statements of the Company, and to review and monitor the Company's internal financial control system. There is no formal charter for this committee.

Remuneration and Governance Committee
The Remuneration and Governance Committee comprises two Board members, being the non-executive Chairman and the Managing Director. The primary responsibility of this Committee is to discharge the Board's responsibilities in relation to remuneration of the Company's executives, including securities and benefit plans. Further information on directors' and executives' remuneration is set out in the Remuneration Report.

CORPORATE GOVERNANCE DISCLOSURE

ROLE OF THE BOARD

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the shareholders.

The Board strives to create Shareholder value and ensure that Shareholder's funds are safeguarded.

The key responsibilities of the Board include:

- The overall corporate governance of the Company including its strategic direction and financial objectives, establishing goals for management and monitoring the attainment of these goals;
- Approving strategic plans, key operational and financial matters, as well as major investment and divestment proposals;
- Approving the nominations of Directors to the Board and appointment of key executives;
- Evaluating and rewarding senior management and ensuring executive succession planning;
- Ensuring that the Directors have a good understanding of the Company's business;
- Ensuring Management maintains a sound system of internal controls to safeguard the assets of the Company;
- Monitoring the performance of the Company;
- Appointing and removing Managing Director (or equivalent);
- Ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and/or the company secretary;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance, safety and occupational health policies, community and environmental issues;
- Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available; and
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures, together with any recommendations from management associated with these activities.

POLICIES AND PROCEDURES

Continuous Disclosure Policy
The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations of ASX. The aims of this policy are to:

- Report continuous disclosure matters to the Board;
- Assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner;
- Provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations; and
- Ensure that employees, consultants, associated entities and advisors of the Company understand the obligations to bring material information to the attention of the Board.

Securities Trading Policy
The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act.

CORPORATE GOVERNANCE DISCLOSURE

POLICIES AND PROCEDURES continued

Risk Management Policy

The Board has developed and implemented policies and practices which ensure that the material risks facing the Company are adequately identified, assessed, monitored, and managed throughout the whole organisation. These include:

- Comprehensive Board papers containing relevant operational, strategic, financial and legal information circulated to Directors before each meeting;
- Actual results for the Company presented to the Board at each meeting, compared against budget and forecast, with revised forecasts if required;
- Financial authority limits set by the Board; and
- Insurance cover appropriate to the size and nature of the Company's operations to reduce the financial impact of any significant insurable losses.

Shareholder Communications Strategy

The Board aims to ensure that Shareholders are kept informed of all major developments affecting the Company.

Information is communicated to Shareholders through:

- Continuous disclosure in the form of public announcements on the ASX;
- Annual and quarterly reports to Shareholders;
- Investor briefings;
- The Managing Director's address delivered at the Annual General Meeting; and
- Notices of all meetings of Shareholders and explanatory notes of proposed resolutions.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue from continuing operations	5	20,327,673	12,620,032
Cost of sales		(11,976,552)	(7,866,600)
Gross profit		8,351,121	4,753,432
Other revenue	5	161,557	55,227
Occupancy expenses		(331,291)	(303,647)
Employee benefits expenses		(1,970,985)	(2,017,739)
Motor vehicle expense		(48,988)	(49,402)
Depreciation & amortisation	6	(548,995)	(326,734)
Administration expenses		(839,538)	(806,384)
Other expenses		(518,448)	(439,715)
Acquisition of business costs		(57,252)	(41,329)
Impairment losses	6	(330,000)	(298,445)
Finance costs	6	(135,629)	(2,913)
Profit before income tax expense		3,731,552	522,351
Income tax (expense)	7	(1,096,569)	(219,472)
Profit after income tax from continuing operations		2,634,983	302,879
Profit for the year		2,634,983	302,879
Other comprehensive income for the period, net of income tax		–	–
Total comprehensive income for the full year		2,634,983	302,879
Total comprehensive income attributable to equity holders of XRF Scientific Limited		2,634,983	302,879
Basic earnings per share (cents per share)	37	2.5	0.3
Diluted earnings per share (cents per share)		2.5	0.3

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
CURRENT ASSETS			
Cash and cash equivalents	8	1,671,794	4,264,777
Trade and other receivables	9	4,559,972	2,095,495
Inventories	10	2,358,505	1,968,217
Other assets	11	342,011	240,778
Total Current Assets		8,932,282	8,569,267
NON-CURRENT ASSETS			
Property, plant and equipment	12	2,448,751	2,045,065
Intangible assets	14	12,355,074	5,733,689
Deferred tax asset	13	451,352	464,875
Total Non-Current Assets		15,255,177	8,243,629
Total Assets		24,187,459	16,812,896
CURRENT LIABILITIES			
Trade and other payables	15	1,693,395	1,264,621
Borrowings	16	176,472	183,710
Provisions	17	639,287	307,222
Other current liabilities	18	130,114	1,073
Current income tax liability		923,285	(40,492)
Total Current Liabilities		3,562,553	1,716,134
NON-CURRENT LIABILITIES			
Borrowings	21	830,349	–
Deferred tax liability	19	296,871	269,462
Provisions	20	92,514	85,149
Total Non-Current Liabilities		1,219,734	354,611
Total Liabilities		4,782,287	2,070,745
Net Assets		19,405,172	14,742,151
EQUITY			
Contributed equity	22	12,774,068	10,894,963
Reserves	24(a)	759,243	610,310
Retained profits	24(b)	5,871,861	3,236,878
Total Equity		19,405,172	14,742,151

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

30 JUNE 2011 – CONSOLIDATED	Issued Share Capital	Share Option Reserve	Retained Profits	Total
	$	$	$	$
Balance at 1 July 2010	10,894,963	610,310	3,236,878	14,742,151
Total comprehensive income for the year				
Profit for the year	–	–	2,634,983	2,634,983
Total comprehensive income	–	–	2,634,983	2,634,983
Transactions with Equity Holders in their capacity as Equity Holders				
Ordinary shares issued, net of transaction costs	1,848,795	–	–	1,848,795
Equity component of convertible note issued, net of transaction costs	30,310	–	–	30,310
Options issued as part consideration for acquisition of Sigma Flux Pty Ltd	–	148,933	–	148,933
	1,879,105	148,933	–	2,028,038
Balance at 30 June 2011	12,774,068	759,243	5,871,861	19,405,172

30 JUNE 2010 – CONSOLIDATED	Issued Share Capital	Share Option Reserve	Retained Profits	Total
	$	$	$	$
Balance at 1 July 2009	10,894,963	610,310	3,621,086	15,126,359
Total comprehensive income for the year				
Profit for the year	–	–	302,879	302,879
Total comprehensive income	–	–	302,879	302,879
Transactions with Equity Holders in their capacity as Equity Holders				
Dividends paid	–	–	(687,087)	(687,087)
	–	–	(687,087)	(687,087)
Balance at 30 June 2010	10,894,963	610,310	3,236,878	14,742,151

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Receipts from customers		17,974,141	12,018,523
Payments to suppliers and employees		(15,409,791)	(11,299,300)
Finance costs		(97,185)	(2,913)
Other revenue		154,991	45,523
Income taxes paid		(90,053)	(94,950)
Interest received		62,153	106,874
Net cash inflow (outflow) from operating activities	32	2,594,256	773,757
Cash flows from investing activities			
Payments for property, plant and equipment		(295,881)	(756,148)
Payments for intangible assets		(472,935)	(220,557)
Payments associated with acquisition of business		(5,981,367)	(41,329)
Proceeds from sale of property, plant and equipment		19,285	11,517
Net cash inflow (outflow) from investing activities		(6,730,898)	(1,006,517)
Cash flows from financing activities			
Proceeds from borrowings		222,102	121,888
Repayment of borrowings		(242,855)	(24,378)
Proceeds from issue of shares (net of transaction costs)		851,912	–
Proceeds from issue of convertible notes (net of transaction costs)		712,500	–
Dividends paid		–	(680,849)
Net cash inflow (outflow) from financing activities		1,543,659	(583,339)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		4,264,777	5,080,876
Net cash movement		(2,592,983)	(816,099)
Cash and cash equivalents at the end of the financial year	8	1,671,794	4,264,777

The above Consolidated Cash Flow Statements should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

The financial report of XRF Scientific Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 27 September 2011 and covers XRF Scientific Limited as an individual entity as well as the consolidated entity consisting of XRF Scientific Limited and its subsidiaries.

These financial statements are presented in the Australian currency.

XRF Scientific Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

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

Compliance with IFRSs
The financial statements of XRF Scientific Limited also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Financial statement presentation
The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of XRF Scientific Limited ("company" or "parent company") as at 30 June 2011 and the results of all subsidiaries for the year then ended.

XRF Scientific Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

A controlled entity is an entity XRF Scientific Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

All controlled entities have a 30 June financial year end.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent company) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entities. All intercompany balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(ii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of XRF Scientific Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

(d) Foreign currency translation

Functional and presentation currency

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

Transaction 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.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. The differences taken to equity are recognised in profit or loss on disposal of the net investment.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction, and are recognised in the profit and loss.

Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary currency economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows.

Assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statement of financial position. Income and expenses for each profit or loss item are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for major business activities as follows:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of goods to the customer.

(ii) Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(iii) Dividends

Dividend revenue is recognised when the right to receive a dividend has been established.

(iv) Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of a contract. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current years taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

XRF Scientific Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, XRF Scientific Limited, and the controlled entities in the tax consolidated group account for their own deferred tax amounts. Current tax is accounted for by each subsidiary entity, which is then consolidated up into the tax consolidated group, as per the tax sharing agreement. In addition to its own share of current and deferred tax amounts, XRF Scientific Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Income tax is allocated under the separate taxpayer within group approach. Details about the tax funding agreement are disclosed in note 7.

(g) Leases

Leases of property, plant and equipment where the entity has substantially all the risks and rewards of ownership are classified as finance leases (note 29(b)(ii)). Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 29(b)(i)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for doubtful debts.

Trade receivables are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off to the income statement. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Other indicators that determine the trade receivable is impaired is if the party is deemed to be bankrupt.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The movement in the provision is recognised in the income statement.

(l) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: other financial assets, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position (note 9).

(ii) Recognition and derecognition

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Details of how the fair value of financial instruments is determined is discussed in note 2.

(iv) Fair value
The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (or for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(v) Impairment
The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the profit or loss.

(n) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and available-for-sale securities) is based on quoted market prices at the reporting date.

The quoted market price used for financial assets held by the Company is the current bid price: the appropriate quoted market price for financial liabilities is the current ask price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(o) Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Depreciation is calculated using a mixture of the straight line and diminishing value methods to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and Equipment	5%-40%
Furniture, Fixtures and Fittings	5%-20%
Motor Vehicles	15%-22.5%
Office Equipment	7.5%-40%

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(p) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate/business at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is assigned to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each country of operation by each primary-reporting segment (note 14(a)).

(ii) Patents, trademarks and licences
Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents, trademarks and licences over their estimated useful lives, which vary from 3 to 20 years.

(iii) Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 1 to 3 years.

(q) Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(r) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

(t) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experiences of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The amount charged to profit or loss in respect of superannuation represents the contributions made by the Group to superannuation funds as nominated by the individual employee.

Contributions made by the Company to employee superannuation funds are charged as expenses when incurred.

(iv) Share-based payments

For options issued the fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (e.g. profitability and sales forecast targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9 and AADB 2010-7 *Amendments to Australian Accounting Standards arising from AASB* 9 (December 2010) (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the clarification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised in profit or loss. In the current reporting period, the group recognised nil such gains in other comprehensive income. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standard* (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removed the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)
In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The amendment removed an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contribution made to cover minimum funding requirements. The group does not made any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendments from 1 July 2011.

(iv) AASB 1053 *Application of Tiers of Australian Accounting Standard* and AASB 2010-2 Amendments to Australian *Accounting Standards arising from Reduced Disclosure Requirements* (Effective from 1 July 2013)
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.
Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. XRF Scientific Limited is listed on the ASX and is no eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

(v) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures of Transfers of Financial Assets* (effective for annual reporting period beginning on or after 1 July 2011)
Amendments made to AASB *7 Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have a significant impact on the group's disclosures. The group intends to apply the amendment from 1 July 2011.

(vi) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of underlying Assets* (effective from 1 January 2012)
In December 2010, the AASB amended AASB *112 Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measures at fair value is recovered entirely by sale. The group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

(vii) AASB 2010-2 (issued June 2010) *Amendments to Australian Accounting Standards arising from the Reduced Disclosure Requirements* (effective annual reporting periods commencing on or after 1 July 2013)
Entities classified as Tier 2 entities in AASB 1053 *Application of Tiers of Australian Accounting Standards* that currently apply full IFRSs as adopted in Australia are able to adopt the Reduced Disclosure Requirements. XRF Scientific Limited is listed on the ASX and is no eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The standards will therefore have no impact on the financial statements of the entity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(viii) AASB 2011-6 (issued July 2011) *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements* [AASB 127, AASB 128 & AASB 131] (effective annual reporting periods commencing on or after 1 July 2013)
Extends relief from preparing consolidated financial statements to entities applying the Reduced Disclosure Requirements wanting to apply the consolidation exemption in paragraph 10 of AASB 127 (or exemption from equity accounting or proportionate consolidation under equivalent paragraphs in AASB 128 and AASB 131) where the ultimate parent entity prepares consolidated financial statements using the Reduced Disclosure requirements, rather than using full IFRS. XRF Scientific Limited is listed on the ASX and is no eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The standards will therefore have no impact on the financial statements of the entity.

(ix) AASB 1054 (issued May 2011) *Australian Additional Disclosures* (effective annual reporting periods commencing on or after 1 July 2011)
Moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. Removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories). There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

(x) AASB 7 *Financial Instruments: Disclosures* (effective annual periods commencing on or after 1 January 2011)
Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held. There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk
The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Australian Dollar. The currencies giving rise to this risk are predominantly Euros and US Dollar.

Foreign currency risk arises where settlement of a trade receivable, payable or borrowings is denominated in a currency that is not the entity's functional currency, which may result in a foreign currency gain or loss. The group seeks to mitigate this risk by engaging in a majority of commercial transactions that are generally in AUD. The group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2011		30 June 2010	
	EUR	USD	EUR	USD
Trade receivables	43,482	39,271	21,875	47,739
Trade payables	–	–	–	–

Group sensitivity
Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% (based on historical reasonableness movements) against the exchange rates in the above tables, with all other variables held constant, the Group's post-tax profit for the year would have been $16,809 lower/$20,544 higher (2010: $9,622 lower/$11,760 higher), mainly as a result of foreign currency exchange gains/losses on translation of foreign currency denominated financial instruments as detailed in the table above.

NOTE 2: FINANCIAL RISK MANAGEMENT continued

(ii) Price risk

As the group does not have any investments in equities or commodities, it's exposure to equities price risk and commodity price risk is minimal.

While the group uses commodities in its operations, customer commitments to spot rates purchased result in the Group's exposure to commodities price risk being immaterial.

(iii) Cash flow, fair value and interest rate risk

As at 30 June 2011 the group had no variable interest rate debt, therefore consider fair value interest rate risk minimal. Further details can be found in note 2.

Group sensitivity

At 30 June 2011, if interest rates had changed by -/+ 100 basis points (based upon forward treasury rates) from the year-end rates with all other variables held constant, post tax profit for the year would have been $6,380 lower/higher (2010: $21,348 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents. Cash and cash equivalent balances at 30 June 2011 would have been higher/lower by the same amount.

(b) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk arises from cash and cash equivalents, trade receivables and other receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Counterparties without external credit ratings are in majority existing customers (>6months) with no history of defaults (Group 2).

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, and trade and other receivables, the Group's exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets.

There are no significant concentrations of credit risk within the Group at the reporting date.

The following table represents the group's exposure to credit risk:

	Consolidated	
	2011 $	2010 $
Cash and cash equivalents	1,671,794	4,264,777
Trade receivables	4,559,254	2,082,791
Other receivables (external parties)	718	12,703
	6,231,776	6,360,271

Credit risk exposure is not significantly different for any of the segments of the group.

Details of impaired trade receivables, and trade receivables overdue but not impaired can be found at note 9. An analysis of the group's consolidated trade receivables is as follows:

	Current	Over 30 days	Over 60 days	Over 90 days	Total
2011	3,006,548	826,577	347,113	388,366	4,568,604
2010	1,489,275	276,264	149,324	186,431	2,101,294

NOTE 2: FINANCIAL RISK MANAGEMENT continued

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts. The below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. There have been no breaches or defaults on the repayment of debt.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
As at 30 June 2011	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-derivatives							
Trade payables	1,693,395	-	-	-	-	1,693,395	1,693,395
Borrowings (excluding finance leases)	45,370	44,630	772,685	-	-	862,685	721,107
Finance lease liabilities	127,672	53,857	78,189	39,095	-	298,813	285,714
Total non-derivatives	1,866,437	98,487	850,874	39,095	-	2,854,893	2,700,216
As at 30 June 2010							
Non-derivatives							
Trade payables	1,264,621	-	-	-	-	1,264,621	1,264,621
Borrowings (excluding finance leases)	-	-	-	-	-	-	-
Finance lease liabilities	77,485	25,828	86,200	-	-	189,513	183,710
Total non-derivatives	1,342,106	25,828	86,200	-	-	1,454,134	1,448,331

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated 2011 $	Consolidated 2010 $
Floating rate		
Ongoing facility (bank overdraft)	1,000,000	-
	1,000,000	-

(d) Fair value estimation

The fair value bases of financial assets and financial liabilities are outlined in note 1(n).

All financial assets and liabilities have carrying values that are reasonable approximates of their fair values, for the Consolidated Entity.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). Please refer to note 14 for the details on impairment tests performed on goodwill.

(ii) Capitalisation of development expenditures

The Group capitalises development costs where management considers it probable that the related projects will be commercially and technically feasible and successful, in accordance with the accounting policy stated in note 1(p)(iii).

NOTE 4: SEGMENT INFORMATION

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used in previous periods.

Operating segments are internally reported in a uniform manner to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director.

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Each operating segment's results are reviewed regularly by the Managing Director to make decisions about the resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Managing Director monitors segment performance based on profit before income tax expense. Segment results that are reported to the Managing Director include results directly attributable to a segment as well as those allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The consolidated entity has determined that strategic decision making is facilitated by evaluation of operations on the customer segments of Customised Fusion Machines and Furnace Technology, Platinum Labware, LIBS Instruments & Chemicals. For each of the strategic operating segments, the Managing Director reviews internal management reports on a monthly basis.

(a) Description of segments

The following summary describes the operations in each of the group's reportable segments, which are all Australian based:

Customised Fusion Machines and Furnace Technology (XRF Technology)

XRF Technology (VIC) Pty Ltd – design, manufacture and service organisation specialising in automated fusion equipment.
XRF Technology (WA) Pty Ltd – servicing the analytical sector with a range of high temperature test and production furnaces.

Platinum Labware (XRF Labware)

XRF Labware Pty Ltd – manufactures products for the platinum and platinum alloy markets.

LIBS Instruments (LAT)

Laser Analysis Technologies Pty Ltd (LAT) – produces and distributes Laser Plasma Spectrometers which are used in the analysis of a variety of minerals, chemicals, soils and industrial material such as cement, glass and ceramics and base metals.

Chemicals (XRF Chemicals)

XRF Chemicals Pty Ltd – produces chemicals, supplying analytical fluxes to scientists for mineralogical applications, the cement and steel industries as well as other industries.

NOTE 4: SEGMENT INFORMATION continued

(b) Primary reporting format – business segments

Segment information provided to the Managing Director for the full-year ended 30 June 2011 is as follows:

Full-year ended 30 June 2011	XRF Technology $	XRF Labware $	LIBS $	XRF Chemicals $	Total continuing operations $
Segment revenue					
Total segment revenue	5,015,018	8,986,587	241,750	6,516,731	20,760,086
Inter segment sales	(110,718)	(342,502)	-	-	(453,220)
Revenue from external customers	4,904,300	8,644,085	241,750	6,516,731	20,306,866
Profit before income tax expense	**132,839**	**1,537,507**	**(18,982)**	**2,045,331**	**3,696,695**
Full-year ended 30 June 2010					
Segment revenue					
Total segment revenue	4,088,335	5,721,041	197,918	2,980,437	12,987,731
Inter segment sales	(129,691)	(327,721)	(32,458)	(19,103)	(508,973)
Revenue from external customers	3,958,644	5,393,320	165,460	2,961,334	12,478,758
Profit before income tax expense	**173,676**	**974,554**	**(290,251)**	**692,448**	**1,550,427**
Depreciation expense					
For the year ended 30 June 2011	44,329	98,100	2,879	144,890	290,198
For the year ended 30 June 2010	42,734	87,625	7,171	92,918	230,448
Impairment of goodwill					
At 30 June 2011	330,000	–	–	–	330,000
At 30 June 2010	–	–	298,445	–	298,445
Segment assets					
At 30 June 2011	4,977,626	6,026,792	413,267	11,075,264	22,492,949
At 30 June 2010	4,237,115	4,958,724	118,142	3,084,289	12,398,270
Segment liabilities					
At 30 June 2011	1,481,949	1,498,715	365,707	314,652	3,661,023
At 30 June 2010	737,040	466,030	32,011	339,758	1,574,839

Full-year ended 30 June 2011	2011 $	2010 $
Revenue from external customers – segments	**20,306,866**	**12,478,758**
Unallocated revenue	20,807	141,274
Revenue from external customers – total	**20,327,673**	**12,620,032**
Profit before income tax expense – segments	**3,696,695**	**1,550,427**
Eliminations and unallocated (corporate)	34,857	(1,028,076)
Profit before income tax expense from continuing operations	**3,731,552**	**522,351**
Total segment assets	**22,492,949**	**12,398,270**
Eliminations and unallocated (corporate)	1,694,510	4,414,626
Total assets	**24,187,459**	**16,812,896**
Total segment liabilities	**3,661,023**	**1,574,839**
Eliminations and unallocated (corporate)	1,121,264	495,906
Total liabilities	**4,782,287**	**2,070,745**

NOTE 5: REVENUE

	Consolidated 2011 $	Consolidated 2010 $
From continuing operations		
Sales revenue		
Sale of goods	20,302,472	12,477,575
Other revenue		
Interest	25,201	142,457
Recoveries	110,327	3,636
Other revenue	51,230	51,591
	20,489,230	12,675,259

NOTE 6: EXPENSES

Profit/(loss) before income tax includes the following specific expenses

	Consolidated 2011 $	Consolidated 2010 $
Depreciation		
Depreciation	290,198	230,448
Amortisation		
Patents and trademarks	21,511	17,584
Research and development	237,286	78,702
Total amortisation	258,797	96,286
Finance costs		
Interest and finance charges paid/payable	135,629	2,913
Finance costs expensed	135,629	2,913
Rental expense relating to operating leases		
Minimum lease payments	313,739	273,829
Total rental expense relating to operating leases	313,739	273,829
Impairment losses		
Goodwill*	330,000	298,445
Total impairment losses	330,000	298,445

*See note 14 for further details.

NOTE 7: INCOME TAX EXPENSE

	Consolidated 2011 $	Consolidated 2010 $
(a) Income tax expense		
Current tax	1,138,985	81,498
Deferred tax	40,932	249,114
Adjustments for current tax of prior periods	(83,348)	(111,140)
	1,096,569	219,472
Income tax expense is attributed to:		
Profit from continuing operations	1,096,569	219,472
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 13)	13,523	155,859
(Decrease) increase in deferred tax liabilities (note 19)	27,409	93,255
	40,932	249,114
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	3,731,552	522,351
	3,731,552	522,351
Tax at the Australian rate of 30% (2010: 30%)	1,119,466	156,705
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Entertainment	5,241	3,251
Impairment losses	99,000	89,533
Sundry items	(6,546)	3,189
	1,217,161	252,678
Adjustments for deferred tax of prior periods	(37,244)	77,934
Adjustments for current tax of prior periods	(83,348)	(111,140)
Income tax expense/(revenue)	1,096,569	219,472
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited to equity:		
Net deferred tax – debited (credited) directly to equity	(1,808)	–
	(1,808)	–

NOTE 7: INCOME TAX EXPENSE continued

	Consolidated 2011 $	Consolidated 2010 $
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised		
Potential benefit @ 30%	–	–

All unused tax losses were incurred by Australian entities.

(e) Tax consolidation legislation

XRF Scientific Limited and its wholly-owned Australian controlled entities elected to enter into the tax consolidation regime from 1 July 2005. The accounting policy in relation to this legislation is set out in note 1(f).

The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate XRF Scientific Limited for any current tax payable assumed and are compensated by XRF Scientific Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to XRF Scientific Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables.

NOTE 8: CASH ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2011 $	Consolidated 2010 $
Cash at bank and on hand	480,475	669,549
Deposits at call	1,191,319	3,595,228
	1,671,794	4,264,777
Reconciliation to cash at the end of the year		
Balances as above	1,671,794	4,264,777
Balance per statements of cash flows	1,671,794	4,264,777

(a) Cash at bank and on hand

Cash at bank earns interest at floating rates based on daily bank deposit rates of between 0.01% to 3.95% (2010: 0.01% to 3.7%). Cash available for use is as reported above, with no restrictions applicable.

(b) Deposits at call

Short-term deposits are made for varying periods of between no set term and 3 months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates. Deposits at call are subject to interest rates of 3.95% pa (2010: 3.7% pa).

(c) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 2011 $	Consolidated 2010 $
Trade receivables	4,568,604	2,101,293
Allowance for impairment of receivables	(9,350)	(18,502)
	4,559,254	2,082,791
Other receivables from:		
Other external parties	718	12,704
	4,559,972	2,095,495
Past due but not impaired		
Up to 3 months	1,173,691	425,587
Up to 6 months	388,364	186,432
	1,562,055	612,019
Allowance for impairment of receivables		
Balance at 1 July	(18,502)	(26,850)
(Increase)/Decrease in allowance during the year	9,152	8,348
Balance at 30 June	(9,350)	(18,502)

(a) Impaired trade receivables

The consolidated entity has recognised a loss of $2,048 (2010: $1,364) in respect of impaired trade receivables during the year ended 30 June 2011. The losses have been included as 'other expenses' in the statement of comprehensive income.

(b) Past due but not impaired

As at 30 June 2011, trade receivables of the Group of $1,562,055 (2010: $612,019) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is in note 2. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Company. Other receivables are subject to the same terms as trade receivables. Those terms have been described in Note 1(k).

(d) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 2.

NOTE 10: CURRENT ASSETS – INVENTORIES

	Consolidated 2011 $	Consolidated 2010 $
Raw material and stores		
- at cost	1,860,203	1,410,026
Work-in-progress	120,952	125,893
Finishes goods		
- at cost	377,350	432,298
	2,358,505	1,968,217

Stock was valued at lower of cost and net realisable value on 30 June 2011 and 30 June 2010.

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2011 amounted to $7,734,488 (2010: $4,687,909). Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to $Nil (2010: $13,043). The expense has been included in 'cost of sales' in the statements of comprehensive income.

	Consolidated 2011 $	Consolidated 2010 $
NOTE 11: OTHER CURRENT ASSETS		
Security deposits	3,500	3,500
Accrued income	4,560	36,952
Deposits paid	131,334	–
Prepayments	202,617	200,326
	342,011	240,778

NOTE 12: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant & Equipment $	Motor Vehicles $	Furniture Fixtures & Fittings $	Office Equipment $	Total $
At 1 July 2009					
Cost or fair value	1,570,944	104,253	199,566	240,176	2,114,939
Accumulated depreciation	(343,179)	(48,268)	(64,289)	(165,094)	(620,830)
Net book amount	1,227,765	55,985	135,277	75,082	1,494,109
Year ended 30 June 2010					
Opening net book amount	1,227,765	55,985	135,277	75,082	1,494,109
Additions	717,570	19,518	84,143	29,376	850,607
Disposals	(52,255)	(7,019)	(934)	(8,995)	(69,203)
Depreciation charge	(173,876)	(8,567)	(19,299)	(28,706)	(230,448)
Closing net book amount	1,719,204	59,917	199,187	66,757	2,045,065
At 30 June 2010					
Cost of fair value	2,212,498	78,907	280,813	178,154	2,750,372
Accumulated depreciation	(493,294)	(18,990)	(81,626)	(111,397)	(705,307)
Net book amount	1,719,204	59,917	199,187	66,757	2,045,065
Year ended 30 June 2011					
Opening net book amount	1,719,204	59,917	199,187	66,757	2,045,065
Additions	689,776	–	56,761	27,419	773,956
Disposals	(60,192)	–	(12,932)	(6,948)	(80,072)
Depreciation charge	(217,538)	(9,624)	(38,918)	(24,118)	(290,198)
Closing net book amount	2,131,250	50,293	204,098	63,110	2,448,751
At 30 June 2011					
Cost of fair value	2,808,380	78,907	320,062	159,348	3,366,697
Accumulated depreciation	(677,130)	(28,614)	(115,964)	(96,238)	(917,946)
Net book amount	2,131,250	50,293	204,098	63,110	2,448,751

All items of property, plant and equipment were recorded at cost as at 30 June 2011 and 30 June 2010. The cost values of all items are not considered to be materially different to their fair values.

(a) Assets in the course of construction

Carrying amounts of the assets disclosed above include $Nil (2010: $74,400) relating to plant and equipment which is in the course of construction.

	Consolidated 2011 $	Consolidated 2010 $
NOTE 13: DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Share issue expenses	8,582	99,014
Amounts recognised in profit or loss:		
Employee benefits	261,547	166,706
Depreciation of tangible assets	19,589	1,507
Accruals	123,117	169,107
Provisions	26,178	8,700
Other	12,339	19,841
	442,770	365,861
Net deferred tax assets	451,352	464,875
Movements:		
Opening balance at 1 July	464,875	620,734
(Charged)/credited to profit and loss (note 7)	(13,523)	(155,859)
(Charged)/credited to equity	–	–
Closing balance at 30 June	451,352	464,875

NOTE 14: NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Research & Development $	Goodwill $	Patents trademarks & other rights $	Total $
At 1 July 2009				
Cost or fair value	620,963	5,305,284	350,300	6,276,547
Accumulated amortisation and impairment	(158,502)	(140,000)	(57,781)	(356,283)
Net book amount	462,461	5,165,284	292,519	5,920,264
Year ended 30 June 2010				
Opening net book amount	462,461	5,165,284	292,519	5,920,264
Additions	215,123	–	5,433	220,556
Disposals	(12,400)	–	–	(12,400)
Impairment charges	–	(298,445)	–	(298,445)
Amortisation charge*	(78,702)	–	(17,584)	(96,286)
Closing net book amount	586,482	4,866,839	280,368	5,733,689
At 30 June 2010				
Cost of fair value	780,363	5,305,284	355,733	6,441,380
Accumulated amortisation and impairment	(193,881)	(438,445)	(75,365)	(707,691)
Net book amount	586,482	4,866,839	280,368	5,733,689
Year ended 30 June 2011				
Opening net book amount	586,482	4,866,839	280,368	5,733,689
Additions	470,849	6,768,598	2,086	7,241,533
Disposals	(31,113)	–	(238)	(31,351)
Impairment charges	–	(330,000)	–	(330,000)
Amortisation charge*	(237,286)	–	(21,511)	(258,797)
Closing net book amount	788,932	11,305,437	260,705	12,355,074
At 30 June 2011				
Cost of fair value	1,094,077	12,073,882	357,579	13,525,538
Accumulated amortisation and impairment	(305,145)	(768,445)	(96,874)	(1,170,464)
Net book amount	788,932	11,305,437	260,705	12,355,074

*Amortisation of $258,797 (2010: $96,286) is included in depreciation and amortisation expense in the income statement.

(a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash generating units (CGU's) identified according to business segment. A segment-level summary of the goodwill allocation is presented below.

	Consolidated 2011 $	Consolidated 2010 $
Customised Fusion Machines and Furnace Technology	1,650,171	1,980,171
Platinum Labware	2,068,294	1,848,629
Chemicals	7,586,972	1,038,039
	11,305,437	4,866,839

Eliminations and unallocated goodwill relates to unallocated corporate assets and activities that benefit the specific reportable segments identified.

NOTE 14: NON-CURRENT ASSETS – INTANGIBLE ASSETS continued

(b) Key assumptions used for fair value less costs to sell calculations

The recoverable amount of a CGU is determined based on fair value less cost to sell calculations. These calculations typically use EBIT multipliers that are reflective of current market prices being achieved on the sale of businesses in similar industries. Management has determined that the EBIT profit figures used in these calculations will be sustainable into the foreseeable future.

(c) Impact of possible changes in key assumptions

If the EBIT multiplier was reduced by 10% it would have resulted in a further impairment of goodwill of 40,000 in relation to the groups XRF Technology CGU. Management does not believe there will be any changes to the EBIT multipliers great enough to reduce the goodwill beyond its current carrying amount. Management does not consider a change in any of the other key assumptions to be a reasonably possible. If the EBIT multiplier was reduced by 10% it would have resulted in a further impairment of goodwill of 40,000 in relation to the groups XRF Technology segment. The following assumptions have been applied to the value in use calculations: discounted cash flows over a 5 year period using a 15% discount rate.

(d) Impairment charge

The impairment charge of $330,000 arose in the XRF Technology CGU as newer technologies, such as the Company's electric fusion systems are adopted. In the prior period there was an impairment charge of $298,445 for the group's LIBS segment.

	Consolidated	
	2011 $	2010 $
NOTE 15: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables	692,695	380,285
Sundry creditors and accruals	773,418	678,631
Employee benefits – annual leave (a)*	227,282	205,705
	1,693,395	1,264,621

Terms and conditions of trade payables vary between suppliers, however terms of trade are generally 30 days.

(a) Amounts not expected to be settled within the next 12 months

The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2011 $	2010 $
Annual leave obligations expected to be settled after 12 months	187,282	165,705

(b) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

	Consolidated 2011 $	Consolidated 2010 $

NOTE 16: CURRENT LIABILITIES – BORROWINGS

	2011 $	2010 $
Secured		
Finance leases (note 29)	176,472	183,710
Total secured current borrowings	176,472	183,710
Total current borrowings	176,472	183,710

(a) Security and fair value disclosure

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 21.

(b) Risk exposures

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 2.

NOTE 17: CURRENT LIABILITIES – PROVISIONS

	Consolidated 2011 $	Consolidated 2010 $
Employee benefits		
– bonuses	336,519	78,247
– long service leave (b)	215,510	186,583
Dividends payable to ordinary shareholders	9,198	13,210
Plant and equipment repairs & maintenance	37,060	182
Making good of leases	41,000	29,000
	639,287	307,222
Movements in provision for Making good of leases:		
Opening balance at 1 July	29,000	17,000
Charged to profit and loss	12,000	12,000
Closing balance at 30 June	41,000	29,000

(a) Making good of leases provision

XRF Scientific Limited is required to restore leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required for general repairs to premises. All amounts provided for have been expensed in full through the profit and loss as occupancy expenses.

(b) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months:

	Consolidated 2011 $	Consolidated 2010 $
Long service leave obligations expected to be settled after 12 months	190,510	167,924

NOTE 18: CURRENT LIABILITIES – OTHER FINANCIAL LIABILITIES

	2011 $	2010 $
Customer deposits	130,114	1,073

	Consolidated 2011 $	Consolidated 2010 $
NOTE 19: CURRENT LIABILITIES – DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributed to:		
Amounts recognised in profit or loss		
Research and development	236,681	175,944
Depreciation	37,243	58,819
Other	22,947	34,699
	296,871	269,462
Net deferred tax liabilities	296,871	269,462
Movements:		
Opening balance at 1 July	269,462	176,207
Charged/(credited) to profit and loss (note 7)	27,409	93,255
Closing balance 30 June	296,871	269,462

	Consolidated 2011 $	Consolidated 2010 $
NOTE 20: NON-CURRENT LIABILITIES – PROVISIONS		
Employee benefit – long service leave	92,514	85,149

	Consolidated 2011 $	Consolidated 2010 $
NOTE 21: NON-CURRENT LIABILITIES – BORROWINGS		
Secured		
Finance leases	109,242	–
Total secured non-current borrowings	109,242	–
Unsecured		
Convertible notes	721,107	–
Total unsecured non-current borrowings	721,107	–
Total non-current borrowings	830,349	–

(a) Convertible notes

In July 2010 the group negotiated the issue of $750,000 in convertible notes (for a total of 5,000,000 convertible notes) to assist with acquisition of Sigma Flux and Sigma Precious Metals. The notes are convertible into ordinary shares of the parent entity, at the option of the holder. The conversion rate is 1 share for each note held (6.66 shares for each dollar invested), which is based on the market price per share at the date of issue of the notes (14.5c), but subject to the adjustments for reconstructions of equity. The notes accrue interest at 12% pa and mature on 31 August 2012. The convertible notes are presented in the Statement of Financial Position as follows:

NOTE 21: NON-CURRENT LIABILITIES – BORROWINGS continued

	Consolidated 2011 $	Consolidated 2010 $
Face value of notes issued	750,000	–
Other equity securities – face value of conversion rights	(31,407)	–
Transaction costs	(35,930)	–
	682,663	–
Interest expense*	106,252	–
Interest paid	(67,808)	–
Non-current liability	721,107	–

*Interest expense is calculated by applying the effective interest rate of 12% to the liability component.

(b) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2011 $	Consolidated 2010 $
Finance leases	285,714	183,710
Total secured liabilities	285,714	183,710

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated 2011 $	Consolidated 2010 $
Current		
Prepaid insurance – remaining period on policies	127,897	103,150
Total current assets pledged as security	127,897	103,150
Non-current		
Finance lease		
Plant and equipment	192,009	86,200
	192,009	86,200
Total non-current assets pledged as security	192,009	86,200
Total assets pledged as security	319,906	189,350

(c) Fair value

	2011 Carrying amount $	2011 Fair value $	2010 Carrying amount $	2010 Fair value $
On-Statement of Financial Position (i)				
Non-traded financial liabilities				
Convertible notes	721,107	721,107	–	–
Finance leases	285,714	285,714	183,710	183,710
	1,006,821	1,006,821	183,710	183,710

NOTE 21: NON-CURRENT LIABILITIES – BORROWINGS continued

(i) On-Statement of Financial Position

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant. The fair values of non-current borrowings are based on cash flows discounting using borrowing rates from 5-12%, depending on the type of the borrowing (2010: 5-7.5%).

NOTE 22: CONTRIBUTED EQUITY

		Consolidated		Consolidated	
	Note	2011 Shares	2010 Shares	2011 $	2010 $
(a) Contributed equity					
Ordinary shares fully paid	(c)	103,628,349	91,611,683	12,743,758	10,894,963
Total contributed equity		103,628,349	91,611,683	12,743,758	10,894,963
(b) Other equity securities					
Value of conversion rights – convertible notes				31,407	-
Transaction costs, net of deferred tax				(1,097)	-
				30,310	-
Total consolidated contributed equity				12,774,068	10,894,963

Effective 1 July 1998 the corporations legislation abolished the concept of authorised capital and par value of shares. Accordingly these are not disclosed.

(c) Movements in ordinary share capital:

Consolidated

Date	Details	Number of shares	Issue Price	$
01/07/2009	**Opening balance**	91,611,683		10,894,963
30/06/2010	**Closing balance**	91,611,683		10,894,963
01/07/2010	**Opening balance**	91,611,683		10,894,963
	Issue of ordinary shares from acquisition of Sigma Flux Pty Ltd	6,666,666	0.15	1,000,000
	Transaction costs, net of deferred tax			(4,450)
	Issue of shares from exercise of unlisted options	5,350,000	0.16	856,000
	Transaction costs, net of deferred tax			(2,755)
	Value of conversion rights – convertible notes, net of transaction costs			30,310
30/06/2011	**Closing balance**	103,628,349		12,774,068

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amount paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(e) Dividend reinvestment plan

The parent entity does not have a dividend reinvestment plan in place.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 22: CONTRIBUTED EQUITY continued

	Consolidated 2011 $	Consolidated 2010 $
(f) Capital risk management (continued)		
The gearing rations at 30 June 2011 and 30 June 2010 were as follows:		
Total borrowings	1,006,821	183,710
Less: cash and cash equivalents	(1,671,794)	(4,264,777)
Net debt	(664,973)	(4,081,067)
Total equity	19,405,172	14,742,151
Total capital	18,740,199	10,661,084
Gearing ratio	**(3.5%)**	**(38%)**

NOTE 23: BUSINESS COMBINATIONS

(a) Summary of acquisition

On 30 July 2010 XRF Scientific Limited acquired 100% of the issued shares in Sigma Flux Pty Ltd, a manufacturer of X-Ray Flux for consideration of $6,668,598 and the business of Sigma Precious Metals for $500,000. The acquisition is expected to increase the group's market share and reduce costs through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$
Purchase consideration	
Sigma Flux Pty Ltd	
Cash paid upfront	4,500,000
Cash paid via deferred consideration	1,000,000
Shares issued (6,666,666 ordinary shares at 15c)	1,000,000
Options issued (3,333,333 20c 30/12/2012, free attaching to ordinary shares)	148,933
Sigma Precious Metals	
Cash paid	519,665
Total purchase consideration	7,168,598
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property, plant and equipment	300,000
Inventories	100,000
Net identifiable assets acquired	400,000
Add: goodwill	6,768,598
	7,168,598

The goodwill is attributable to Sigma Flux's strong position and profitability in trading in the X-Ray Flux market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. The finalisation of the business combinations has resulted in a purchase price of $7,019,665 plus an option consideration of $148,933 making the total consideration $7,168,598.

(i) Revenue and profit contribution

The acquired businesses contributed revenues of $2.7m and net profit after tax of $860k to the group for the period 30 July 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated profit for the period ended 30 June would have been $20.6m and $2.7m respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the businesses to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2010, together with the consequential tax effects.

NOTE 23: BUSINESS COMBINATIONS continued

	Consolidated 2011 $	Consolidated 2010 $
Outflow of cash to acquire subsidiary (Sigma Flux Pty Ltd) and business Sigma Precious Metals, net of cash acquired		
Cash consideration	6,019,665	–
Direct costs relating to the acquisition		
Recognised in profit or loss	57,252	–
Recognised in equity – share issue transaction costs	4,450	–
	61,702	–
Outflow of cash – investing activities	5,981,367	–
Outflow of cash – operating activities (inventory acquired and subsequently consumed)	100,000	–
Total outflow of cash	6,081,367	–

Acquisition-related costs

Acquisition related costs of $57,252 are included in profit or loss.

NOTE 24: RESERVES AND RETAINED PROFITS

	Consolidated 2011 $	Consolidated 2010 $
(a) Reserves		
Share-based payments reserve	759,243	610,310
	759,243	610,310
Movements:		
Share-based payments reserve		
Balance at 1 July	610,310	610,310
Option expense		
Options issued as part consideration for acquisition of Sigma Flux Pty Ltd	148,933	–
Balance 30 June	759,243	610,310
(b) Retained Profits		
Movements in retained profits were as follows:		
Balance 1 July	3,236,878	3,621,086
Net profit/(loss) for the year	2,634,983	302,879
Dividends paid or provided for	–	(687,087)
Balance 30 June	5,871,861	3,236,878

(b) Nature and purpose of reserves

Share-based payment reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

NOTE 25: DIVIDENDS

	Consolidated 2011 $	Consolidated 2010 $
(a) Ordinary shares	–	687,087
Total dividends provided for or paid	–	687,087

A fully franked dividend of 1 cent per share has been declared on ordinary shares post 30 June 2011.

NOTE 25: DIVIDENDS continued

(b) Franked Dividends

The franked portions of the final dividends recommended after 30 June 2011 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2011.

	Consolidated	
	2011 $	2010 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%)	1,404,398	1,312,494

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- **(a)** franking credits that will arise from the payment of the amount of the provision for income tax;
- **(b)** franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- **(c)** franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $552,102 (2010: $Nil).

NOTE 26: KEY MANAGEMENT PERSONNEL

(a) Directors

The following persons were directors of XRF Scientific Limited during the financial year:

(i) Non-Executive

Kenneth Peter Baxter	Non Executive Director	
David Brown	Non Executive Director	
John Graham Parsons	Non Executive Director	
Paul Rengel	Non Executive Director (Resigned 27 November 2010 at Annual General Meeting)	

(ii) Executive

Terry Sweet	Managing Director	XRF Scientific Limited

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Gino Manfredi	General Manager	XRF Labware Pty Ltd
Stephen Prosser	Commercial Manager	XRF Scientific Limited
Vance Stazzonelli	Chief Financial Officer	XRF Scientific Limited
Jeff Brown	General Manager	XRF Chemicals Pty Ltd
Robert McConnell	General Manager	XRF Technology (WA) Pty Ltd

All of the above persons were also key management persons during the year ended 30 June 2010.

NOTE 26: KEY MANAGEMENT PERSONNEL continued

(c) Key management compensation

	Consolidated 2011 $	Consolidated 2010 $
Short-term employee benefits	1,469,687	1,133,319
Post employment benefits	77,779	76,628
Long-term benefits	20,670	148,902
	1,568,136	1,358,849

No other post employment or termination benefits have been provided.

Detailed remuneration disclosures are available in the remuneration report from pages 9-15.

(d) Equity instruments

Option holdings

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

(i) The numbers of options over ordinary shares in the company held during the financial year by each director of XRF Scientific Limited and other key management personnel of the Group.

Name	Balance at 1 July 2010	Granted as Compensat-ion	Options exercised	Other changes	Balance at 30 June 2011	Total vested and exercisable at 30 June 2011
Directors of XRF Scientific Limited						
Kenneth Peter Baxter	–	–	–	–	–	–
David Brown	–	–	–	–	–	–
John Parsons	–	–	–	–	–	–
Terry Sweet	3,000,000	–	(2,450,000)	(550,000)	–	–
Other key management personnel of the Group						
Stephen Prossor	–	–	–	–	–	–
Gino Manfredi	–	–	–	–	–	–
Vance Stazzonelli	–	–	–	–	–	–
Jeff Brown	–	–	–	–	–	–
Rob McConnell	–	–	–	–	–	–

NOTE 26: KEY MANAGEMENT PERSONNEL continued

(d) Equity Instruments continued

Name	Balance at 1 July 2009	Granted as Compensa -tion	Options exercised	Other changes	Balance at 30 June 2010	Total vested and exercisable at 30 June 2010
Directors of XRF Scientific Limited						
Kenneth Peter Baxter	500,000	–	–	(500,000)	–	–
David Brown	601,744	–	–	(601,744)	–	–
John Parsons	697,674	–	–	(697,674)	–	–
Terry Sweet	3,000,000	–	–	–	3,000,000	3,000,000
Paul Rengel	500,000	–	–	[3](500,000)	–	–
Other key management personnel of the Group						
Stephen Prossor	392,442	–	–	(392,442)	–	–
Gino Manfredi	–	–	–	–	–	–
Vance Stazzonelli	–	–	–	–	–	–
Jeff Brown	–	–	–	–	–	–
Rob McConnell	–	–	–	–	–	–

Shareholdings

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

(ii) The numbers of shares in the company held during the financial year by each director of XRF Scientific Limited and other key management personnel of the Group. There were no shares granted during the reporting period as compensation.

Name	Balance at 1 July 2010	Granted as compensation	Received on exercise of options on rights	Other changes	Balance at 30 June 2011
Directors of XRF Scientific Limited					
Kenneth Peter Baxter	343,334	–	–	175,000	518,334
David Brown	8,139,916	–	–	100,000	8,239,916
John Graham Parsons[1]	7,500,000	–	–	–	7,500,000
Terry Sweet	3,244,273	–	2,450,000	(1,440,000)	4,254,273
Other key management personnel of the Group					
Stephen Prossor[2]	5,172,502	–	–	80,000	5,252,502
Gino Manfredi	–	–	–	–	–
Vance Stazzonelli	–	–	–	–	–
Jeff Brown	2,985,145	–	–	(240,000)	2,711,811
Robert McConnell	13,334	–	–	–	13,334

NOTE 26: KEY MANAGEMENT PERSONNEL continued

(e) Equity Instruments continued

Name	Balance at 1 July 2009	Granted as compensation	Received on exercise of options on rights	Other changes	Balance at 30 June 2010
Directors of XRF Scientific Limited					
Kenneth Peter Baxter	343,334	–	–	–	343,334
David Brown	7,939,916	–	–	200,000	8,139,916
John Graham Parsons[1]	7,500,000	–	–	–	7,500,000
Terry Sweet	3,244,273	–	–	–	3,244,273
Paul Rengel	304,240	–	–	[3](304,240)	–
Other key management personnel of the Group					
Stephen Prossor[2]	5,172,502	–	–	–	5,172,502
Gino Manfredi	–	–	–	–	–
Vance Stazzonelli	–	–	–	–	–
Jeff Brown	2,985,145	–	–	–	2,985,145
Robert McConnell	13,334	–	–	–	13,334

[1] Includes 3,500,000 shares which are indirectly held by John Parsons' wife Julie Parsons.
[2] Includes 40,002 shares which are indirectly held by Steve Prosser's children.
[3] Change resulted from resignation as Director on 27 November 2010 at Annual General Meeting.

(f) Loans to key management personnel

There were no loans to any key management personnel during either of the years ended 30 June 2010 or 30 June 2011.

NOTE 26: KEY MANAGEMENT PERSONNEL continued

(f) Other transactions with key management personnel

Other Goods & Services

Premises were rented from related entities of Commercial Manager of XRF Scientific Ltd, S Prossor during the financial year. These properties were rented on normal commercial terms and conditions, totalling $63,889 (2010: $62,857). No amounts were outstanding at the end of the year.

Premises were rented from a related entity of Director D Brown during the financial year. These properties were rented on normal commercial terms and conditions, totalling $100,051 (2010: $89,232). No amounts were outstanding at the end of the year.

Directors D Brown, T Sweet and J Parsons are guarantors on an XRF Chemicals Pty Ltd lease in Osborne Park.

Other Transactions

During the current and prior financial years wages were paid in relation to director D Brown's son under normal terms and conditions totalling $142,255 (2010: $114,996).

XRF Chemicals Pty Ltd has entered into a conditional purchase agreement with Chemisales Trust, an entity associated with Director D Brown, for the purchase of plant and equipment used in X-Ray Flux manufacturing. The total amount of the agreement is for $86,200, which has been reflected in the financial reports as current borrowings. The value of the equipment used in the agreement was independently valued by a third party valuations company. Interest is payable on the agreement at a rate of 7.5%pa. The amount of $86,200 is payable under the agreement by 19 November 2011, which was settled in June 2011.

An amount of $300,000 has accrued as owing to Managing Director Terry Sweet in relation to his employment contract that commenced in June 2007. Further details in relation to T Sweet's employment contract are set out on page 14 of the remuneration report. Of this amount $200,000 has vested and is payable at Mr Sweet's discretion.

Aggregate amounts of each of the above types of other transactions with key management personnel of XRF Scientific Limited:

	2011 $	2010 $
Amounts recognised as expense		
Rent of office building	163,940	152,089
Interest paid on conditional purchase agreement	6,464	838
Wages paid	142,255	114,996
Amounts recognised as a purchase of property, plant & equipment		
Plant & equipment	–	86,200
Amounts payable at end of year		
Managing Director bonus	300,000	300,000

NOTE 27: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	Consolidated 2011 $	Consolidated 2010 $
(a) Assurance & other services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	99,360	95,372
Taxation services	84,936	32,169
Other services	3,030	836
Total remuneration for audit and other services	187,326	128,377

NOTE 28: CONTINGENCIES

At 30 June 2011, the consolidated entity had no material contingent liabilities in respect of claims, contingent considerations, associates and joint ventures or any other matters except.

NOTE 29: COMMITMENTS

	Consolidated 2011 $	Consolidated 2010 $
(a) Capital commitments		
Commitments in relation to capital at the reporting date but not recognised as liabilities, payable:		
Within one year	–	111,600
Later than one year but not later than five years	–	–
Later than five years	–	–
	–	111,600
(b) Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	244,847	248,835
Later than one year but not later than five years	228,444	223,044
Later than five years	–	–
	473,291	471,879
Representing:		
Cancellable operating leases	3,688	1,000
Non-cancellable operating leases (i)	469,603	470,879
	473,291	471,879

(i) Operating leases

XRF Labware Pty Ltd has lease agreements with external suppliers for the provision of 44kg of platinum, which is used for working capital purposes. The lease agreements are renewed annually and fees are currently paid at a rate of 6% on the daily market price of platinum. The current annual agreements expire on April 2012 and 30 July 2012.

NOTE 29: COMMITMENTS continued

	Consolidated	
	2011 $	2010 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	241,159	247,835
Later than one year but not later than five years	228,444	223,044
Later than five years	–	–
	469,603	470,879

The specific terms of each operating lease vary and are on normal commercial terms.

	Consolidated	
	2011 $	2010 $
(ii) Finance leases		
The Company leases various property, plant and equipment with a carrying amount of $Nil (2010: $86,200) under finance leases expiring within 1 year. The Company also has liabilities in respect of its insurance policies which are financed through insurance premium funding of $111,473 (2010: $97,510).		
Commitments in relation to finance leases are payable as follows:		
Within one year	196,292	189,513
Later than one year but not later than five years	117,283	–
Later than five years	–	–
Minimum lease payments	313,575	189,513
Future finance charges	(27,861)	(5,803)
Recognised as a liability	285,714	183,710

The weighted average interest rate implicit in the leases was 7.60% (2010: 6.17%).

(c) Remuneration commitments

	Consolidated	
	2011 $	2010 $
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within one year	300,000	300,000
Later than one year and not later than five years	–	–
Later than five years	–	–
	300,000	300,000

NOTE 30: RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent and controlling entity is XRF Scientific Limited which at 30 June 2011 owns 100% of all subsidiaries listed in note 31.

(b) Interests in subsidiaries

Interests in subsidiaries are set out in note 31.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 26.

NOTE 31: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of Incorporation	Class of shares	Entity holding 2011 %	Entity holding 2010 %
XRF Technology (VIC) Pty Ltd	Australia	Ordinary	100	100
XRF Chemicals Pty Ltd	Australia	Ordinary	100	100
Precious Metals Engineering (WA) Pty Ltd	Australia	Ordinary	100	100
XRF Products Pty Ltd	Australia	Ordinary	100	100
Laser Analysis Technologies Pty Ltd	Australia	Ordinary	100	100
XRF Technology (WA) Pty Ltd	Australia	Ordinary	100	100
XRF Labware Pty Ltd	Australia	Ordinary	100	100

The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 32: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

	Consolidated 2011 $	Consolidated 2010 $
Profit/(loss) for the year	2,634,983	302,879
Depreciation and amortisation	548,995	326,734
Impairment of goodwill, intangible assets and loans	330,000	298,445
Net (gain) loss on sale of non-current assets	38,625	51,485
Acquisition of business costs	57,252	41,329
Adjustment to fair value of borrowings	38,445	–
Net exchange differences	–	4,107
(Increase) decrease in trade and other debtors	(2,464,477)	(381,639)
(Increase) decrease in inventories	(390,288)	(3,193)
(Increase) decrease in other current asset	(101,233)	(81,858)
(Increase) decrease in deferred tax asset	13,523	155,859
(Decrease) increase in trade and other creditors	428,774	411,948
(Decrease) increase in provision for income taxes	963,777	(127,325)
(Decrease) increase in provision for deferred income tax	27,409	93,255
(Decrease) increase in other liabilities	129,041	(83,028)
(Decrease) increase in other provisions	339,430	(235,241)
Net cash inflow (outflow) from operating activities	2,594,256	773,757

NOTE 33: NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated 2011 $	Consolidated 2010 $
Acquisition of assets by assuming directly related liabilities	204,600	86,200
Shares and options issued in consideration for acquisition of Sigma Flux Pty Ltd	1,148,933	–

NOTE 34: SHARE-BASED PAYMENTS

(a) Share-based payment transactions

(i) For options which were issued during the 2011 year, they were independently valued using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying shares the expected dividend yield and the risk free interest rate for the term of the option. The model inputs for the options issued during the year are as follows:

Issued to	Date issued	Number options issued	Exercise price	Valuation
Sigma Chemicals	30 July 2010	2,000,000	$0.20	$99,600
Sigma Chemicals	23 November 2010	1,333,333	$0.20	$49,300

The model inputs used to calculate the valuation of the 2,000,000 options granted were as follows:

Underlying security spot rate in	$0.15
Dividend rate	4%
Volatility	75%
Risk free rate	4.68%
Expiration period (years)	2.42
Black Scholes Valuation ($ per security)	0.0498

The model inputs used to calculate the valuation of the 1,333,333 options granted were as follows:

Underlying security spot rate in	$0.14
Dividend rate	4%
Volatility	70%
Risk free rate	5.14%
Expiration period (years)	2.11
Black Scholes Valuation ($ per security)	0.037

NOTE 34: SHARE-BASED PAYMENTS continued

The below summarises movements in options during the current and past year:

Category	Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			$	Number	Number	Number	Number	Number	Number
Consolidated - 2011									
Consultant	31 October 2006	31 October 2010	0.16	2,800,000	–	2,800,000	–	–	–
Managing Director	23 November 2007	31 October 2010	0.16	3,000,000	–	2,450,000	550,000	–	–
Sigma Chemicals	28 July 2010	30 December 2012	0.20	–	2,000,000	–	–	2,000,000	2,000,000
Sigma Chemicals	23 November 2010	30 December 2012	0.20	–	1,333,333	–	–	1,333,333	1,333,333
Total				5,800,000	3,333,333	5,250,000	550,000	3,333,333	3,333,333
Weighted average exercise price				**$0.16**	**$0.20**	**$0.16**	**$0.16**	**$0.20**	**$0.20**

Category	Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			$	Number	Number	Number	Number	Number	Number
Consolidated - 2010									
Employees	1 June 2006	30 June 2010	0.20	3,215,116	–	–	3,215,116	–	–
Broker	28 August 2006	30 June 2010	0.16	1,500,000	–	–	1,500,000	–	–
Consultant	31 October 2006	31 October 2010	0.16	2,800,000	–	–	–	2,800,000	2,800,000
Managing Director	23 November 2007	31 October 2010	0.16	3,000,000	–	–	–	3,000,000	3,000,000
Total				10,515,116	–	–	4,715,116	5,800,000	5,800,000
Weighted average exercise price				**$0.17**	**–**	**–**	**$0.19**	**$0.16**	**$0.16**

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.5 years (2010: 0.33 years).

NOTE 35: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $	2010 $
Statement of Financial Position		
Current assets	2,558,174	5,639,726
Total assets	15,127,633	12,119,332
Current liabilities	1,816,560	1,862,518
Total liabilities	2,843,635	2,138,543
Shareholder's equity		
Issued capital	12,774,068	10,894,963
Reserves		
Share-based payments	759,243	610,310
Retained earnings	(1,249,310)	(1,524,484)
	12,284,001	9,980,789
Profit or loss for the year	**275,174**	**749,790**
Total comprehensive income	**275,174**	**749,790**

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

NOTE 36: EVENTS OCCURRING AFTER THE REPORTING DATE

On 13 July 2011 XRF Scientific announced a placement and Share Purchase Plan to raise a total of $4.34m before costs at 21.5c per share. Both the placement and SPP were heavily oversubscribed. The funds from the capital raising will be used to fund future acquisitions.

The 5,000,000 convertible notes that were issued to help fund the Sigma acquisition were all converted in July 2011 at an issue price of 15c per share, which has reduced the company's debt by $750,000.

After completion of the above the Company had 128,823,764 shares on issue.

XRF Scientific has purchased a 19.9% interest in Canadian chemical flux manufacturer Scancia for $200,000, and has also provided a loan of $150,000 for a period of up to 27 months. This loan is able to be repaid, or converted to equity - if fully converted, would result in XRF owning 29.9% of Scancia. XRF also has the ability to increase its interest in Scancia over time.

As part of the investment, XRF has obtained exclusive distributorship of Scancia products in Australasia. Scancia's products, having a different physical form to those produced by XRF, are complementary to XRF's product range and therefore will provide customers with broader product choice.

NOTE 37: EARNINGS PER SHARE

	Consolidated	
	2011 Cents	2010 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	2.5	0.3
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	2.5	0.3

	$	$
(c) Reconciliations of earnings used in calculation earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	2,634,983	302,879
Profit attributable to the ordinary equity holders of the company	2,634,983	302,879

	Number	Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share		
Options on issue are not dilutive on the current or prior periods.	103,628,349	91,611,683

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2011

XRF Scientific Limited and its controlled entities

ACN 107 908 314

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

(a) Comply with Accounting Standards and the Corporations Regulations 2001;

(b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date of the consolidated entity.

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.

3. The remuneration disclosures included in the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001.

4. The directors have been given the declarations by the chief executive officer and chief financial officer as required by section 295A.

5. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with international financial reporting standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by.

Ken Baxter
Chairman

Terry Sweet
Managing Director

Dated this 27 day of September 2011

BDO

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF XRF SCIENTIFIC LIMITED

Report on the Financial Report

We have audited the accompanying financial report of XRF Scientific Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of XRF Scientific Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of XRF Scientific Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies *with International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of XRF Scientific Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 27th day of September 2011

SHAREHOLDER INFORMATION

Additional information (as at 5 September 2011) required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is set out below:

SUBSTANTIAL SHAREHOLDINGS

The number of shares held by substantial shareholders and their associates is as follows:

Shareholder	**Number of Ordinary Shares**
Parsons John Graham and Julie[1]	7,500,000
D & GD Brown Nom PL[2]	8,239,916
Sigma Chemicals (1986) Pty Ltd	6,666,666
Private Portfolio Managers Pty Ltd	6,485,662

[1] Parsons John and Julie are husband and wife. John Graham Parsons is a director.
[2] D & GD Brown Nom PL is a company owned by David Brown and his wife. David Brown is a director.

NUMBER OF OPTION HOLDERS

Class of Security	**Number of Holders**
Options exercisable at $0.20 and expiring on 30 December 2012	1

VOTING RIGHTS

In accordance with the Constitution of the Company and the Corporations Act 2001(Cth), every member present in person or by proxy at a general meeting of the members of the Company has:

- On a vote taken by a show of hands, one vote; and
- On a vote taken by a poll, one vote for every fully paid ordinary share held in the Company

A poll may be demanded at a general meeting of the members of the Company in the manner permitted by the Corporations Act 2001 (Cth).

DISTRIBUTION OF SHARE AND OPTION HOLDERS

Distribution of Shares & Options	**Number of Holders of Ordinary Shares**	**Number of Holders of Options**
1-1,000	13	–
1,000-5,000	56	–
5,001-10,000	115	–
10,001-100,000	381	–
100,001 and above	156	1

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

No.	Holder name	Number of Ordinary Shares	Percentage of Ordinary Shares
1	NATIONAL NOM LTD	9,115,405	7.08%
2	D & GD BROWN NOM PL[1]	8,239,916	6.40%
3	SIGMA CHEMICALS 1986 PL	6,666,666	5.18%
4	EVELIN INV PL	5,837,080	4.53%
5	SPARROW HLDGS PL[4]	4,176,939	3.24%
6	SKYE ALBA PL	4,074,449	3.16%
7	PARSONS JOHN GRAHAM[3]	3,750,000	2.91%
8	PARSONS JULIE ANN[3]	3,750,000	2.91%
9	SYDNEY FUND MANAGERS LTD	3,333,333	2.59%
10	TZELEPIS NOM PL	3,280,000	2.55%
11	COGENT NOM PL	2,767,080	2.15%
12	PROSSOR STEPHEN W + F C	2,669,767	2.07%
13	GREAT WESTERN CAP PL	2,649,578	2.06%
14	SEAWEIR PL[2]	2,559,347	1.99%
15	CITICORP NOM PL	2,400,000	1.86%
16	J P MORGAN NOM AUST LTD	2,182,393	1.69%
17	ESCOR INV PL	2,000,000	1.55%
18	METZ JORG + CARR WENDY	1,977,637	1.54%
19	COUNTLOCK PL	1,811,130	1.41%
20	J G H METZ PL	1,500,000	1.16%
		74,740,720	58.03%

[1] D & GD Brown Nom PL is a company owned by David Brown and his wife, David Brown is a director.
[2] Seaweir PL is a company associated with Stephen Prossor, Commercial Manager of XRF Scientific Ltd.
[3] Parsons John and Julie are husband and wife, John Graham Parsons is a director.
[4] Sparrow Hldgs PL is a company associated with the Managing Director Terry Sweet.

TOP OPTION HOLDERS

No.	Holder name	Number of Options	Percentage of Options
1	SIGMA CHEMICALS 1986 PL	3,333,333	100%
		3,333,333	100%

RESTRICTED SECURITIES

6,666,666 ordinary shares issued to Sigma Chemicals (1986) Pty Ltd as part consideration for Sigma Flux Pty Ltd are held in voluntary escrow until 31 October 2011.

SHAREHOLDER INFORMATION

NON MARKETABLE PARCELS

Class of Security	Number of Securities	Number of Holders
Ordinary shares	10,939	18

UNQUOTED SECURITIES

The details of unquoted securities in the Company are as follows:

Class of Security	Number of Securities	Number of Holders
Options exercisable at $0.20 and expiring on 30 December 2012	3,333,333	1

ON-MARKET BUY BACK

The Company does not have a current on-market buy-back scheme.

CORPORATE DIRECTORY

DIRECTORS

Kenneth Peter Baxter (Chairman)
Terry Sweet (Managing Director)
David Brown
John Parsons

COMPANY SECRETARY

Vance Stazzonelli

REGISTERED OFFICE

88 Guthrie Street
Osborne Park WA 6017
Tel: +61 8 9244 9600
Fax: +61 8 9244 9611

COMPANY AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

BANKERS

Westpac Banking Corporation
109 St George Terrace
Perth WA 6000

SOLICITORS

Steinepreris Paganin
4/16 Milligan Street
Perth WA 6000

SHARE REGISTRY

Security Transfer Registrars
770 Canning Highway
Applecross WA 6153
Tel: +61 8 9315 2333
Fax: +61 8 9315 2233

WEBSITE

www.xrfscientific.com

ASX

Company Code: XRF