XRF SCIENTIFIC LIMITED

ABN 80 107 908 314

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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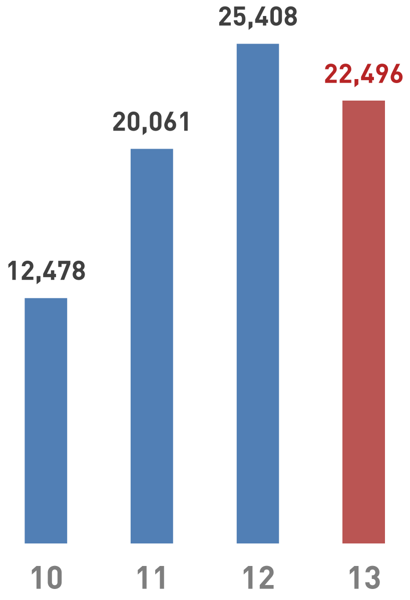
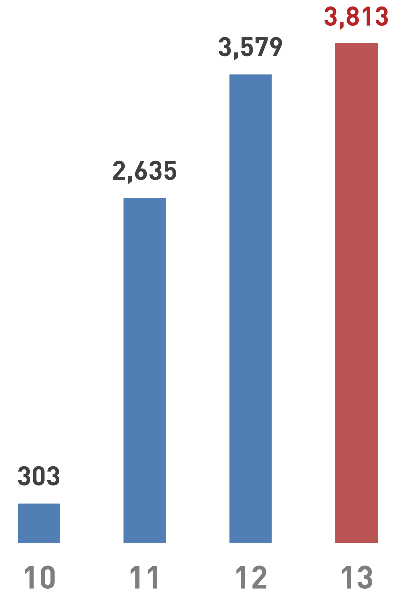
FINANCIAL RESULTS SUMMARY

Sales down 11%



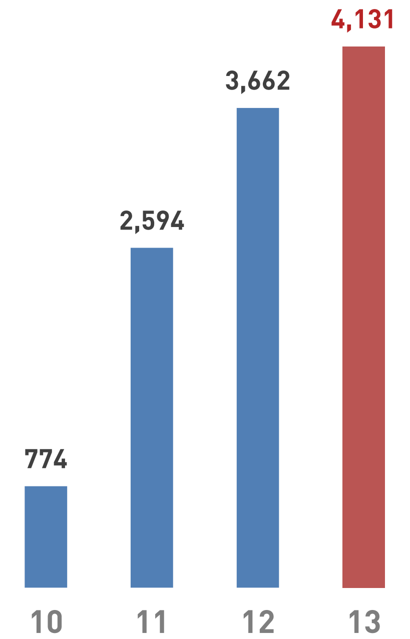
Sales Revenue ($'000)

Net Profit After Tax up 7%



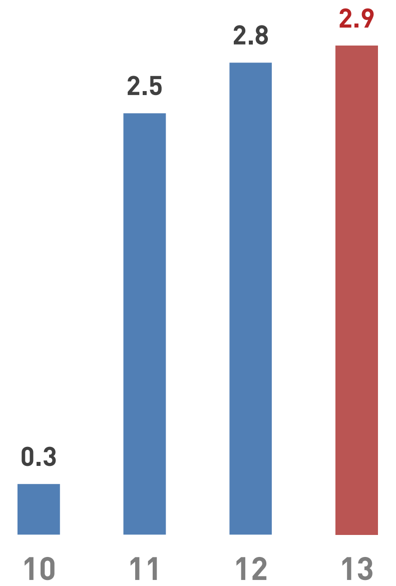
Net Profit After Tax ($'000)

Operating Cash Flow up 13%

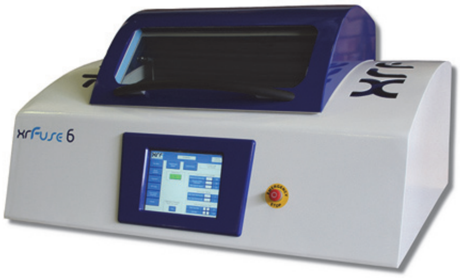


Operating Cash Flow ($'000)

Earnings Per Share up 4%



Earnings Per Share (Cents)



CHAIRMAN'S LETTER

Dear Shareholder,

In spite of a decrease in total revenue and other income from $25.9m in 2011-12 to $23.2m in 2012-13 the Company was able to increase after tax profits from $3.58m to $3.81m.

Consistent with our commitments to shareholders of maintaining shareholder returns and value, there was an increase in the fully franked dividend to 1.7 cents per share. These results reflect the implementation of your Board's strategic directions, effective marketing, products support, cost control and financial management skill by the management team.

The continuation of political and financial difficulties in Europe, North America and a slowdown in China, combined with a heightened degree of political uncertainty in the run-up to September's federal election, dampened demand from key sectors served by the Company.

There was a slowdown in the level of mining exploration, and the public announcements from a number of laboratory groups serving that sector, reflected the downturn and uncertainty.

The Company completed the financial year debt-free and shortly after consummated the purchase of the Canadian firm Kitco Labware. This acquisition strengthens our position in the North American market. It will also improve our capacity and ability to increase sales into key South American markets.

XRock Automation Pty Ltd, the joint venture with Rocklabs Ltd, a subsidiary of Scott Technology Ltd of New Zealand is progressing well. It is showing positive growth. It should enable greater penetration of the automated laboratory processes sector.

While there have been recent improvements in iron ore prices, and initial concerns about economic growth in China and the USA have diminished, sections of our markets are still showing signs of weakness.

The downward shift in the Australian dollar will have a marginal impact on the 2013-14 results. The continued upward pressure of labour costs remains of concern and the Company continues to maintain tight controls on costs overall.

As part of its medium to long term strategic directions the company is continuing to look for and assess potential acquisitions and alliances. The fundamental criteria are that any such move will add exponentially to after tax profits and help sustain overall long term growth.

During the course of the year Mr John Parsons resigned as a Director. The Company greatly appreciates the contribution he made over his long period of service.

The senior management team, working with the Chief Executive Officer, Vance Stazzonelli, continue to maintain high levels of commitment. Their efforts, supported by your Board, are reflected in the 2012-13 results.

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 2013.

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
David Kiggins
Fred Grimwade
John Parsons (resigned 23 May 2013)

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:

	2013	2012
	$	$
Final dividend for the year	1,932,354	1,288,239

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a fully franked final dividend of 1.7 cents per share to be paid on 27 September 2013 out of retained earnings at 30 June 2013.

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 and the results and financial position are disclosed in the attached financial statements.

The consolidated entity has produced a Net Profit After Tax (NPAT) of $3,812,772 for the year ended 30 June 2013, compared with $3,579,393 for the previous year.

Details of the results for the financial year ended 30 June 2013 are as follows:

	June 2013	June 2012	Increase / (decrease) over prior year
	$	$	%
Total revenue and other income	23,246,536	25,886,294	(10)
NPAT	3,812,772	3,579,393	7
Basic earnings per share – (cents per share)	2.9	2.8	4
Diluted earnings per share – (cents per share)	2.9	2.8	4

OPERATING RESULTS

XRF Scientific Ltd ("XRF" or "Company") is pleased to deliver this full-year result of record profit to shareholders. Despite the difficulties associated with a slowdown in the resource sector, the Company continues to push forward with its growth plan, both organically and via acquisition. A 10% increase in underlying profits before tax to $5.6m has been generated, before expensing $200k in business acquisition and research & development costs.

The Directors have confirmed that a final dividend of 1.7 cents per share, fully franked, will be payable with a record date of 13 September 2013 and payment date of 27 September 2013.

One of the key drivers of the strong result was the restructure of the Capital Equipment division. A profit before tax of $1.14m was achieved, a 59% increase over the previous corresponding period. The result includes $115k of research & development costs that were conservatively expensed to profit & loss. The division has rolled out numerous initiatives that have streamlined the development of new products and delivered a reduction in overhead costs.

The product offering has focused on more profitable volume-based products, where efficient manufacturing is achievable. The increase in profitability was also a result of a reduction in low margin OEM (original equipment manufacturer) revenue, following the mutual termination of an agreement with a European-based customer.

The Capital Equipment division is due to finalise the development of its flagship "xrFuse 6" electric fusion machine in September 2013, which is on-time and on-budget. The release of further complementary products is planned throughout FY14 and FY15. Recently introduced product development procedures are expected to allow the division to capitalise on new opportunities in a timely and cost effective manner.

Repeat consumable sales to XRF's production mining based clients remained steady throughout the period. The Consumables division generated a 4% increase in profits before tax to $2.8m. Although exploration related analysis activity has slowed, an uplift of sales to production mining customers has commenced, as new and existing iron ore mines increase production volumes.

The Precious Metals division delivered a result that was down on the prior year, generating a profit before tax of $1.4m. New product sales were strong in the first part of the year, as a result of external laboratory operations, in particular in Western Australia, expanding their operations. Although new product sales reduced in the second half of the year, the division continues to maintain a solid base load of work that is delivered from its remanufacturing services. Efficient and accurate remanufacture of these platinum labware products is critical to our laboratory customers in order for the equipment to function correctly and provide accurate testing results.

DIRECTORS' REPORT

OPERATING RESULTS continued

The Company has entered into a 50/50 joint venture with Rocklabs Ltd (a wholly owned subsidiary of Scott Technology Ltd of New Zealand). The aim is to use Rocklabs' automation technologies and processes to assist our major clients in reducing laboratory work and improving efficiency.

During the year the number of shares on issue increased by 3,333,333 due to the exercise of 20c options in December that raised $667k. These options were initially issued in July 2010 as part of consideration paid for the Sigma acquisition.

The amount of cash at bank as at 30 June 2013 was $8.6m compared to $6.7m at 30 June 2012, after generating $4.1m (2012: $3.7m) in cash flow from operating activities. This follows the payment of $1.9m in dividends and a platinum purchase of $750k, which was previously on lease from a third party, as noted as a subsequent event in the 2012 Annual Report.

In relation to the Company's international growth strategy, significant work was performed on opportunities in Brazil, Russia and South America. XRF is carefully proceeding with its strategy to expand into these regions. To ensure that resources are effectively used, the Company's strategy is to work in conjunction with local partners who understand their industry, customer base and operating framework.

Additional distribution into South America was obtained via the acquisition of the Kitco Labware business, as initially announced to ASX on 26 June 2013. Kitco Labware provides the benefit of having multi-lingual staff in the customers' time zone, who understand the industry. Their customer database contains an extensive list of fusion customers, which will form the basis for marketing XRF's chemical and technology products in their region.

The Board of XRF has identified that acquisitions are an important part of its growth strategy and the company is well positioned to take advantage of any opportunities that arise in the market. After integration of the Kitco Labware acquisition has been completed, XRF's substantial cash resources will allow it to progress with other opportunities. The Board is continually assessing potential acquisitions which are evaluated against a set of established criteria to ensure they add shareholder value.

Looking forward into 2014, although conditions may remain challenging, the Company is excited about new product releases and developments, and increasing international sales via XRF's international distributors, and the recent acquisition of Kitco Labware. Similar market conditions are expected to prevail as were experienced in the second half of FY13 and the company is successfully maintaining tight control over expenditure.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

An acquisition has been completed of Kitco Labware, a division of Kitco Metals Inc. As Kitco Metals Inc. is operating subject to the Companies' Creditors Arrangement Act (Canada), an order has been sought and obtained from the Superior Court of Quebec, authorising the execution of the Asset Purchase Agreement and the completion of the transaction. The consideration for the acquisition will be as follows:

- CAD$1.7m cash on settlement
- An additional CAD$300,000 in cash consideration, should the business generate EBITDA of CAD$500,000 in the period of 12 months from settlement
- A further CAD$300,000 in cash consideration (pro-rata), should the business generate an EBITDA result of between CAD$500,000 and CAD$650,000 in the period of 12 months from settlement

A final dividend of 1.7 cents per share fully franked was declared on 23 August 2013, for the 2013 financial year results, with a record date of 13 September 2013 and payment date of 27 September 2013.

There were no other events subsequent to the reporting date which have significantly affected or may significantly affect the XRF Scientific Limited operations, results or state of affairs in future years.

DIRECTORS' REPORT

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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

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 2012 to 30 June 2013 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:	Former 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 Dairy Industries Ltd.
Other current Directorship:	Chairman of PNG Energy Developments Ltd, Chairman of PNG Sustainable Infrastructure Ltd, Chairman of Infraco Asia Developments Pte Ltd and other private companies
Former directorship in last 3 years:	Chairman of The Traffic Group Limited and other private companies
Special responsibilities:	Chairman of the Board, member of the Audit and Governance Committee, and Remuneration Committees
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 40 years of 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:	8,716,916 fully paid ordinary shares

DIRECTORS' REPORT

INFORMATION ON DIRECTORS continued

David Kiggins	**Director (Non-Executive)**
Qualifications:	Bachelor of Science (HONS), member of the Institute of Chartered Accountants of England and Wales, member of the Institute of Chartered Secretaries and member of Australian Institute of Company Directors
Experience:	Spent ten years at Arthur Andersen, working in audit and business consulting, in the UK and Australia. Experience in public companies includes roles such as GM Business Development and Company Secretary at Automotive Holdings Group Limited, and as Finance Director and Company Secretary at Global Construction Services Limited. Currently the Chief Financial Officer at the Heliwest Group.
Other current Directorships:	Private companies only
Former directorship in last 3 years:	Finance Director at Global Construction Services Limited
Special responsibilities:	Chairman of the Audit and Governance Committee, member of the Remuneration Committee
No. of options:	Nil
No. of shares:	125,000

Fred Grimwade	**Director (Non-Executive)**
Qualifications:	Bachelor of Commerce, Bachelor of Law, Master of Business Administration, Fellow of the Institute of Chartered Secretaries of Australia, Life Member of the Financial Services Institute of Australasia and Fellow of the Australian Institute of Company Directors
Experience:	Has held general management positions at Colonial Agricultural Company, the Colonial Group, Western Mining Corporation and Goldman, Sachs & Co. He has a broad range of experience in strategic management, mining, finance, corporate governance and law. Currently a Principal and Executive Director of Fawkner Capital, a specialist corporate advisory and investment firm.
Other current Directorships:	Chairman of CPT Global Limited and Non-Executive Director of Select Harvests Limited, Troy Resources Limited and other private companies
Former directorship in last 3 years:	Director of AWB Limited
Special responsibilities:	Chairman of the Remuneration Committee, member of the Audit and Governance Committee
No. of options:	Nil
No. of shares:	200,000

COMPANY SECRETARIES

Vance Stazzonelli, B.Comm, CPA – Vance has held the role of Company Secretary since June 2008.

Andrew Watson, B.Comm, CA – Andrew was appointed Joint Company Secretary in August 2013.

OTHER KEY MANAGEMENT

Vance Stazzonelli (Chief Executive Officer – XRF Scientific Limited)

Vance joined XRF Scientific as CFO in October 2009 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 and then Chief Executive Officer in August 2012. Vance is a Certified Practising Accountant. He has held the role of Company Secretary since June 2008.

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 2013 were as follows:

	Full meetings of Directors		Meetings of committees - Audit, Corporate Governance & Remuneration	
	A	B	A	B
Kenneth Baxter	13	13	4	4
David Brown	13	11	**	**
David Kiggins	13	13	4	4
Fred Grimwade	13	13	4	4
John Parsons (resigned 22 May 2013)	11	11	**	**

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.

Remuneration governance

The remuneration committee is a committee of the board. It is primarily responsible for making recommendations to the board on:

- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles
- remuneration levels of executive directors and other key management personnel, and
- non-executive director fees

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company. The Corporate Governance Statement provides further information on the role of this committee.

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 fees.

Non-executive directors may receive share options.

Directors' fees

The current base remuneration was last reviewed in November 2012, as ratified by a resolution passed at the 2012 Annual General Meeting. The maximum currently stands at $400,000 per annum and was approved by shareholders at the Annual General Meeting in November 2012.

REMUNERATION REPORT (Audited) continued

Base director fees

Chairman	$80,000
Non-Executive Directors	$50,000
Committee Chairman	$7,500

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 they manage, and the performance of the group of companies.

Where appropriate, there is a direct link between financial performance (profit or growth) to key managers' compensation by way of bonus, which is assessed under a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year. 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.

(i) Base Pay

Executives are offered a competitive base pay that forms 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 9.25%, effective 1 July 2013 (2013: 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.

(v) Long-term incentives

There are no specific long term incentives in place, however the matter is currently being considered by the Remuneration Committee.

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration

(i) Non-Executive

Kenneth Baxter	Chairman
David Brown	Non-Executive Director
David Kiggins	Non-Executive Director
Fred Grimwade	Non-Executive Director
John Parsons	Non-Executive Director (resigned 23 May 2013)

(ii) Other Key Management Personnel

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

Vance Stazzonelli	Chief Executive Officer (since 6 August 2012) Chief Financial Officer / Chief Operating Officer (until 6 August 2012)

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 other key management personnel is contained in information that follows.

Variable Remuneration (Short-Term Incentive)

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.

Variable remuneration is calculated based on an assessment of the executive's achievement of key performance indicators, which is assessed under a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year.

Options issued as part of total remuneration

No options have been issued in 2012 or 2013 as part of total remuneration.

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.

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

Voting and comments made at the company's 2012 Annual General Meeting

The company received validly appointed proxies of 97% of "yes" votes on its remuneration report for the 2012 financial year. The remuneration resolution was carried on a show of hands. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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		
2013	**Cash Salary $**	**Cash Bonuses $**	**Other**	**Superannuation $**	**Long Service Leave $**	**Termination benefits $**	**Total $**
Non-executive directors							
Kenneth Baxter	73,395	-	-	6,605	-	-	80,000
David Brown	23,462	-	[1] 175,557	-	-	-	199,019
David Kiggins	52,752	-	-	4,748	-	-	57,500
Fred Grimwade	52,752	-	1,835	4,913	-	-	59,500
John Parsons (resigned 23 May 2013)	21,701	-	[1] 52,534	1,953	-	-	76,188
Sub-total non-executive directors	224,062	-	229,926	18,219	-	-	472,207
Other key management personnel							
Vance Stazzonelli	227,378	32,110	-	23,354	6,714	-	289,556
Sub-total key management personnel	227,378	32,110	-	23,354	6,714	-	289,556
	451,440	**32,110**	**229,926**	**41,573**	**6,714**	-	**761,763**

	Short-term Benefits			Post-employment Benefits	Long-term Benefits		
2012	**Cash Salary $**	**Cash Bonuses $**	**Other**	**Superannuation $**	**Long Service Leave $**	**Termination benefits $**	**Total $**
Non-executive directors							
Kenneth Baxter	41,284	-	-	3,716	-	-	45,000
David Brown	-	-	[1] 180,741	-	-	-	180,741
John Parsons	-	-	[1] 175,608	-	-	-	175,608
David Kiggins (since 1 May 2012)	5,646	-	-	508	-	-	6,154
Fred Grimwade (since 1 May 2012)	5,646	-	-	508	-	-	6,154
Sub-total non-executive directors	52,576	-	356,349	4,732	-	-	413,657
Executive directors							
Terry Sweet (resigned 28 March 2012)	118,412	[2] 258,696	-	10,384	-	40,875	428,367
Sub-total executive directors	118,412	258,696	-	10,384	-	40,875	428,367
Other key management personnel							
Vance Stazzonelli	154,963	[3] 60,000	-	14,801	3,317	-	233,081
Sub-total key management personnel	154,963	60,000	-	14,801	3,317	-	233,081
	325,951	**318,696**	**356,349**	**29,917**	**3,317**	**40,875**	**1,075,105**

[1] Technical services provided by consultancy (such as technical sales and support, analytical method development).

[2] Balance of performance bonus owing and paid on resignation, calculated on the equivalent of 1m ordinary shares, based on 5 day VWAP following last day of employment.

[3] Discretionary payment relating to the 2011 and 2012 financial years. Determined by the directors based on the performance of the company over the relevant periods.

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	
	2013	2012	2013	2012	2013	2012
Executive directors						
Terry Sweet (resigned 28 March 2012)	-	45%	-	55%	–	–
Other key management personnel						
Vance Stazzonelli	88%	74%	12%	26%	–	–

Refer to page 11 for details of the Company's policies on short-term incentives.

(c) Shareholder Wealth

The following is a summary of key shareholder wealth statistics for the Company over the past 5 years (listed since 2006).

	EBIT	Earnings Per Share	Dividends Declared Per Share	Share Price	Market Capitalisation
	$	Cents	Cents	Cents	$
2008/09	2,120,144	2.1	0.75	12	10,993,402
2009/10	382,807	0.3	–	15	13,741,752
2010/11	3,841,980	2.5	1.0	22	22,798,237
2011/12	4,809,646	2.8	1.5	26	33,494,179
2012/13	5,142,299	2.9	1.7	31	40,968,700

(d) Service Agreements

Remuneration for the Chief Executive Officer is set out in a service agreement, which is detailed below:

Vance Stazzonelli, Chief Executive Officer of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 1 July 2012. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to six months full pay. Notice period by the employee of six months. Payment of bonuses is based on a range of strategic, financial, operational, personnel, and Board-related key performance indicators.

No other key management personnel are currently employed under service contracts.

REMUNERATION REPORT (Audited) continued

(e) Share-based compensation

There was no share based compensation to any Director or Key Management Personnel for the years ended 30 June 2012 and 2013. The Company has not adopted an employee share option scheme.

(f) Additional Information

Each individual Key Management Personnel performance bonus was discussed and reviewed against the requirements set out on page 10. It was agreed that the proposed performance bonuses met these conditions, specifically individual performance against agreed Key Performance Indicators.

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

	Cash bonus		
	Paid	Forfeited	Year granted
	%	%	
Directors			
Kenneth Baxter	–	–	–
David Brown	–	–	–
David Kiggins	–	–	–
Fred Grimwade	–	–	–
John Parsons (resigned 23 May 2013)	–	–	–
Other key management personnel			
Vance Stazzonelli	100	–	2013

(g) Remuneration consultants

No remuneration consultants were used in the year ended 30 June 2013.

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 2013 and 30 June 2012.

OPTIONS

No unissued ordinary shares of XRF Scientific Limited remain under option at the date of this report.

INSURANCE OF DIRECTORS AND OFFICERS

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

The liabilities insured are legal costs that may be incurred in defending civil or some 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 2013 are outlined in the following table. Based on advice from the Company's Audit and Governance 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.

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	
	2013	**2012**
	$	**$**
(a) Assurance & other services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	98,081	96,300
Taxation services	59,070	99,748
Other services	1,836	3,080
Total remuneration for audit and other services	158,987	199,128

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

DIRECTORS' REPORT

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 17.

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 and on behalf of the Board by:

Kenneth Baxter
Chairman

Perth
25 September 2013

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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

25 September 2013

Board of Directors
XRF Scientific Limited
98 Guthrie Street
OSBORNE PARK WA 6017

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF XRF SCIENTIFIC LIMITED

As lead auditor of XRF Scientific Limited for the year ended 30 June 2013, 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 period.

Peter Toll
Director

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 22
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 22
Structure the board to add value		
2.1: A majority of the board should be independent directors.	Yes	K. Baxter, D. Kiggins and F. Grimwade are independent directors, therefore a majority of the board is 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	Vance Stazzonelli is Chief Executive Officer and Kenneth 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	Page 22
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 2013 Annual Report: • See pages 7-8 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. • K. Baxter, D. Kiggins and F. Grimwade are considered to be independent directors. • 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 cognisant 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.

CORPORATE GOVERNANCE DISCLOSURE

	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 2013 are as follows: 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 D. Kiggins – Appointed 1 May 2012 as Non-Executive Director. o F. Grimwade – Appointed 1 May 2012 as Non-Executive Director. o J. Parsons – Appointed 15 June 2006 as Executive Director and subsequently 1 October 2009 as Non-Executive Director. Resigned on 23 May 2013. • 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 implemented an Equal Opportunity policy in 2013, however, measurable objectives for gender diversity have not yet been set.
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 important to the ongoing success of the Company. Measurable objectives for gender diversity have not yet been set.
3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, in senior executive positions and on the board.	Yes	Whole organisation – 17% Senior Executive Positions – 10% Board of Directors – 0%
3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes	Page 24

CORPORATE GOVERNANCE DISCLOSURE

	Comply Yes/No	Reference/ Explanation
Safeguard integrity in financial reporting		
4.1: The board should establish an audit committee.	Yes	Page 22
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.	Yes	Page 22. The Audit and Governance Committee comprises three Board members, one being the non-executive Chairman, and two non-executive directors. The Chairman of the committee is different from the Chairman of the Board.
4.3: The audit committee should have a formal charter.	Yes	Page 22
4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	The Audit Committee Charter has been posted to the Company's website. There are formal procedures for the selection and appointment of the Company's external auditor. The Company's external auditor has a policy regarding the rotation of 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 24
6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Page 24
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 24
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 24

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 Chief Executive Officer and the Chief Financial Officer 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 24
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.	Yes	Page 23. The Remuneration Committee comprises three Board members, one being the non-executive Chairman, and two non-executive directors. The Chairman of the committee is different from the Chairman of the Board.
8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Pages 9-14, 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	A review of the overall performance of the Board was conducted during 2012, which resulted in the appointment of an additional two independent non-executive Directors. 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 9-14, as well as page 22.

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's main corporate governance policies and practices is outlined below.

THE BOARD OF DIRECTORS

The Board is comprised of non-executive Directors. Presently there are four non-executive Directors (three independent). The chairman is an independent director. It is XRF's 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 full board is responsible for such nominations and appointments rather than a separate committee.

Performance of the Board
The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman and the performance of its committees. The results are discussed at Board level and any action plans are documented together with specific performance goals which are agreed for the coming year. Further, the Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. A Board review will be conducted in 2014.

COMMITTEES OF THE BOARD

The Board has established the following committees:

Audit and Governance Committee
The Audit and Governance Committee comprises three Board members, one being the non-executive Chairman, and two non-executive directors. The Chairman of the committee is different from 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. The committee has implemented a formal charter.

Remuneration Committee
The Remuneration Committee comprises three Board members, one being the non-executive Chairman, and two non-executive directors. The Chairman of the committee is different from the Chairman of the Board. 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. The committee has implemented a formal charter.

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 Chief Executive Officer;
- 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.

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 half-year reports to Shareholders;
- Investor briefings;
- The Chief Executive Officer's address delivered at the Annual General Meeting; and
- Notices of all meetings of Shareholders and explanatory notes of proposed resolutions.

Equal Opportunity Policy

The Company values its employees and believes in conducting business ensuring fair, equitable and non-discriminatory employment and operational practices. Equal opportunity in employment means that an employee is judged on their ability to do their job based on merit rather than any assumption about the employee based on particular characteristics.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Revenue from continuing operations	5	22,807,416	25,719,324
Cost of sales		(13,380,637)	(16,161,980)
Gross profit		9,426,779	9,557,344
Other revenue	5	393,454	166,970
Share of profit / (loss) of investments accounted for using the equity method	5	45,666	(10,950)
Occupancy expenses		(481,190)	(350,461)
Employee benefits expenses		(2,286,430)	(2,170,131)
Motor vehicle expense		(39,228)	(47,502)
Depreciation & amortisation	6	(300,733)	(451,970)
Administration expenses		(822,282)	(940,323)
Other expenses		(417,682)	(581,941)
Acquisition of business costs		(65,056)	(50,319)
Finance costs	6	(10,865)	(31,651)
Profit before income tax expense		5,442,433	5,089,066
Income tax (expense)	7	(1,629,661)	(1,483,709)
Profit after income tax from continuing operations		3,812,772	3,605,357
Loss from discontinued operations		-	(25,964)
Profit for the year		3,812,772	3,579,393
Other comprehensive income for the period, net of income tax		-	-
Profit and total comprehensive income for the full year		3,812,772	3,579,393
Profit and total comprehensive income attributable to equity holders of XRF Scientific Limited	31	3,812,772	3,579,393
Basic earnings per share (cents per share)	33	2.9	2.8
Diluted earnings per share (cents per share)		2.9	2.8

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
CURRENT ASSETS			
Cash and cash equivalents	8	8,641,808	6,715,867
Trade and other receivables	9	3,522,551	4,910,831
Inventories	10	2,732,258	2,798,001
Other assets	11	351,782	351,505
Investment in convertible note	12	150,770	-
Total Current Assets		15,399,169	14,776,204
NON-CURRENT ASSETS			
Receivables	9	-	181,250
Investment in convertible note	12	-	150,770
Investments accounted for using the equity method	12	335,906	290,240
Property, plant and equipment	13	3,665,552	2,838,629
Intangible assets	14	11,507,772	11,890,264
Deferred tax asset	15	349,037	477,851
Total Non-Current Assets		15,858,267	15,829,004
Total Assets		31,257,436	30,605,208
CURRENT LIABILITIES			
Trade and other payables	16	1,125,849	1,858,083
Borrowings	17	-	71,167
Provisions	18	289,395	572,940
Other current liabilities		656	17,221
Current income tax liability		570,735	1,217,850
Total Current Liabilities		1,986,635	3,737,261
NON-CURRENT LIABILITIES			
Borrowings	19	-	38,078
Deferred tax liability	20	82,566	198,758
Provisions	21	127,787	114,259
Total Non-Current Liabilities		210,353	351,095
Total Liabilities		2,196,988	4,088,356
Net Assets		29,060,448	26,516,852
EQUITY			
Contributed equity	22	18,257,772	17,594,594
Reserves	23(a)	759,243	759,243
Retained profits	23(b)	10,043,433	8,163,015
Total Equity		29,060,448	26,516,852

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2013 – CONSOLIDATED	Issued Share Capital $	Share Option Reserve $	Retained Profits $	Total $
Balance at 1 July 2012	17,594,594	759,243	8,163,015	26,516,852
Total comprehensive income for the year				
Profit for the year	-	-	3,812,772	3,812,772
Total comprehensive income for the year	-	-	3,812,772	3,812,772
Transactions with Equity Holders in their capacity as Equity Holders				
Ordinary shares issued, net of transaction costs and deferred income tax expense	663,178	-	-	663,178
Dividends paid	-	-	(1,932,354)	(1,932,354)
	663,178	-	(1,932,354)	(1,269,176)
Balance at 30 June 2013	18,257,772	759,243	10,043,433	29,060,448

30 JUNE 2012 – CONSOLIDATED	Issued Share Capital $	Share Option Reserve $	Retained Profits $	Total $
Balance at 1 July 2011	12,774,068	759,243	5,871,861	19,405,172
Total comprehensive income for the year				
Profit for the year	-	-	3,579,393	3,579,393
Total comprehensive income for the year	-	-	3,579,393	3,579,393
Transactions with Equity Holders in their capacity as Equity Holders				
Ordinary shares issued, net of transaction costs and deferred income tax expense	4,820,526	-	-	4,820,526
Dividends paid	-	-	(1,288,239)	(1,288,239)
	4,820,526	-	(1,288,239)	3,532,287
Balance at 30 June 2012	17,594,594	759,243	8,163,015	26,516,852

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

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Cash flows from operating activities			
Receipts from customers		23,955,980	24,929,421
Payments to suppliers and employees		(18,069,470)	(20,394,080)
Finance costs		(10,865)	(41,072)
Other revenue		201,146	142,031
Income taxes paid		(2,262,659)	(1,216,070)
Interest received		316,633	242,026
Net cash inflow (outflow) from operating activities	31	4,130,765	3,662,256
Cash flows from investing activities			
Payments for property, plant and equipment		(1,292,810)	(809,979)
Proceeds from sales of intangible assets		350,000	-
Amounts received under LIBS license and sale agreements		91,699	57,419
Investment in associates		-	(301,189)
Convertible note invested in associate		-	(150,770)
Proceeds from sale of property, plant and equipment		26,203	-
Net cash inflow (outflow) from investing activities		(824,908)	(1,204,519)
Cash flows from financing activities			
Repayment of borrowings		(109,245)	(176,471)
Proceeds from issue of shares (net of transaction costs)		661,683	4,051,046
Dividends paid		(1,932,354)	(1,288,239)
Net cash inflow (outflow) from financing activities		(1,379,916)	2,586,336
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		6,715,867	1,671,794
Net cash movement		1,925,941	5,044,073
Cash and cash equivalents at the end of the financial year	8	8,641,808	6,715,867

The above Consolidated Statement of Cash Flows 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 2013 was authorised for issue in accordance with a resolution of the directors on 25 September 2013 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 IFRS
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 2013 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 exceed the cost of acquisition, the deficiency is credited to profit or 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) Investments in associates and joint-ventures
Investment in associates is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

The Group's share of the associate post-acquisition profits or losses is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(iii) 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 re-measured 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 Chief Executive Officer.

(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 or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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:

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 28(a)(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.

The finance cost is charged to the profit or 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 28(a)(i)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or 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 re-measured 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 re-measured 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 or 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%

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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.

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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.

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 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 9 *Financial Instruments* (issued December 2009 and amended December 2010) (effective from 1 July 2015)

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The group has not yet made an assessment of the impact of these amendments.

(ii) AASB 10 *Consolidated Financial Statements* (issued August 2011) (effective from 1 July 2013)

Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice)
- Exposure, or rights, to variable returns from investee
- Ability to use power over investee to affect the group's returns from investee.
- Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the new definition of control does not change the classification of any of the entities investments in subsidiaries, joint arrangements or associates.

(iii) AASB 11 *Joint Arrangements* (issued August 2011) (effective from 1 July 2013)

Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).

When this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements as joint ventures are already accounted for in consolidated financial statements using the equity method.

(iv) AASB 12 *Disclosure of Interests in Other Entities* (issued August 2011) (effective from 1 July 2013)

Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

(v) AASB 13 *Fair Value Measurement* (issued September 2011) (effective from 1 July 2013)

AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments. When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values. The group has not yet made an assessment of the impact of these amendments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(vi) AASB 119 *Employee Benefits* (reissued September 2011) (effective from 1 July 2013)

Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.

(vii) AASB 2013-3 (issued June 2013) (effective from 1 January 2014)

Clarifies the disclosure requirements for cash-generating units (CGUs) with significant amounts of goodwill and intangibles with indefinite useful lives and also adds additional disclosures when recoverable amount is determined based on fair value less costs to sell. As this standard amends disclosure requirements only, there will be no impact on amounts recognised in the financial statements. The recoverable amount for CGUs with significant amounts of goodwill and intangibles with indefinite lives will only be required to be disclosed where an impairment loss has been recognised. However, there will be additional disclosures about the level of the fair value hierarchy where recoverable amount for a CGU is determined based on fair value less costs to sell.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group'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 Group'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 Group.

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, the US Dollar, and the Canadian 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 2013		30 June 2012	
	EUR	USD	EUR	USD
Trade receivables	67,780	76,506	22,580	139,545
Trade payables	-	-	-	-

Group sensitivity

Based on the financial instruments held at 30 June 2013, had the Australian dollar strengthened / weakened 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 $16,370 lower / $20,008 higher (2012: $14,232 lower / $17,394 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, its 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 2013 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 2013, 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 $21,770 higher / lower (2012:$19,558 higher / lower), mainly as a result of higher/lower interest income from cash and cash equivalents. Cash and cash equivalent balances at 30 June 2013 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 2013 $	Consolidated 2012 $
Cash and cash equivalents (AA rated)	8,641,808	6,715,867
Trade receivables, net of impairment provision (note 9) (Group 2)	3,399,605	4,877,432
Other receivables (external parties)	273,717	365,419
	12,315,130	11,958,718

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
2013	1,940,873	987,827	276,209	199,696	3,404,605
2012	3,291,865	853,204	336,747	400,616	4,882,432

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 2013	$	$	$	$	$	$	$
Non-derivatives							
Trade payables	827,778	-	-	-	-	827,778	827,778
Borrowings (excluding finance leases)	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-
Total non-derivatives	827,778	-	-	-	-	827,778	827,778
As at 30 June 2012							
Non-derivatives							
Trade payables	1,559,121	-	-	-	-	1,559,121	1,559,121
Borrowings (excluding finance leases)	-	-	-	-	-	-	-
Finance lease liabilities	39,095	39,095	39,094	-	-	117,284	109,245
Total non-derivatives	1,598,216	39,095	39,094	-	-	1,676,405	1,668,366

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

	Consolidated 2013 $	Consolidated 2012 $
Bank overdraft facility	1,000,000	998,960
Platinum lease facility (bank guarantee)	595,180	-
	1,595,180	998,960

(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.

The Group 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.

(a) 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.

(b) 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 reported in a uniform manner to which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer.

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

The Chief Executive Officer monitors segment performance based on profit before income tax expense. Segment results that are reported to the Chief Executive Officer 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 Capital Equipment, Precious Metals & Consumables. For each of the strategic operating segments, the Chief Executive Officer 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:

Capital Equipment

Design, manufacture and service organisation, specialising in automated fusion equipment, high temperature test and production furnaces, as well as general laboratory equipment.

Precious Metals

Manufactures products for the laboratory and platinum alloy markets.

Consumables

Produces and distributes consumables, chemicals and other supplies for analytical laboratories.

NOTE 4: SEGMENT INFORMATION continued

(b) Primary reporting format – business segments

Segment information provided to the Chief Executive Officer for the full-year ended 30 June 2013 is as follows:

Full-year ended 30 June 2013	Capital Equipment $	Precious Metals $	LIBS Instruments (discontinued) $	Consumables $	Total $
Segment revenue					
Total segment revenue	8,354,173	8,501,702	-	7,222,557	24,078,432
Inter segment sales	(121,011)	(1,433,326)	-	-	(1,554,337)
Revenue from external customers	8,233,162	7,068,376	-	7,222,557	22,524,095
Profit before income tax expense	**1,143,404**	**1,429,991**	**-**	**2,825,831**	**5,399,226**
Full-year ended 30 June 2012					
Segment revenue					
Total segment revenue	7,812,495	10,754,331	19,643	7,451,409	26,037,878
Inter segment sales	(232,009)	(417,258)	-	-	(649,267)
Revenue from external customers	7,580,486	10,337,073	19,643	7,451,409	25,388,611
Profit before income tax expense	**718,084**	**1,726,166**	**(37,092)**	**2,712,505**	**5,119,663**
Depreciation expense					
For the year ended 30 June 2013	43,547	175,551	-	189,251	408,349
For the year ended 30 June 2012	46,459	155,961	-	151,709	354,129
Segment assets					
At 30 June 2013	5,148,160	7,199,216	-	14,897,539	27,244,915
At 30 June 2012	4,535,632	6,599,618	27,396	13,059,450	24,222,096
Segment liabilities					
At 30 June 2013	354,685	462,844	-	181,173	998,702
At 30 June 2012	542,013	865,048	34,997	327,295	1,769,353

	2013 $	2012 $
Revenue from external customers – segments	**22,524,095**	**25,388,611**
Unallocated revenue	283,321	350,356
Discontinued operations – LIBS segment	-	(19,643)
Revenue from external customers – total	**22,807,416**	**25,719,324**
Profit before income tax expense – segments	**5,399,226**	**5,119,663**
Eliminations and unallocated (corporate)	43,207	(67,689)
Discontinued operations – LIBS segment	-	37,092
Profit before income tax expense from continuing operations	**5,442,433**	**5,089,066**
Total segment assets	**27,244,915**	**24,222,096**
Eliminations and unallocated (corporate)	4,012,521	6,383,112
Total assets	**31,257,436**	**30,605,208**
Total segment liabilities	**998,702**	**1,769,353**
Eliminations and unallocated (corporate)	1,198,286	2,319,003
Total liabilities	**2,196,988**	**4,088,356**

NOTE 5: REVENUE

	Consolidated 2013 $	Consolidated 2012 $
From continuing operations		
Revenue from continuing operations		
Sale of goods	22,496,417	25,408,277
Interest received	310,999	311,047
	22,807,416	25,719,324
Other revenue		
Profit on sale of non-current assets	150,922	50
Recoveries	106,296	84,002
Other revenue	136,236	82,918
	393,454	166,970
Share of profits of investments accounted for using the equity method		
Investment in associate	18,727	(10,950)
Investment in joint venture	26,939	-
	45,666	(10,950)

NOTE 6: EXPENSES

	Consolidated 2013 $	Consolidated 2012 $
Profit/(loss) before income tax includes the following specific expenses		
Depreciation		
Depreciation (expense)	120,968	89,632
Depreciation (cost of goods sold)	310,359	267,478
Total depreciation	431,327	357,110
Amortisation		
Patents and trademarks	10,707	10,603
Research and development	169,058	351,735
Total amortisation	179,765	362,338
Finance costs		
Interest and finance charges paid/payable	10,865	31,651
Finance costs expensed	10,865	31,651
Rental expense relating to operating leases		
Minimum lease payments	450,138	325,242
Total rental expense relating to operating leases	450,138	325,242

NOTE 7: INCOME TAX EXPENSE

	Consolidated 2013 $	2012 $
(a) Income tax expense		
Current tax	1,624,561	1,592,266
Deferred tax	14,117	(42,314)
Adjustments for current tax of prior periods	(9,017)	(66,243)
	1,629,661	1,483,709
Income tax expense is attributed to:		
Profit from continuing operations	1,629,661	1,483,709
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	130,309	55,799
(Decrease) increase in deferred tax liabilities (note 20)	(116,192)	(98,113)
	14,117	(42,314)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	5,442,433	5,089,066
	5,442,433	5,089,066
Tax at the Australian rate of 30% (2012: 30%)	1,632,730	1,526,720
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	3,946	4,404
Sundry items	2,002	18,828
	1,638,678	1,549,952
Adjustments for deferred tax of prior periods	-	-
Adjustments for current tax of prior periods	(9,017)	(66,243)
Income tax expense/(revenue)	1,629,661	1,483,709
(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	(1,495)	(87,290)
	(1,495)	(87,290)
(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.

NOTE 7: INCOME TAX EXPENSE continued

(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: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2013 $	2012 $
Cash at bank and on hand	2,288,498	665,924
Deposits at call	6,353,310	6,049,943
	8,641,808	6,715,867
Reconciliation to cash at the end of the year		
Balances as above	8,641,808	6,715,867
Balance per statements of cash flows	8,641,808	6,715,867

(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 3.00% pa (2012: 0.01% to 3.00%). 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 4 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 between 4.15% to 4.50% pa (2012: 5.00% to 5.65% 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 2013 $	Consolidated 2012 $
Trade receivables	3,404,605	4,882,432
Allowance for impairment of receivables	(5,000)	(5,000)
	3,399,605	4,877,432
Other receivables from:		
Other external parties	122,946	33,399
Total trade and other receivables	3,522,551	4,910,831
Past due but not impaired		
Up to 3 months	1,290,561	1,189,952
Up to 6 months	199,696	400,615
	1,490,257	1,590,567
Allowance for impairment of receivables		
Balance at 1 July	(5,000)	(9,350)
(Increase)/Decrease in allowance during the year	-	4,350
Balance at 30 June	(5,000)	(5,000)

(a) Impaired trade receivables

The consolidated entity has recognised a loss of $3,180 (2012: $5,061) in respect of impaired trade receivables during the year ended 30 June 2013. The losses have been included as 'other expenses' in the statement of comprehensive income.

(b) Past due but not impaired

As at 30 June 2013, trade receivables of the Group of $1,490,257 (2012: $1,590,567) 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 Group. 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.

(e) Non-current receivables

There are no non-current receivables in the current year. The balance was $181,250 at 30 June 2012. The remainder of this balance is due to be paid within the next 12 months and now forms part of other current receivables.

NOTE 10: CURRENT ASSETS – INVENTORIES

	Consolidated	
	2013 $	2012 $
Raw material and stores		
- at cost	2,018,501	2,378,553
Work-in-progress	72,671	46,416
Finished goods		
- at cost	641,086	373,032
	2,732,258	2,798,001

Stock was valued at lower of cost and net realisable value on 30 June 2013 and 30 June 2012.

Inventory expense

Inventories recognised as expense during the year ended 30 June 2013 amounted to $8,326,584 (2012: $10,713,920). There were no write downs of inventories to net realisable value during the year ended 30 June 2013 (2012: $8,000).

NOTE 11: OTHER CURRENT ASSETS

	Consolidated	
	2013 $	2012 $
Deposits paid	94,701	17,980
Accrued income	63,410	69,044
Prepayments (insurance policies, rates and other fees)	193,671	264,481
	351,782	351,505

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2013 $	2012 $
Investment in associate	208,967	190,240
Interest in joint venture	126,939	100,000
	335,906	290,240

Convertible note

A loan has been made to the associated entity via two convertible notes (convertible at the option of either party) for a total of $150,770 ($75,385 each convertible note, with a commencement date of 31 August 2011, a maturity date of 31 August 2013, and interest at 4% per annum).

NOTE 13: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant & Equipment $	Motor Vehicles $	Property Improvements $	Office Equipment $	Total $
At 30 June 2011					
Cost or fair value	2,808,380	78,906	320,062	159,348	3,366,696
Accumulated depreciation	(677,130)	(28,614)	(115,964)	(96,237)	(917,945)
Net book amount	2,131,250	50,292	204,098	63,111	2,448,751
Year ended 30 June 2012					
Opening net book amount	2,131,250	50,292	204,098	63,111	2,448,751
Additions	730,016	22,005	33,775	31,954	817,750
Disposals	(34,884)	-	(26,155)	(5,722)	(66,761)
Depreciation charge	(274,460)	(8,686)	(54,868)	(23,097)	(361,111)
Closing net book amount	2,551,922	63,611	156,850	66,246	2,838,629
At 30 June 2012					
Cost or fair value	3,463,549	100,911	288,713	212,800	4,065,973
Accumulated depreciation	(911,627)	(37,300)	(131,863)	(146,554)	(1,227,344)
Net book amount	2,551,922	63,611	156,850	66,246	2,838,629
Year ended 30 June 2013					
Opening net book amount	2,551,922	63,611	156,850	66,246	2,838,629
Transfers between asset classes	(200,129)	-	3,856	196,273	-
Additions	1,069,612	31,219	109,963	82,016	1,292,810
Disposals	(12,287)	(15,672)	(1,978)	(4,623)	(34,560)
Depreciation charge	(310,359)	(10,529)	(58,019)	(52,420)	(431,327)
Closing net book amount	3,098,759	68,629	210,672	287,492	3,665,552
At 30 June 2013					
Cost or fair value	4,200,930	101,405	405,024	500,732	5,208,091
Accumulated depreciation	(1,102,171)	(32,776)	(194,352)	(213,240)	(1,542,539)
Net book amount	3,098,759	68,629	210,672	287,492	3,665,552

All items of property, plant and equipment were recorded at cost as at 30 June 2013 and 30 June 2012. The cost values of all items are not considered to be materially different to their fair values.

NOTE 14: NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Research & Development $	Goodwill $	Patents trademarks & other rights $	Total $
At 30 June 2011				
Cost or 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
Year ended 30 June 2012				
Opening net book amount	788,932	11,305,437	260,705	12,355,074
Additions	-	-	-	-
Disposals	-	-	(99,403)	(99,403)
Amortisation charge	(351,735)	-	(13,672)	(365,407)
Closing net book amount	437,197	11,305,437	147,630	11,890,264
At 30 June 2012				
Cost or fair value	1,094,077	12,073,882	216,131	13,384,090
Accumulated amortisation and impairment	(656,880)	(768,445)	(68,501)	(1,493,826)
Net book amount	437,197	11,305,437	147,630	11,890,264
Year ended 30 June 2013				
Opening net book amount	437,197	11,305,437	147,630	11,890,264
Additions	-	-	-	-
Disposals	(202,727)	-		(202,727)
Amortisation charge	(169,058)	-	(10,707)	(179,765)
Closing net book amount	65,412	11,305,437	136,923	11,507,772
At 30 June 2013				
Cost or fair value	530,914	11,335,437	216,131	12,082,482
Accumulated amortisation and impairment	(465,502)	(30,000)	(79,208)	(574,710)
Net book amount	65,412	11,305,437	136,923	11,507,772

All intangible assets were recorded at cost as at 30 June 2013 and 30 June 2012. The cost values of all items are not considered to be materially different to their fair values.

(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 2013 $	Consolidated 2012 $
Capital Equipment CGU	1,650,171	1,650,171
Precious Metals CGU	2,068,294	2,068,294
Consumables CGU	7,586,972	7,586,972
	11,305,437	11,305,437

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

In 2013, 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.

(d) Impairment charge

No impairment charges have been deemed necessary for the current period.

NOTE 15: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated	
	2013 $	2012 $
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Share issue expenses	55,788	70,916
Amounts recognised in profit or loss:		
Employee benefits	188,849	242,808
Depreciation of tangible assets	37,412	27,826
Accruals	45,988	66,559
Provisions	21,000	44,689
Other	-	25,053
	293,249	406,935
Net deferred tax assets	349,037	477,851
Movements:		
Opening balance at 1 July	477,851	451,352
(Charged)/credited to profit or loss (note 7)	(130,309)	(55,799)
(Charged)/credited to equity	1,495	82,298
Closing balance at 30 June	349,037	477,851
Deferred tax assets expected to be recovered within 12 months	30,000	40,000
Deferred tax assets expected to be recovered after more than12 months	319,037	437,851
	349,037	477,851

NOTE 16: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2013	2012
	$	$
Trade payables	247,036	403,542
Sundry creditors and accruals	580,742	1,155,579
Employee benefits – annual leave (a)	298,071	298,961
	1,125,849	1,858,083

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	
	2013	2012
	$	$
Annual leave obligations expected to be settled after 12 months	198,071	198,961

(b) Risk exposure

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

NOTE 17: CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2013	2012
	$	$
Finance leases (note 28)	-	71,167
Total current borrowings	-	71,167

(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 19.

(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 18: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2013	2012
	$	$
Employee bonuses	-	172,288
Long service leave (a)	203,636	223,853
Warranty provision	-	75,585
Dividends payable to ordinary shareholders	20,759	27,836
Plant and equipment repairs & maintenance		20,378
Making good of leases (b)	65,000	53,000
	289,395	572,940
Movements in provision for Making good of leases:		
Opening balance at 1 July	53,000	41,000
Charged to profit or loss	12,000	12,000
Closing balance at 30 June	65,000	53,000

NOTE 18: CURRENT LIABILITIES – PROVISIONS continued

(a) 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	
	2013 $	2012 $
Long service leave obligations expected to be settled after 12 months	153,636	223,853

(b) 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 or loss as occupancy expenses.

NOTE 19: NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2013 $	2012 $
Secured finance leases	-	38,078
Total non-current borrowings	-	38,078

(a) Secured liabilities and assets pledged as security

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

	Consolidated	
	2013 $	2012 $
Finance leases	-	109,245
Total secured liabilities	-	109,245

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	
	2013 $	2012 $
Finance lease		
Plant and equipment	-	138,289
Total assets pledged as security	-	138,289

NOTE 19: NON-CURRENT LIABILITIES – BORROWINGS continued

(b) Fair value

	2013		2012	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
On-Statement of Financial Position (i)				
Non-traded financial liabilities				
Finance leases	-	-	109,245	109,245
	-	-	109,245	109,245

(i) On-Statement of Financial Position

The fair value of current borrowings equals their carrying amounts, 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 (2012: 5-12%).

NOTE 20: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2013 $	2012 $
The balance comprises temporary differences attributed to:		
Amounts recognised in profit or loss		
Research and development	19,624	131,159
Depreciation	29,354	36,467
Other	33,588	31,132
	82,566	198,758
Net deferred tax liabilities	82,566	198,758
Movements:		
Opening balance at 1 July	198,758	296,871
Charged/(credited) to profit or loss (note 7)	(116,192)	(98,113)
Closing balance 30 June	82,566	198,758

NOTE 21: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2013 $	2012 $
Employee benefit – long service leave	127,787	114,259

NOTE 22: CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	2013 Shares	2012 Shares	2013 $	2012 $
Contributed equity				
Ordinary shares fully paid	132,157,097	128,823,764	18,257,772	17,594,594
Total contributed equity	132,157,097	128,823,764	18,257,772	17,594,594

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

Movements in ordinary share capital:

Date	Details	Number of shares	Issue Price	$
1 July 2011	**Opening balance**	**103,628,349**		**12,774,068**
	Share placement	15,544,252	0.215	3,342,014
	Transaction costs (net of deferred tax)			(150,742)
	Share purchase plan	4,651,163	0.215	1,000,000
	Transaction costs (net of deferred tax)			(47,284)
	Conversion of convertible notes at 15c per ordinary share (debt component converted to equity)	5,000,000	0.144	718,593
	Transaction costs (net of deferred tax)			(42,055)
30 June 2012	**Closing balance**	**128,823,764**		**17,594,594**
1 July 2012	**Opening balance**	**128,823,764**		**17,594,594**
	Exercise of options on 30 November 2012	2,000,000	0.20	400,000
	Transaction costs (net of deferred tax)			(1,943)
	Exercise of options on 7 December 2012	1,333,333	0.20	266,667
	Transaction costs (net of deferred tax)			(1,546)
30 June 2013	**Closing balance**	**132,157,097**		**18,257,772**

(a) 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.

(b) Dividend reinvestment plan

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

(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it 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.

	Consolidated	
	2013 $	2012 $
The gearing ratios at 30 June 2013 and 30 June 2012 were as follows:		
Total borrowings	-	109,245
Less: cash and cash equivalents	(8,641,808)	(6,715,867)
Net debt / (positive cash position)	(8,641,808)	(6,606,622)
Total equity	29,060 448	26,516,852
Total equity plus net debt	20,418,640	19,910,230
Gearing ratio	**Net cash (42.3%)**	**Net cash (33.2%)**

NOTE 23: RESERVES AND RETAINED PROFITS

	Consolidated 2013 $	2012 $
(a) Reserves		
Share-based payments reserve	759,243	759,243
Balance 30 June	759,243	759,243
(b) Retained Profits		
Movements in retained profits were as follows:		
Balance 1 July	8,163,015	5,871,861
Net profit/(loss) for the year	3,812,772	3,579,393
Dividends paid or provided for	(1,932,354)	(1,288,239)
Balance 30 June	10,043,433	8,163,015

(c) 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 24: DIVIDENDS

	Consolidated 2013 $	2012 $
Final dividend for the year ended 30 June 2012 of 1.5 cent per share paid on 28 September 2012	1,932,354	1,288,239
Total dividends provided for or paid	1,932,354	1,288,239

A fully franked dividend of 1.7 cents per share has been declared on ordinary shares post 30 June 2013.

Franked Dividends

	Consolidated 2013 $	2012 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	3,502,873	2,068,366

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 franked portions of the final dividends recommended after 30 June 2013 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 2013. 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 $962,859 (2012: $828,153).

NOTE 25: KEY MANAGEMENT PERSONNEL

(a) Directors

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

(i) Non-Executive

Kenneth Baxter	Non-Executive Chairman
David Brown	Non-Executive Director
David Kiggins	Non-Executive Director
Fred Grimwade	Non-Executive Director
John Parsons	Non-Executive Director (resigned 23 May 2013)

(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:

Vance Stazzonelli	Chief Executive Officer (since 6 August 2012)
	Acting Chief Executive Officer (29 March 2012 to 6 August 2012)
	Chief Financial Officer / Chief Operations Officer (until 6 August 2012)

(c) Directors and key management compensation

	Consolidated 2013 $	Consolidated 2012 $
Short-term employee benefits	713,476	1,000,996
Post-employment benefits	41,573	29,917
Long-term benefits	6,714	3,317
Termination benefits	-	40,875
	761,763	1,075,105

No other post-employment or termination benefits have been provided. Detailed remuneration disclosures are available in the remuneration report from pages 9-14.

(d) Equity instruments

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:

Name	Balance at 1 July 2012	Granted as compensation	Received on exercise of options on rights	Other changes	Balance at 30 June 2013
Directors of XRF Scientific Limited					
Kenneth Baxter	518,334	-	-	-	518,334
David Brown	8,239,916	-	-	[1] 192,084	8,432,000
David Kiggins	125,000	-	-	-	125,000
Fred Grimwade	100,000	-	-	[1] 100,000	200,000
John Parsons	7,500,000	-	-	[2] (7,500,000)	-
Other key management personnel of the Group					
Vance Stazzonelli	-	-	-	[1] 190,000	190,000

[1] On-market trade.

[2] Change is a result of J.Parsons ceasing to be a director on 23 May 2013.

NOTE 25: KEY MANAGEMENT PERSONNEL continued

(d) Equity Instruments (continued)

Name	Balance at 1 July 2011	Granted as compensation	Received on exercise of options on rights	Other changes	Balance at 30 June 2012
Directors of XRF Scientific Limited					
Kenneth Baxter	518,334	-	-	-	518,334
David Brown	8,239,916	-	-	-	8,239,916
John Parsons	7,500,000	-	-	-	7,500,000
Terry Sweet	4,254,273	-	-	[2] (4,254,273)	-
David Kiggins	-	-	-	[1] 125,000	125,000
Fred Grimwade	-	-	-	[1] 100,000	100,000
Other key management personnel of the Group					
Vance Stazzonelli	-	-	-	-	-

[1] On-market trade.

[2] Change is a result of T.Sweet ceasing to be a director on 28 March 2012.

Option holdings

There were no options over ordinary shares in the company held during the financial year by directors of XRF Scientific Limited or other key management personnel of the Group.

(e) Loans to key management personnel

There were no loans to any key management personnel during either of the years ended 30 June 2012 or 30 June 2013.

(f) Other transactions with key management personnel

Other Goods & Services

Premises were rented from a related entity of Director David Brown during the financial year. These properties were rented on normal commercial terms and conditions, totalling $100,977 (2012: $87,429). No amounts were outstanding at the end of the year.

All directors of XRF Chemicals Pty Ltd are guarantors on a lease in Osborne Park. Vance Stazzonelli is currently the sole director.

Other Transactions

At 30 June 2011, an amount of $300,000 had been accrued for former Managing Director Terry Sweet in relation to his employment contract. In the prior period, $165,429 was paid and the remaining $134,571 was paid in the current period.

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

	2013 $	2012 $
Amounts recognised as expense		
Rent of office building	100,977	87,429
Amounts payable at end of year		
Bonus for former Managing Director	-	134,571

NOTE 26: 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	
	2013 $	2012 $
(a) Assurance & other services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	98,081	96,300
Taxation services	59,070	99,748
Other services	1,836	3,080
Total remuneration for audit and other services	158,987	199,128

NOTE 27: CONTINGENCIES

At 30 June 2013, the consolidated entity had no material contingent liabilities in respect of claims, contingent considerations, associates and joint ventures or any other matters.

NOTE 28: COMMITMENTS

(a) Lease commitments

	Consolidated	
	2013 $	2012 $
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	428,758	334,517
Later than one year but not later than five years	1,052,158	734,662
Later than five years	14,166	-
	1,495,082	1,069,179
Representing:		
Cancellable operating leases	-	3,688
Non-cancellable operating leases (i)	1,495,082	1,065,491
	1,495,082	1,069,179

(i) Non-cancellable operating leases

	Consolidated	
	2013 $	2012 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	428,758	330,829
Later than one year but not later than five years	1,052,158	734,662
Later than five years	14,166	-
	1,495,082	1,065,491

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

NOTE 28: COMMITMENTS continued

(b) Finance leases

	Consolidated 2013 $	Consolidated 2012 $
Commitments in relation to finance leases are payable as follows:		
Within one year	-	78,189
Later than one year but not later than five years	-	39,095
Later than five years	-	-
Minimum lease payments	-	117,284
Future finance charges	-	(8,039)
Recognised as a liability	-	109,245

The weighted average interest rate implicit in the leases was Nil (2012: 7.76%).

(c) Remuneration commitments

	Consolidated 2013 $	Consolidated 2012 $
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	-	134,571
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	134,571

(d) Financing arrangements

The group has an overdraft facility of $1,000,000 as a safeguard on working capital requirements. An additional $1,600,000 facility is utilised for bank guarantees, used as security for platinum leases. The group's undrawn borrowing facilities were as follows as at 30 June 2013:

	Consolidated 2013 $	Consolidated 2012 $
Bank overdraft facility	1,000,000	998,960
Platinum lease facility (bank guarantee)	595,180	-
	1,595,180	998,960

NOTE 29: RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent and controlling entity is XRF Scientific Limited which at 30 June 2013 owns 100% of all subsidiaries listed in note 30.

(b) Interests in subsidiaries

Interests in subsidiaries are set out in note 30.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 25.

NOTE 30: 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):

			Entity holding	
Name of entity	Country of Incorporation	Class of shares	2013 %	2012 %
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
XFlux Pty Ltd	Australia	Ordinary	100	100

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

NOTE 31: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

	Consolidated	
	2013 $	2012 $
Profit/(loss) for the year	3,812,772	3,579,393
Depreciation and amortisation	611,092	719,448
Share of profits of equity accounted investments	(45,666)	-
Net (gain) loss on sale of non-current assets	(137,266)	(4,459)
Adjustment to fair value of borrowings	-	(9,421)
(Increase) decrease in trade and other debtors	1,477,674	(350,859)
(Increase) decrease in inventories	65,743	(439,496)
(Increase) decrease in other current asset	(275)	(9,496)
(Increase) decrease in deferred tax asset	128,814	(26,499)
(Decrease) increase in trade and other creditors	(732,234)	164,688
(Decrease) increase in provision for income taxes	(647,115)	294,565
(Decrease) increase in provision for deferred income tax	(116,192)	(98,113)
(Decrease) increase in other liabilities	(16,565)	(112,893)
(Decrease) increase in other provisions	(270,017)	(44,602)
Net cash inflow (outflow) from operating activities	4,130,765	3,662,256

NOTE 32: SHARE-BASED PAYMENTS

There were no share-based payments during the year ended 30 June 2013.

The tables below summarise movements in options during the years ended 30 June 2012 and 30 June 2013:

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 - 2013									
Sigma Chemicals	28 July 2010	30 December 2012	0.20	2,000,000	-	2,000,000	-	-	-
Sigma Chemicals	23 November 2010	30 December 2012	0.20	1,333,333	-	1,333,333	-	-	-
Total				3,333,333	-	3,333,333	-	-	-
Weighted average exercise price				**$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 - 2012									
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				3,333,333	-	-	-	3,333,333	3,333,333
Weighted average exercise price				**$0.20**	**-**	**-**	**-**	**$0.20**	**$0.20**

The weighted average remaining contractual life of share options outstanding at 30 June 2013 was Nil (2012: 0.5 years).

NOTE 33: EARNINGS PER SHARE

	Consolidated 2013 Cents	Consolidated 2012 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	2.9	2.8
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	2.9	2.8
	$	**$**
(c) Reconciliations of earnings used in calculation earnings per share		
Profit attributable to the ordinary equity holders of the company	3,812,772	3,579,393
Profit attributable to the ordinary equity holders of the company	3,812,772	3,579,393
	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	130,734,266	127,129,270

Options on issue are not dilutive on the current or prior periods.

NOTE 34: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2013 $	2012 $
Statement of Financial Position		
Current assets	3,060,106	4,746,097
Total assets	16,224,609	17,896,420
Current liabilities	1,292,098	1,872,094
Total liabilities	1,308,702	2,084,403
Shareholder's equity		
Issued capital	18,257,770	17,594,592
Share-based payments reserve	759,243	759,243
Accumulated losses	(4,101,106)	(2,541,817)
	14,915,907	15,812,018
Profit or (loss) for the year	**21,113**	**(4,269)**
Total comprehensive income / (loss) for the year	**21,113**	**(4,269)**

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

NOTE 35: EVENTS OCCURRING AFTER THE REPORTING DATE

Acquisition

An acquisition has been completed of Kitco Labware, a division of Kitco Metals Inc. As Kitco Metals Inc. is operating subject to the Companies' Creditors Arrangement Act (Canada), an order has been sought and obtained from the Superior Court of Quebec, authorising the execution of the Asset Purchase Agreement and the completion of the transaction.

The consideration for the acquisition will be as follows:

- CAD$1.7m cash on settlement
- An additional CAD$300,000 in cash consideration, should the business generate EBITDA of CAD$500,000 in the period of 12 months from settlement
- A further CAD$300,000 in cash consideration (pro-rata), should the business generate an EBITDA result of between CAD$500,000 and CAD$650,000 in the period of 12 months from settlement

Dividend

A final dividend of 1.7 cents per share fully franked was declared on 23 August 2013, for the 2013 financial year results, with a record date of 13 September 2013 and payment date of 27 September 2013.

Other events

There were no other events subsequent to the reporting date which have significantly affected or may significantly affect the XRF Scientific Limited operations, results or state of affairs in future years.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2013

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 profit or loss and other comprehensive income, statement of financial position, statement of cash flow, 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 and other mandatory professional reporting requirements after 2001; and

   (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date.

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

3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A.

4. 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.

Kenneth Baxter
Chairman

Dated this 25th day of September 2013

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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 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), 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 2013 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(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Peter Toll
Director

Perth, Western Australia
Dated this 25th day of September 2013

SHAREHOLDER INFORMATION

Additional information (as at 28 August 2013) 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
Private Portfolio Managers	12,576,794
Skye Alba Pty Ltd	10,204,969
National Australia Bank Limited	9,096,216
D & GD Brown Nominees Pty Ltd[1]	8,684,916
Parsons John Graham and Julie[2]	7,500,000

[1] D & GD Brown Nom PL is a company owned by David Brown and his wife. David Brown is a director.
[2] Parsons John Graham and Julie are husband and wife. John Parsons was a director until 23 May 2013.

NUMBER OF OPTION HOLDERS

Class of Security	Number of Holders
Nil	-

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	39	–
1,000-5,000	97	–
5,001-10,000	137	–
10,001-100,000	417	–
100,001 and above	138	–

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

No.	Holder name	Number of Ordinary Shares	Percentage of Ordinary Shares
1	NATIONAL NOM LTD	18,919,316	14.32%
2	SKYE ALBA PL	10,204,969	7.72%
3	D & GD BROWN NOM PL[1]	8,432,000	6.38%
4	BNP PARIBAS NOM PL ACF PE	7,800,081	5.90%
5	AUST EXECUTOR TTEES SA LT	6,550,500	4.96%
6	EVELIN INV PL	6,300,000	4.77%
7	PARSONS JOHN GRAHAM[2]	3,750,000	2.84%
8	PARSONS JULIE ANN[2]	3,750,000	2.84%
9	J P MORGAN NOM AUST LTD	3,474,767	2.63%
10	TZELEPIS NOM PL	3,280,000	2.48%
11	PROSSOR STEPHEN W + F C	2,669,767	2.02%
12	GREAT WESTERN CAP PL	2,649,578	2.00%
13	METZ JORG + CARR WENDY J	1,557,637	1.18%
14	J G H METZ PL	1,500,000	1.14%
15	HIGGINS PETER + GAIL	1,006,941	0.76%
16	IMAJ PL	1,000,000	0.76%
17	G & E PROPS PL	1,000,000	0.76%
18	KLARIE PETER	831,391	0.63%
19	DANIELS SHAWN	829,767	0.63%
20	BANNABY INV PL	812,894	0.62%
		86,319,608	65.34%

[1] D & GD Brown Nom PL is a company owned by David Brown and his wife, David Brown is a director.
[2] Parsons John Graham and Julie are husband and wife. John Parsons was a director until 23 May 2013.

RESTRICTED SECURITIES

There are currently no restricted securities.

NON-MARKETABLE PARCELS

Class of Security	Number of Securities	Number of Holders
Ordinary shares	17,474	46

UNQUOTED SECURITIES

The Company does not have any unquoted securities.

ON-MARKET BUY BACK

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

CORPORATE DIRECTORY

DIRECTORS

Kenneth Baxter (Chairman)
David Brown
David Kiggins
Fred Grimwade

COMPANY SECRETARIES

Vance Stazzonelli
Andrew Watson

KEY MANAGEMENT PERSONNEL

Vance Stazzonelli (Chief Executive Officer)

REGISTERED OFFICE

98 Guthrie Street
Osborne Park WA 6017
Tel: +61 8 9244 0600
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

HWL Ebsworth
Level 11, Westralia Plaza
167 St Georges Terrace
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