XRF SCIENTIFIC LIMITED

ABN 80 107 908 314

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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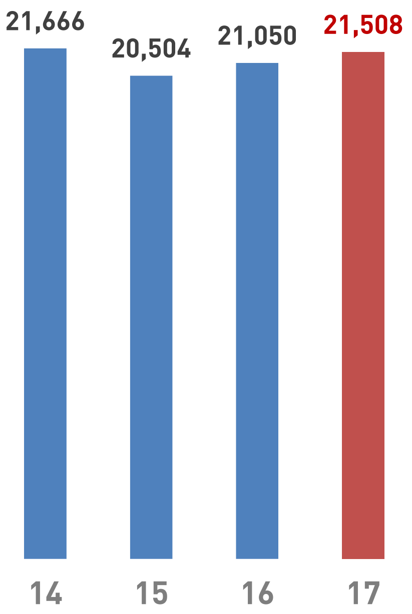
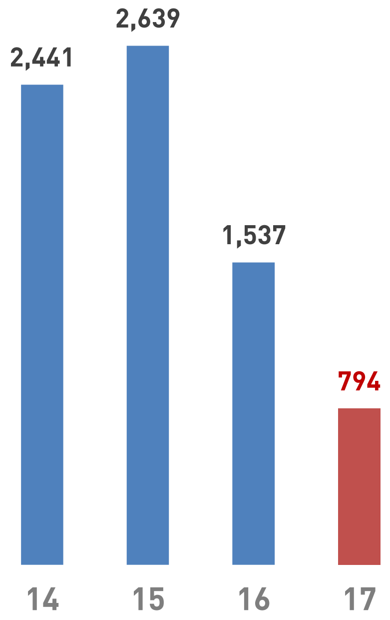
FINANCIAL RESULTS SUMMARY

Sales up 2%



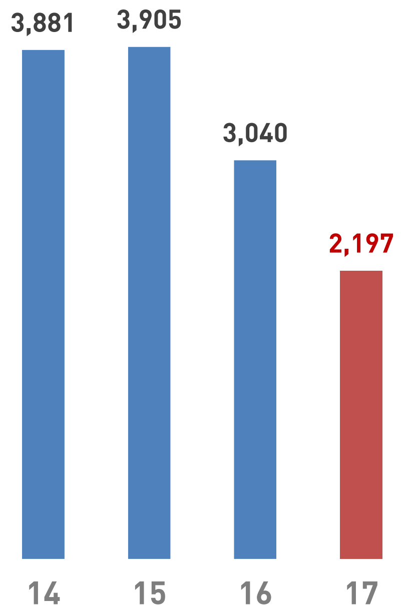
Sales Revenue ($'000)

Net Profit After Tax down 48%



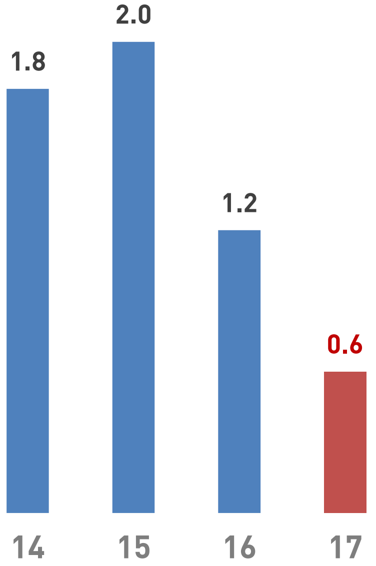
Net Profit After Tax ($'000)

Underlying Profit Before Tax* down 28%



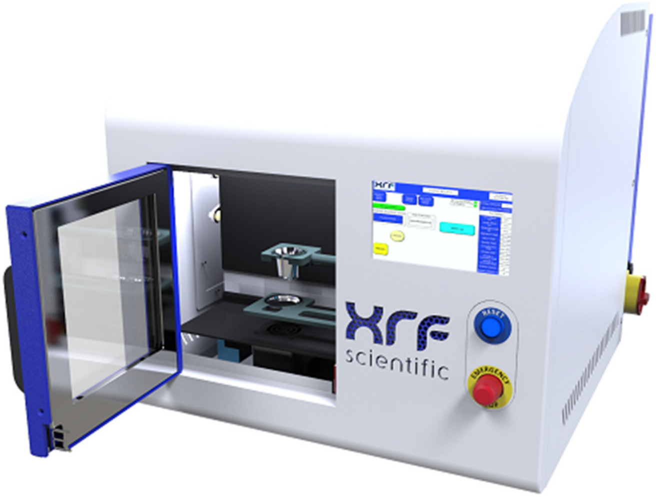
Underlying Profit Before Tax ($'000)

Earnings Per Share down 50%



Earnings Per Share (Cents)

* Non-IFRS financial measure. Refer to page 5 for reconciliation to net profit before tax.



CHAIRMAN'S LETTER

Dear Shareholder,

Ongoing fallout from the collapse of the mining exploration sector continued into the 2017 financial year. At the same time, geo-political uncertainty involving China and the USA continued to affect mineral prices and exploration activity. It was not helped by tensions between North Korea and other Asia-Pacific trading nations.

XRFS was able to maintain its customer base and strengthen its positions in the EEC and North American markets. Both regions remain key to the Company's future profitability. Already the German and other northern European markets are bringing new orders over a broader product range.

The Australian market showed stability throughout the early parts of the financial year with growth starting to improve in the flux markets.

The substantial upgrading of the precious metals division in Melbourne, using cash reserves and a small amount of debt, has been completed. The move to new premises has consolidated this division. Its customer base was maintained during the transfer of the existing plant and the installation of the new equipment. We are confident it will contribute to increased profitability in the 2018 financial year.

The increased demand for lithium placed cost pressures on our core flux business. A number of cost saving initiatives have been implemented to ensure this division remains profitable and competitive. XRF Scientific continues to match its competitors and retain longstanding customers.

The net profit after tax for the year is $0.8m and the total dividends paid are 0.24 cents per share, fully franked. The result was disappointing, but in light of the continued expansion in the Northern Hemsiphere and rationalistion and cost savings in the Australian operations, the outcome has been satisfactory. The Company felt the effects of serious downturns in the operations of some of our customers. However, in the first quarter of the 2018 financial year, orders have increased and demand appears to be picking up.

The senior management team has continued to exercise tight financial controls. It will be maximising the output from the newly installed equipment in Melbourne and is seeking to profitably exploit new markets. It is the Board's and managements primary objective to deliver a credible financial result in the 2018 financial year, consistent with the the Company's medium to long term strategic growth plan.

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 2017.

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

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, analytical and mining industries.

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:

	2017	2016
	$	$
Final dividend for the year	401,476	925,098
Interim dividend	-	268,037

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 0.24 cents per share to be paid on 29 September 2017 out of retained earnings at 30 June 2017.

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 $793,851 for the year ended 30 June 2017, compared with $1,537,264 for the previous year.

Details of the results for the financial year ended 30 June 2017 are as follows:

	June 2017 $	June 2016 $	Increase / (decrease) over prior year %
Total revenue and other income	21,508,891	21,336,164	1
NPAT	793,851	1,537,264	(48)
Basic earnings per share – (cents per share)	0.6	1.2	(49)
Diluted earnings per share – (cents per share)	0.6	1.2	(49)
Underlying profit before tax [1]	2,196,581	3,040,092	(28)

[1] Non-IFRS financial information. Normalised for unusual amounts recorded in the P&L. Refer below for details:

	June 2017 $	June 2016 $
Profit before tax	968,429	2,373,420
Acquisition related costs	113,167	172,740
Precious metals factory relocation expenses	162,339	211,399
Precious metals division expansion costs	841,335	184,666
Research and development costs	111,311	97,867
Underlying profit before tax	2,196,581	3,040,092

OPERATING RESULTS

XRF Scientific Ltd ("XRF" or "Company") is pleased to report its June 2017 full-year results to shareholders. The Company has generated revenue of $21.5m and Net Profit After Tax of $0.8m. Underlying profit before tax of $2.2m (2016: $3.0) was delivered, before expensing costs associated with acquisitions, R & D and expansion of the Precious Metals Division. The primary reasons for the reduction in profits were the full-scale commencement of the new office in Germany in August, as well as weak conditions in the North American market.

The Board has determined to maintain the dividend payout ratio for the year at 40% of NPAT, declaring a final fully franked dividend of 0.24 cents per share. The size of the dividend has been affected by the decision of the Board to commit to the investment in the expansion of the Precious Metals Division, being a larger capacity factory in Melbourne, which we own, and the establishment of the German division's sales and distribution network. This investment is positioning XRF to deliver greater market share and improved margins across the precious metals product range.

Whilst only a small operating cash flow of $156k was recorded, this is due to acquisition-related costs expensed, increasing stock requirements in Europe, a working capital injection into Scancia, and a general increase in working capital requirements for the Precious Metals division expansion. The cash at bank position has increased from $833k as at 30 June 2017 to $1.70m as at 31 August 2017.

OPERATING RESULTS continued

The Consumables Division recorded a Profit Before Tax of $1.74m. The result was slightly reduced on last year's result of $1.83m, due to the impact of lithium prices on total production costs. For the time being, raw material prices have stabilised and, therefore, as has the investment required in inventory. As announced on 31 March 2017, XRF acquired the remaining 50.01% interest in Canadian flux producer Scancia for $0.4m, which was for the cost of the shares and an initial working capital injection. The extensive integration effort is continuing and we have been working to improve the production plant in Canada. It is planned that the plant will be relocated to the Division's main production facility in Perth during the year. Scancia's flux product is physically different to the existing granular products that are currently being produced in Australia, which will provide a mechanism for expansion into different markets.

During the period for which Scancia was under XRF's full ownership, the business generated a small loss of $23k before tax. It is expected that these small losses will continue, until such time as production is moved to Perth, where significant cost savings will be generated.

The Capital Equipment Division generated a Profit Before Tax of $70k, which was down on the prior year's result of $170k. Sale of gas fusion machines remained steady whilst orders for electric fusion machines are continuing to expand. The Division's flux weighing machines are starting to gain traction and a number of installations were completed. During the June half, a relaunch was made of the single position xrWeigh flux weighing system. The marketing launch of the new xrFuse 1 electric fusion machine also occurred, which is expected to start shipping in the next few months. Additional products are scheduled for release during FY18 to further expand the Division's range.

Due to the significant expansion activities underway, the Precious Metals Division recorded a loss before tax of $575k vs a profit before tax of $551k in the prior year. These costs included relocation expenses of the Melbourne factory of $113k, the start-up loss of the new Germany office of $882k and R&D expensed of $111k. In November 2016, the Division moved its precious metals manufacturing facility from Epping VIC to the Company-owned facility in Campbellfield VIC. By and large, the move was very successful and a minimal amount of production time was lost. The business is now fully established in the new facility and significant production advances have been made. The internal refining plant has been commissioned which has improved metal quality, as well as reduced lead times and costs from external refining. Product quality in general has been improved, especially for the labware range. The labware range has also been expanded to cater for new customer requirements, in particular customers in Europe. Additional equipment is expected to be commissioned throughout FY18, to further expand manufacturing capabilities to produce new products.

The expansion into Germany via the new office is progressing well, which commenced full-scale operations in August 2016. Whilst the office generated a large loss, revenue has been growing at a steady rate and during FY18 it is expected that the business will reach a monthly break-even level. The marketing efforts in Germany are expected to result in the addition of hundreds of new customers to our database. Revenue grew in the second half of FY17 to $416k vs $193k that was achieved in the first half of FY17. Through the expertise acquired from the team in Germany, XRF is now manufacturing a number of new precision platinum components, which will allow us to expand revenue significantly. In this field, a number of large opportunities are currently being progressed as aggressively as possible. Our team in Germany have also been critical to improving our production facility in Melbourne, given their extensive technical experience with platinum product manufacturing.

Conditions continued to prove difficult in our Canada office, with a slight improvement in the second half bringing the business to a break-even position for the full-year, compared to the loss position of $37k it was in as at 31 December. It is expected that the addition of the Scancia product portfolio will help the business improve its position in FY18.

OPERATING RESULTS continued

Acquisitions still remain a possibility, however the main priority is to bring the Germany office into a break-even position, and ensuring an appropriate return is delivered on the new factory in Melbourne. Growing international sales is also a key priority, both via our own offices and our distribution network. During the year a number of new distributors were added in countries such as Japan, India, Indonesia and China. New distributors added over the past few years are adding positively to XRF's revenue base, which should near the $1m mark next year for those new distributors added.

We continue to take action to ensure our costs are correctly monitored and in line with our current level of activities. Whilst FY17 was a difficult transition year for the Company, it is expected that FY18 will be significantly better.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A final dividend of 0.24 cents per share fully franked was declared on 24 August 2017, bringing the total dividend for the year to 0.24 cents per share fully franked (FY16: 0.5 cents per share fully franked), with a record date of 15 September 2017 and payment date of 29 September 2017.

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.

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 2016 to 30 June 2017 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.

CORPORATE GOVERNANCE DISCLOSURE

The Group's Corporate Governance Statement for the year ended 30 June 2017 can be found at:

- http://www.xrfscientific.com/corporate-governance/

The statement also summarises the extent to which the Group has complied with the Corporate Governance Council's recommendations.

INFORMATION ON DIRECTORS

Kenneth Baxter	**Chairman (Non-Executive)**
Date of appointment:	5 July 2005 (12 years)
Qualifications:	Bachelor of Economics, Fellow of Australian Institute of Management and Fellow of the Australian Institute of Company Directors
Experience:	Part time Commissioner with the Australian Government Productivity Commission; former Chairman of PNG Energy Developments Ltd, TFG International Pty Ltd, and the Australian Dairy Corporation & Thai Dairy Industries Ltd; former Director of the Hydro Electric Corporation of Tasmania, and Air Niugini Ltd; former Secretary of Department of Premier & Cabinet Victoria
Other current directorships:	Private companies only
Former directorships in last 3 years:	Chairman of PNG Energy Developments Ltd, PNG Sustainable Infrastructure Ltd and Infraco Asia Developments Pte Ltd; Director of Dairy NSW and other private companies
Special responsibilities:	Chairman of the Board, member of the Audit & Governance and Remuneration Committees
No. of shares:	1,215,623 fully paid ordinary shares
David Brown	**Director (Non-Executive)**
Date of appointment:	7 June 2004 (13 years)
Qualifications:	Bachelor of Science, Bachelor of Economics
Experience:	Has over 40 years of experience in research and development and manufacturing of X-Ray Flux chemicals; formerly Chief Chemist for Swan Brewery Co. Ltd and Chairman of Scientific Industries Council of WA
Other current directorships:	Private companies only
Former directorships in last 3 years:	Private companies only
Special responsibilities:	Technical consultant to XRF Chemicals Pty Ltd
No. of shares:	8,400,000 fully paid ordinary shares
David Kiggins	**Director (Non-Executive)**
Date of appointment:	1 May 2012 (5 years)
Qualifications:	Bachelor of Science (Hons), member of the Institute of Chartered Accountants of England and Wales, member of the Institute of Chartered Secretaries and Administrators, and member of Australian Institute of Company Directors
Experience:	Ten years at Arthur Andersen, working in audit and business consulting in the UK, Australia, Africa and the Middle East; formerly GM Business Development and Company Secretary at Automotive Holdings Group Ltd, Finance Director and Company Secretary at Global Construction Services Ltd. Currently the Chief Financial Officer at Heliwest
Other current directorships:	Private companies only
Former directorships in last 3 years:	Private companies only
Special responsibilities:	Chairman of the Audit & Governance Committee, member of the Remuneration Committee
No. of shares:	212,900 fully paid ordinary shares
Fred Grimwade	**Director (Non-Executive)**
Date of appointment:	1 May 2012 (5 years)
Qualifications:	Bachelor of Commerce and Law, Master of Business Administration, Fellow of the Governance Institute of Australia, Fellow of the Australian Institute of Company Directors, and Life Member of the Financial Services Institute of Australasia
Experience:	Has held general management positions at Colonial Agricultural Company, the Colonial Group, Western Mining Corporation and Goldman, Sachs & Co. Currently a Principal and Executive Director of Fawkner Capital.
Other current directorships:	Chairman of CPT Global Ltd; Non-Executive Director of Select Harvests Ltd, Australian United Investment Company Ltd and other private companies
Former directorships in last 3 years:	Chairman of Troy Resources Ltd, Fusion Retail Brands Pty Ltd; Non-Executive Director of NewSat Ltd and other private companies
Special responsibilities:	Chairman of the Remuneration Committee, member of the Audit & Governance Committee
No. of shares:	400,000 fully paid ordinary shares

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 Chief Financial Officer in October 2009. He was subsequently appointed to Chief Operating Officer in January 2011 and then Chief Executive Officer in August 2012

Andrew Watson (Chief Financial Officer – XRF Scientific Limited)
Andrew joined XRF Scientific as Group Accountant in August 2012 and was promoted to Chief Financial Officer in July 2014. He is a member of the Chartered Accountants Australia and New Zealand and holds a Graduate Diploma of Applied Corporate Governance.

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 2017 were as follows:

	Full meetings of Directors		Meetings of committees - Audit, Corporate Governance & Remuneration	
	A	**B**	**A**	**B**
Kenneth Baxter	13	13	3	3
David Brown	13	12	**	**
David Kiggins	13	13	3	3
Fred Grimwade	13	13	3	3

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

REMUNERATION REPORT (Audited)

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

Remuneration governance
The Remuneration Committee is a committee of the Board. Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company. 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

REMUNERATION REPORT (Audited) continued

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 July 2016. The maximum currently stands at $400,000 per annum and was approved by shareholders at the Annual General Meeting in November 2012.

Base director fees

Chairman	$87,000
Non-Executive Directors	$55,000
Committee Chairman	$8,000

Executive pay

The executive pay and reward framework has three components:

1. Base pay and benefits, including superannuation
2. Short-term performance incentives, and
3. 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 9.5% 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.

REMUNERATION REPORT (Audited) continued

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.

(vi) Assessing performance and claw-back of remuneration

The Board is currently reviewing the Executive Performance Reward Policy with regards to the following: in the event of serious misconduct or a material misstatement in the Group's financial statements, the Board may cancel or defer remuneration and may also claw back performance-based remuneration paid in previous financial years.

(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

(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
Andrew Watson	Chief Financial Officer

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.

For the CEO, variable remuneration is calculated based on an assessment of key performance indicators using a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year. The maximum amount payable to the CEO for 2017 is $70,000.

There were five categories of STI performance measure (plus a discretionary component) for the year ended 30 June 2017. Those measures were chosen to provide a balance between corporate, individual, operational, strategic, financial and behavioural aspects of performance. The weighting assigned to each of the performance measures was as follows:

- Group financial performance (40%)
- Execution of business growth strategy (20%)
- Leadership (10%)
- Compliance and risk management (5%)
- Stakeholder & associated business relations (5%)
- Discretionary (20%)

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

The Remuneration Committee considered the performance of the CEO against the performance measures outlined above. A range of strategic targets were met, a key business acquisition was successfully completed and internal expansion plans are on schedule. All compliance obligations were met throughout the year with no reported issues and relationships with internal and external stakeholders were well managed. However, due to the Group's reduced financial performance in comparison to the prior period, it was decided by the Remuneration Committee that no bonus would be paid to the CEO for the 30 June 2017 financial year. Bonus payments to other key management personnel were 100% discretionary and awarded based on the successful integration of the new Canadian subsidiary, Gestion Scancia. These amounts were accrued at 30 June 2017 and paid in August 2017.

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			Post-employment	Long-term		
2017	**Cash Salary $**	**Cash Bonuses $**	**Other**	**Super-annuation $**	**Long Service Leave $**	**Termination benefits $**	**Total $**
Non-executive directors							
Kenneth Baxter	79,452	-	-	7,548	-	-	87,000
David Brown	50,228	-	* 171,000	4,772	-	-	226,000
David Kiggins	57,534	-	-	5,466	-	-	63,000
Fred Grimwade	57,534	-	-	5,466	-	-	63,000
Sub-total non-executive directors	244,748	-	171,000	23,252	-	-	439,000
Other key management personnel							
Vance Stazzonelli	254,529	-	-	24,180	5,205	-	283,914
Andrew Watson	155,000	6,393	-	15,332	3,016	-	179,741
Sub-total key management personnel	409,529	6,393	-	39,512	8,221	-	463,655
	654,277	**6,393**	**171,000**	**62,764**	**8,221**	**-**	**902,655**

	Short-term			Post-employment	Long-term		
2016	**Cash Salary $**	**Cash Bonuses $**	**Other**	**Super-annuation $**	**Long Service Leave $**	**Termination benefits $**	**Total $**
Non-executive directors							
Kenneth Baxter	72,498	-	-	6,887	-	-	79,385
David Brown	45,310	-	* 163,029	4,304	-	-	212,643
David Kiggins	52,108	-	-	4,950	-	-	57,058
Fred Grimwade	52,108	-	-	4,950	-	-	57,058
Sub-total non-executive directors	222,024	-	163,029	21,091	-	-	406,144
Other key management personnel							
Vance Stazzonelli	253,699	27,397	** 28,219	29,385	4,897	-	343,597
Andrew Watson	152,385	9132	-	15,344	2,869	-	179,730
Sub-total key management personnel	406,084	36,529	28,219	44,729	7,766	-	523,327
	628,108	**36,529**	**191,248**	**65,820**	**7,766**	**-**	**929,471**

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

** Payment of excess annual leave accrued by the employee.

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

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 11. 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	
	2017	2016	2017	2016	2017	2016
Other key management personnel						
Vance Stazzonelli	100%	91%	-	9%	–	–
Andrew Watson	96%	94%	4%	6%	–	–

Options issued as part of total remuneration

No options have been issued in 2016 or 2017 as part of total remuneration.

Voting and comments made at the company's 2016 Annual General Meeting

The company received validly appointed proxies of 93% of "yes" votes on its remuneration report for the 2016 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.

(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	$
2012/13	5,142,299	2.9	1.7	31	40,968,700
2013/14	3,358,127	1.8	1.1	21	27,752,990
2014/15	3,477,167	2.0	0.7	21	27,752,990
2015/16	2,318,737	1.2	0.5	18	24,088,645
2016/17	982,440	0.6	0.24	17	22,750,387

(d) Share-based compensation

There was no share based compensation to any Director or Key Management Personnel for the years ended 30 June 2016 and 2017. The Company has not adopted an employee share option scheme.

(e) Bonuses

Each individual Key Management Personnel performance bonus was discussed and reviewed against the requirements set out on page 11. Although some of the performance criteria were met by the CEO, it was mutually decided that a bonus would not be met due to the financial result. A discretionary bonus was paid to the CFO.

REMUNERATION REPORT (Audited) continued

(f) Shares held by key management personnel

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 2016	On-market trades	Balance at 30 June 2017
Directors of XRF Scientific Limited			
Kenneth Baxter	670,623	545,000	1,215,623
David Brown	8,213,300	186,700	8,400,000
David Kiggins	212,900	-	212,900
Fred Grimwade	400,000	-	400,000
Other key management personnel			
Vance Stazzonelli	450,000	-	450,000

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.

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.

(g) Service Agreements

Remuneration for the Chief Executive Officer and Chief Financial Officer is set out in service agreements, which are detailed below:

Vance Stazzonelli, Chief Executive Officer of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 1 July 2017. Base salary is $262,000 per annum (effective 1 July 2017), plus superannuation benefits of 9.5%. 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.

Andrew Watson, Chief Financial Officer of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 1 July 2017. Base salary is $159,650 per annum (effective 1 July 2017), plus superannuation benefits of 9.5%. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months full pay. Notice period by the employee of three 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

(h) Remuneration consultants

No remuneration consultants were used in the years ended 30 June 2017 and 30 June 2016.

(i) Other transactions with key management personnel

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 $115,169 (2016: $114,029). No amounts were outstanding at the end of the year. As the sole director of XRF Chemicals Pty Ltd, Vance Stazzonelli is currently guarantor on a lease in Osborne Park.

(j) Loans to directors and executives

No loans were made to directors and executives during the financial years ended 30 June 2017 and 30 June 2016.

End of remuneration report (Audited).

NON-AUDIT SERVICES

Details of the non-audit services provided by the Company's external auditor BDO Audit (WA) Pty Ltd and its related practices during the year ended 30 June 2017 are outlined in the following table. 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	
	2017	**2016**
	$	**$**
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	104,858	95,285
Taxation services	43,790	44,568
Other services	-	11,838
BDO Réviseurs d'Entreprises Soc. Civ. SCRL (Belgium)		
Audit and review of financial reports	25,764	15,188
Taxation services	10,121	8,256
BDO AG Wirtschaftsprüfungsgesellschaft (Germany)		
Taxation services	11,797	15,222
BDO LLP (UK)		
Audit and review of financial reports	8,949	-
Total remuneration for audit and other services	205,279	190,357

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

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.

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
27 September 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

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

As lead auditor of XRF Scientific Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of 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.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated	
		2017	2016
		$	$
Revenue from continuing operations	5	21,540,489	21,132,846
Cost of sales		(12,660,291)	(12,551,843)
Gross profit		8,880,198	8,581,003
Other income	5	36,994	150,570
Share of profit / (loss) of investments accounted for using the equity method		(68,592)	52,748
Administration expenses		(6,095,043)	(4,895,343)
Other expenses		(894,582)	(781,129)
Occupancy expenses		(844,237)	(706,372)
Finance costs		(46,309)	(28,057)
Profit before income tax		968,429	2,373,420
Income tax expense	7	(174,578)	(836,156)
Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited		793,851	1,537,264
Other comprehensive income			
Items that will be classified to profit or loss			
Foreign currency translation differences	22(a)	(36,250)	(29,165)
Total comprehensive income for the year		757,601	1,508,099
Total comprehensive income attributable to equity holders of XRF Scientific Limited		757,601	1,508,099
Earnings per share for the year attributable to equity holders of XRF Scientific Limited			
Basic earnings per share (cents per share)	32	0.6	1.2
Diluted earnings per share (cents per share)	32	0.6	1.2

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 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
CURRENT ASSETS			
Cash and cash equivalents	8	833,405	3,304,773
Trade and other receivables	9	4,634,866	4,033,113
Inventories	10	4,875,783	4,023,542
Other assets	11	484,879	258,403
Total Current Assets		10,828,933	11,619,831
NON-CURRENT ASSETS			
Property, plant and equipment	13	7,239,487	5,832,007
Intangible assets	14	15,942,626	15,227,483
Investments accounted for using the equity method	12	-	607,890
Deferred tax asset	15	700,184	409,966
Total Non-Current Assets		23,882,297	22,077,346
Total Assets		34,711,230	33,697,177
CURRENT LIABILITIES			
Trade and other payables	16	1,632,859	1,109,254
Provisions	17	422,247	418,663
Short-term borrowings		54,499	-
Other current liabilities		191,518	106,110
Current income tax liability		40,931	144,246
Total Current Liabilities		2,342,054	1,778,273
NON-CURRENT LIABILITIES			
Long-term borrowings	18	1,198,737	1,111,500
Deferred tax liability	19	282,574	251,495
Provisions	20	124,768	148,937
Total Non-Current Liabilities		1,606,079	1,511,932
Total Liabilities		3,948,133	3,290,205
Net Assets		30,763,097	30,406,972
EQUITY			
Issued capital	21	18,584,489	18,584,489
Reserves	22(a)	678,791	715,041
Retained profits	22(b)	11,499,817	11,107,442
Total Equity		30,763,097	30,406,972

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 2017

30 JUNE 2017 – CONSOLIDATED	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	$	$	$	$	$
Balance at 1 July 2016	18,584,489	759,243	(44,202)	11,107,442	30,406,972
Profit for the period	-	-	-	793,851	793,851
Other comprehensive income / (loss)	-	-	(36,250)	-	(36,250)
Total comprehensive income / (loss) for the period	-	-	(36,250)	793,851	757,601
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	-	(401,476)	(401,476)
	-	-	-	(401,476)	(401,476)
Balance at 30 June 2017	18,584,489	759,243	(80,452)	11,499,817	30,763,097

30 JUNE 2016 – CONSOLIDATED	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	$	$	$	$	$
Balance at 1 July 2015	18,257,772	759,243	(15,037)	10,763,313	29,765,291
Profit for the year	-	-	-	1,537,264	1,537,264
Other comprehensive income / (loss)	-	-	(29,165)	-	(29,165)
Total comprehensive income / (loss) for the period	-	-	(29,165)	1,537,264	1,508,099
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	326,717	-	-	-	326,717
Dividends paid	-	-	-	(1,193,135)	(1,193,135)
	326,717	-	-	(1,193,135)	(866,418)
Balance at 30 June 2016	18,584,489	759,243	(44,202)	11,107,442	30,406,972

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 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		21,078,302	20,683,866
Payments to suppliers and employees (inclusive of GST)		(20,255,402)	(19,348,691)
Payment of expenses relating to business acquisitions		(113,167)	(172,740)
Finance costs		(46,309)	(28,057)
Income taxes paid		(537,031)	(786,267)
Interest received		29,788	76,953
Net cash inflow (outflow) from operating activities	30	156,181	425,064
Cash flows from investing activities			
Payments for property, plant and equipment		(1,841,573)	(3,120,139)
Payment for acquisition of business	24	(45,663)	(457,732)
Payments for research and development		(322,771)	(220,678)
Proceeds from sale of property, plant and equipment		109,473	-
Net cash inflow (outflow) from investing activities		(2,100,534)	(3,798,549)
Cash flows from financing activities			
Proceeds from borrowings		141,737	1,111,500
Repayment of borrowings		(267,276)	-
Dividends paid		(401,476)	(1,193,135)
Net cash inflow (outflow) from financing activities		(527,015)	(81,635)
Cash and cash equivalents at the beginning of the financial period		3,304,773	6,759,893
Net increase (decrease) in cash and cash equivalents		(2,471,368)	(3,455,120)
Cash and cash equivalents at the end of the financial period	8	833,405	3,304,773

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 2017 was authorised for issue in accordance with a resolution of the directors on 27 September 2017 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 and is a for-profit entity 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 2017 and the results of all subsidiaries for the year then ended.

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

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

All controlled entities have a 30 June financial year end.

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being the company (the parent company) and its subsidiaries. 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.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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 profit or loss and other 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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 in the accounting period in which the services are rendered.

(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. 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 are 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 26(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 recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently re-measured through profit or loss.

Acquisition-related costs are expensed as incurred.

Non-controlling interests in an acquiree are 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 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. Another indicator that determines 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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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%-25%
Office Equipment	5%-66.67%

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.

For the purpose of impairment testing, goodwill is allocated to the consolidated entity's cash generating units identified according to business and geographical segments (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 4 years.

(iv) Customer lists

The customer lists were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and subsequently amortised on a straight-line basis over the estimated useful lives, between 3 to 5 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.

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 wholly 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. There amounts are not expected to be settled wholly within 12 months of the reporting date.

Expected future payments are discounted using market yields at the reporting date on corporate 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) 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 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new Standards and Interpretations is set out below. In all cases the Group intends to apply these standards from the application date as indicated below.

(i) AASB 15 *Revenue from Contracts with Customers* (effective from 1 July 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise any applicable transitional adjustments in retained earnings on the date of the initial application without restating the comparative period. Entities will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management is currently assessing the impact of the new rules. At this stage, the Group is not in a position to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next 12 months.

(ii) AASB 16 *Leases* (effective from 1 July 2019)

<u>Lessee accounting</u>

Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments, and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for leases.

<u>Lessor accounting</u>

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

(iv) AASB 9 *Financial Instruments* (effective from 1 July 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the financial instruments standard. There will be no significant impact on the Group on the adoption of this standard.

(v) AASB 2016-1 *Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)* (effective from 1 July 2017)

This standard amends AASB 112 Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. There will be no significant impact on the Group's results on the adoption of this standard.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(vi) AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* (effective from 1 July 2017)

This standard amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There will be no significant impact on the Group's results on the adoption of this standard.

(vii) IFRIC 23 *Uncertainty over Income Tax Treatments* (effective from 1 January 2019)

When assessing whether a taxation authority will accept an uncertain tax treatment, entities must assume that a tax audit will be conducted, with the taxation authority having full knowledge of all relevant information when conducting the tax audit. If it is not probable that a taxation authority will accept an uncertain income tax position, the effect of the uncertainty is to be reflected in determining the income tax expense and deferred tax assets and liabilities using either the 'most likely amount' method or the 'expected value' method. The probability of being selected for a tax audit is not factored in when assessing the probability of the taxation authority accepting an uncertain tax position, or in measuring the tax balances. If it is probable that the taxation authority will accept the income tax position, income tax expense and deferred tax balances will be measured consistently with the tax treatments to be used in the income tax returns/filings. Due to the recent release of this interpretation, the entity has not made an assessment of the impact of this interpretation.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, price risk, cash flow risk, fair value risk and interest rate risk); credit risk; and liquidity 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 guidance 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 2017			30 June 2016		
	CAD	EUR	USD	CAD	EUR	USD
Trade receivables	197,838	809,789	437,772	118,953	423,049	400,802
Trade payables	70,925	18,896	168,303	7,129	22,279	22,198
Deferred and contingent consideration payable	-	-	-	-	10,500	-
Loan to associate	-	-	-	83,950	-	-

Group sensitivity

Based on the financial instruments held at 30 June 2017, 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 $149,795 lower / $183,082 higher (2016: $119,981 lower / $146,643 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 market 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 2017 the Group had no variable interest rate debt, therefore consider fair value interest rate risk minimal.

Group sensitivity

At 30 June 2017, 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 $981 higher / lower (2016: $3,828 higher / lower), mainly as a result of higher/lower interest income from cash and cash equivalents. Cash and cash equivalent balances at 30 June 2017 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 2017 $	Consolidated 2016 $
Cash and cash equivalents (AA- rated)	833,405	3,304,773
Trade receivables, net of impairment provision (note 9) (Group 2)	4,603,159	3,853,432
Other receivables (external parties)	31,707	179,681
	5,468,271	7,337,886

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
2017	3,161,176	723,288	405,662	347,954	4,638,080
2016	2,784,590	733,793	78,105	283,866	3,880,354

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 As at 30 June 2017	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 $
Non-derivatives							
Trade and other payables	1,168,922	-	-	-	-	1,168,922	1,168,922
Property loan	19,479	19,479	1,127,733	-	-	1,166,691	1,111,500
Plant & equipment loan	24,195	24,195	48,389	24,195	-	120,974	113,139
Motor vehicle loan	6,096	6,096	12,192	6,096	-	30,480	28,598
Total non-derivatives	1,218,692	49,770	1,188,314	30,291	-	2,487,067	2,422,159
As at 30 June 2016							
Non-derivatives							
Trade and other payables	737,639	-	-	-	-	737,639	737,639
Property loan	19,479	19,479	38,958	1,127,733	-	1,205,649	1,111,500
Deferred consideration	15,670	-	-	-	-	15,670	15,670
Total non-derivatives	772,788	19,479	38,958	1,127,733	-	1,958,958	1,864,809

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

	Consolidated 2017 $	Consolidated 2016 $
Bank overdraft facility	649,677	1,000,000
Bank guarantee facility	1,459,634	1,498,837
	2,109,311	2,498,837

(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.

The fair values of current and non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Carrying value	$1,253,237
Fair value	$1,281,793

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 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).

(c) Tax

The determination of the Group's provision for income tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from the Group's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Group has recognised a deferred tax asset relating to the start-up losses incurred during FY17 by the new German division. The Group has concluded that the tax losses will be recovered against the estimated future taxable income based on the approved business plans and budgets of the German division.

(d) Fair value of investment in associate

In accordance with AASB 3, the Group re-measured their investment in an associated entity to fair value, on the date that 100% control was obtained. The fair value was determined through the present value of expected future cash flows. Refer to details in note 24.

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 and 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:

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 2017 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Full-year ended 30 June 2017	$	$	$	$
Total segment revenue	6,316,245	8,950,963	6,904,731	22,171,939
Inter segment sales	(298,729)	(364,930)	-	(663,659)
Revenue from external customers	6,017,516	8,586,033	6,904,731	21,508,280
Profit before income tax expense	**69,628**	**(575,337)**	**1,739,356**	**1,233,647**
Full-year ended 30 June 2016				
Total segment revenue	6,060,538	9,542,543	6,274,312	21,877,393
Inter segment sales	(333,249)	(494,018)	-	(827,267)
Revenue from external customers	5,727,289	9,048,525	6,274,312	21,050,126
Profit before income tax expense	**170,419**	**551,391**	**1,830,258**	**2,552,068**
Segment assets				
At 30 June 2017	7,667,006	14,133,174	22,098,986	43,899,166
At 30 June 2016	7,196,477	13,123,810	19,298,845	39,619,132
Segment liabilities				
At 30 June 2017	1,559,345	5,723,420	1,311,026	8,593,791
At 30 June 2016	1,097,573	4,009,897	222,911	5,330,381
Depreciation and amortisation expense				
For the year ended 30 June 2017	263,315	291,555	113,688	668,558
For the year ended 30 June 2016	210,496	222,900	202,389	635,785
Capital expenditure				
For the year ended 30 June 2017	122,222	1,431,353	674,620	2,228,195
For the year ended 30 June 2016	142,827	2,802,485	104,955	3,050,267

	2017 $	2016 $
Revenue from external customers – segments	**21,508,280**	**21,050,126**
Unallocated revenue	32,209	82,720
Revenue from external customers – total	**21,540,489**	**21,132,846**
Profit before income tax expense – segments	**1,233,647**	**2,552,068**
Loss incurred by parent entity	(265,218)	(178,648)
Profit before income tax expense from continuing operations	**968,429**	**2,373,420**
Total segment assets	**43,899,166**	**39,619,132**
Related party loan elimination	(10,319,290)	(9,584,761)
Cash and cash equivalents	315,626	2,525,859
Investments accounted for using the equity method	-	607,890
Deferred tax asset	700,184	409,966
Other corporate assets	115,544	119,091
Total assets	**34,711,230**	**33,697,177**
Total segment liabilities	**8,593,791**	**5,330,381**
Related party loan elimination	(5,039,819)	(2,926,891)
Deferred tax liability	282,574	251,495
Other corporate liabilities	111,587	635,220
Total liabilities	**3,948,133**	**3,290,205**

NOTE 5: REVENUE

	Consolidated	
	2017	2016
	$	$
Revenue from continuing operations		
Sale of goods	21,508,191	21,050,106
Interest received	32,298	82,740
	21,540,489	21,132,846
Other income		
Profit on sale of non-current assets	1,388	-
Recoveries	24,234	19,018
Other revenue	11,372	131,552
	36,994	150,570

NOTE 6: EXPENSES

	Consolidated	
	2017	2016
	$	$
Profit/(loss) before income tax includes the following specific expenses		
Depreciation		
Depreciation (included in administration expenses)	286,685	202,257
Depreciation (included in cost of goods sold)	231,885	310,009
Total depreciation	518,570	512,266
Amortisation		
Patents, trademarks and acquired customer lists (included in administration expenses)	68,601	58,206
Research and development (included in administration expenses)	180,356	151,067
Total amortisation	248,957	209,273
Other specific expenses		
Employee benefits expenses (included in administration expenses)	4,409,535	3,437,459
Rental expense relating to operating leases (included in occupancy expenses)	719,720	606,611
Acquisition of business costs (included in other expenses)	113,167	172,740

NOTE 7: INCOME TAX EXPENSE

	Consolidated 2017 $	2016 $
(a) Income tax expense		
Current tax	589,077	812,952
Deferred tax	(259,139)	40,890
Adjustments for current tax of prior periods	(155,360)	(17,686)
	174,578	836,156
Income tax expense is attributed to:		
Profit from continuing operations	174,578	836,156
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	(290,218)	22,468
(Decrease) increase in deferred tax liabilities (note 19)	31,079	18,422
	(259,139)	40,890
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	968,429	2,373,420
	968,429	2,373,420
Tax at the Australian rate of 30% (2016: 30%)	290,529	712,026
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Acquisition of business costs	33,950	51,822
Research and development expenditure	(88,135)	(66,203)
Tax loss for new German division not claimed in current financial year	-	50,004
Sundry items	93,594	106,193
	329,938	853,842
Adjustments for current tax of prior periods	(155,360)	(17,686)
Income tax expense	174,578	836,156

(c) 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	
	2017 $	2016 $
Cash at bank and on hand	288,052	2,275,462
Deposits at call	545,353	1,029,311
	833,405	3,304,773
Reconciliation to cash at the end of the year		
Balances as above	833,405	3,304,773
Balance per statements of cash flows	833,405	3,304,773

(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 0.95% pa (2016: 0.01% to 0.7% pa). 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 2.32% to 2.7% pa (2016: 2.12% to 2.7% pa).

(c) Risk exposure

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

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017 $	2016 $
Trade receivables	4,638,080	3,880,354
Allowance for impairment of receivables	(34,921)	(26,922)
Other receivables – From associated entity	-	91,044
Other receivables – From other external parties	31,707	88,637
Total trade and other receivables	4,634,866	4,033,113
Past due but not impaired		
Up to 3 months	1,128,950	811,898
Up to 6 months	347,954	283,866
	1,476,904	1,095,764
Allowance for impairment of receivables		
Balance at 1 July	(26,922)	-
(Increase)/Decrease in allowance during the year	(7,999)	(26,922)
Balance at 30 June	(34,921)	(26,922)

(a) Impaired trade receivables

The consolidated entity has recognised $7,999 (2016: $26,922) in respect of impaired trade receivables during the year ended 30 June 2017. This amount has been included as 'other expenses' in the statement of profit or loss and other comprehensive income.

(b) Past due but not impaired

As at 30 June 2017, trade receivables of the Group of $1,476,904 (2016: $1,095,764) 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.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES continued

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. All 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 (2016: Nil).

NOTE 10: CURRENT ASSETS – INVENTORIES

	Consolidated	
	2017 $	2016 $
Raw materials and spare parts	3,488,292	2,854,585
Finished goods	1,387,491	1,173,433
Provision for obsolescence	-	(4,476)
	4,875,783	4,023,542

Stock was valued at lower of cost and net realisable value on 30 June 2017 and 30 June 2016.

Inventory expense

Inventories recognised as expense during the year ended 30 June 2017 amounted to $8,235,143 (2016: $8,053,387). The cost of writing down inventories to net realisable value during the year ended 30 June 2017 was $nil (2016: $27,975).

NOTE 11: OTHER CURRENT ASSETS

	Consolidated	
	2017 $	2016 $
Deposits paid	126,246	28,478
Accrued income	10,827	6,320
Prepayments (insurance policies, rates and other fees)	347,806	223,605
	484,879	258,403

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2017 $	2016 $
Opening amount	607,890	555,142
Share of net profit / (loss) of investments accounted for using the equity method	(68,592)	52,748
Conversion of investment to wholly-owned subsidiary (see note 24)	(539,298)	-
Closing amount	-	607,890

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

Consolidated	Plant & Equipment $	Motor Vehicles $	Property Improvements $	Office Equipment $	Land & Buildings $	Total $
At 30 June 2015						
Cost or fair value	4,364,696	144,944	592,983	547,674	-	5,650,297
Accumulated depreciation	(1,621,658)	(44,117)	(308,832)	(275,064)	-	(2,249,671)
Net book amount	2,743,038	100,827	284,151	272,610	-	3,400,626
Year ended 30 June 2016						
Opening net book amount	2,743,038	100,827	284,151	272,610	-	3,400,626
Additions	1,028,930	38,363	60,412	191,109	1,823,217	3,142,031
Disposals	(86,942)	-	(101,455)	(9,987)	-	(198,384)
Depreciation charge	(316,910)	(19,654)	(69,099)	(106,603)	-	(512,266)
Closing net book amount	3,368,116	119,536	174,009	347,129	1,823,217	5,832,007
At 30 June 2016						
Cost or fair value	5,205,492	183,307	467,549	825,380	1,823,217	8,504,945
Accumulated depreciation	(1,837,376)	(63,771)	(293,540)	(478,251)	-	(2,672,938)
Net book amount	3,368,116	119,536	174,009	347,129	1,823,217	5,832,007
Year ended 30 June 2017						
Opening net book amount	3,368,116	119,536	174,009	347,129	1,823,217	5,832,007
Additions (via business combination)	186,471	-	15,011	16,336	-	217,818
Additions (other)	733,712	42,923	999,188	65,750	-	1,841,573
Foreign currency adjustment	(9,366)	-	(1,050)	(945)	-	(11,361)
Disposals	(99,135)	(10,432)	(10,603)	(1,810)	-	(121,980)
Depreciation charge	(271,667)	(28,164)	(83,676)	(135,063)	-	(518,570)
Closing net book amount	3,908,131	123,863	1,092,879	291,397	1,823,217	7,239,487
At 30 June 2017						
Cost or fair value	6,017,173	215,798	1,470,095	904,711	1,823,217	10,430,994
Accumulated depreciation	(2,109,042)	(91,935)	(377,216)	(613,314)	-	(3,191,507)
Net book amount	3,908,131	123,863	1,092,879	291,397	1,823,217	7,239,487

All items of property, plant and equipment were recorded at cost as at 30 June 2017 and 30 June 2016.

NOTE 14: NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Research & Development $	Goodwill $	Patents trademarks & other rights $	Total $
At 30 June 2015				
Cost or fair value	676,963	13,835,905	327,554	14,840,422
Accumulated amortisation and impairment	(85,923)	-	(112,962)	(198,885)
Net book amount	591,040	13,835,905	214,592	14,641,537
Year ended 30 June 2016				
Opening net book amount	591,040	13,835,905	214,592	14,641,537
Additions	220,678	363,307	216,445	800,430
Disposals	-	-	(347)	(347)
Foreign currency adjustment	-	(4,861)	(3)	(4,864)
Amortisation charge	(150,327)	-	(58,946)	(209,273)
Closing net book amount	661,391	14,194,351	371,741	15,227,483
At 30 June 2016				
Cost or fair value	897,640	14,194,351	543,343	15,635,334
Accumulated amortisation and impairment	(236,249)	-	(171,602)	(407,851)
Net book amount	661,391	14,194,351	371,741	15,227,483
Year ended 30 June 2017				
Opening net book amount	661,391	14,194,351	371,741	15,227,483
Additions (via business combination)	-	318,825	393,404	712,229
Additions (other)	303,171	-	-	303,171
Disposals	-	-	-	-
Foreign currency adjustment	(553)	(54,802)	4,055	(51,300)
Amortisation charge	(180,356)	-	(68,601)	(248,957)
Closing net book amount	783,653	14,458,374	700,599	15,942,626
At 30 June 2017				
Cost or fair value	1,220,412	14,458,374	940,249	16,619,035
Accumulated amortisation and impairment	(436,759)	-	(239,650)	(676,409)
Net book amount	783,653	14,458,374	700,599	15,942,626

All intangible assets were recorded at cost as at 30 June 2017 and 30 June 2016.

(a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash generating units (CGU's) identified according to business and geographical segments.

	Consolidated 2017 $	Consolidated 2016 $
Consumables CGU	8,613,049	8,288,237
Precious Metals CGU	3,821,660	3,880,956
Capital Equipment CGU	1,650,171	1,650,171
European Sales Office CGU	373,494	474,987
	14,458,374	14,294,351

NOTE 14: NON-CURRENT ASSETS – INTANGIBLE ASSETS continued

(b) Significant estimate: key assumptions used for value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The forecast cash flows for 2018 are based on the board-approved budget. The cash flows for 2019 to 2022 have been based on extrapolating the 2018 forecast by using growth rates. Average growth rates of 3.20% - 4.90% (see below) used do not exceed the long-term average growth rates for the industries in which each CGU operates. The value in use model for the Precious Metals CGU incorporates significant growth representing the forecast return on the $3.3m invested during FY16 and FY17 as part of expansion plans. The annual growth rate is expected to be higher in the initial years following completion of the project (FY19 87.13% and FY20 53.99%), then normalising to 3.20% in the following years. The pre-tax discount rate of 12.62% reflects specific risks relating to the relevant CGU.

	Consumables	Precious Metals	Capital Equipment	European Sales Office (Belgium)
Net Profit (% average annual growth rate)	4.90%	* 3.2%	3.20%	3.20%

* Average growth rate excludes the forecast return from the expansion project noted above

(c) Sensitivity to change in assumptions

If the forecast results from the board-approved Precious Metals expansion plan were forecast to be 80% lower, the value in use for the CGU would decrease by $1.9m. As a result, the Group would have had to recognise an impairment charge against the carrying amount of goodwill of $230,000. Should the 2018 forecast cash flows for the Capital Equipment CGU be 30% lower than the board-approved forecast, this would result in an impairment charge of $290,000 against the carrying value of goodwill. These reasonably possible changes in growth rates represent reasonably possible reductions in sales quantities of precious metals and capital equipment. Management believes that no other reasonably possible changes in any of the above key assumptions would cause the carrying values to materially exceed recoverable amounts.

(d) Impairment charge

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

NOTE 15: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated 2017 $	Consolidated 2016 $
Amounts recognised directly in equity:		
Share issue expenses	1,205	1,906
Amounts recognised in profit or loss:		
Employee benefits	291,714	239,600
DTA recognised on FY17 loss by Germany subsidiary	264,568	-
Business acquisition expenses	31,988	48,533
Depreciation of tangible assets	29,043	31,140
Accruals	66,585	62,614
Provisions	14,976	24,419
Other	105	1,754
	698,979	408,060
Net deferred tax assets	700,184	409,966
Movements:		
Opening balance at 1 July	409,966	430,425
(Charged)/credited to profit or loss (note 7)	290,218	(22,468)
(Charged)/credited to equity	-	2,009
Closing balance at 30 June	700,184	409,966
Deferred tax assets expected to be recovered within 12 months	218,840	192,121
Deferred tax assets expected to be recovered after more than 12 months	481,344	217,845
	700,184	409,966

NOTE 16: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2017	2016
	$	$
Trade payables	791,423	424,102
Deferred consideration	-	15,670
Sundry creditors and accruals	377,499	313,537
Employee benefits – annual leave (a)	463,937	355,945
	1,632,859	1,109,254

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	
	2017	2016
	$	$
Annual leave obligations expected to be settled after 12 months	306,198	234,924

(b) Foreign exchange risk exposure

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

NOTE 17: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2017	2016
	$	$
Long service leave (a)	330,855	297,300
Dividends payable to ordinary shareholders	76,392	71,363
Making good of leases (b)	15,000	50,000
	422,247	418,663

(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. 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 paid within the next 12 months:

	Consolidated	
	2017	2016
	$	$
Long service leave obligations expected to be settled after 12 months	248,141	222,975

(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 18: NON-CURRENT LIABILITIES – LONG-TERM BORROWINGS

	Consolidated	
	2017 $	2016 $
Property loan [1]	1,111,500	1,111,500
Plant & equipment loan [2]	69,653	-
Motor vehicle loan [3]	17,584	-
	1,198,737	1,111,500

[1] Consists of a three-year, interest-only loan for $1,111,500, used to fund the purchase of a property in Melbourne. Interest is paid monthly, at a rate of 3.505% per annum. The lender holds a fixed and floating charge over the assets of XRF Scientific and its subsidiaries (including the property acquired) as security for the loan facility. The fair value of the loan is estimated to be $1,133,844, calculated using current market interest rates. The carrying value of the loan is $1,111,500 (non-current). Covenants applicable to the loan include: maintaining a group interest cover ratio of 3x; group shareholder funds to be no less than 85% of the previous year's closing balance; and maintaining a capital ratio of 50%. The Group has met all covenant requirements to date.

[2] Consists of a three-year, interest-bearing loan for $134,042, used to fund the purchase of plant and equipment. Instalments are paid monthly (including principal and interest), at a rate of 5.25% per annum. The lender holds first registered security over the plant and equipment acquired as security for the loan facility. The fair value of the loan is estimated to be $118,174, calculated using current market interest rates. The carrying value of the loan is $113,139 ($43,486 current / $69,653 non-current). There are no covenants applicable to this loan.

[3] Consists of a three-year, interest-bearing loan for $33,902, used to fund the purchase of a motor vehicle. Instalments are paid monthly (including principal and interest), at a rate of 4.99% per annum. The lender holds first registered security over the vehicle acquired as security for the loan facility. The fair value of the loan is estimated to be $29,775, calculated using current market interest rates. The carrying value of the loan is $28,598 ($11,013 current / $17,585 non-current). There are no covenants applicable to this loan.

NOTE 19: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2017 $	2016 $
The balance comprises temporary differences attributed to:		
Amounts recognised in profit or loss		
Research and development	232,445	198,417
Depreciation	37,581	40,949
Other	12,548	12,129
Net deferred tax liabilities	282,574	251,495
Movements:		
Opening balance at 1 July	251,495	233,073
Charged/(credited) to profit or loss (note 7)	31,079	18,422
Closing balance 30 June	282,574	251,495

NOTE 20: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2017 $	2016 $
Employee benefit – long service leave	124,768	148,937

NOTE 21: ISSUED CAPITAL

	Consolidated		Consolidated	
	2017 Shares	2016 Shares	2017 $	2016 $
Issued capital				
Ordinary shares fully paid	133,825,803	133,825,803	18,584,489	18,584,489
Total issued capital	133,825,803	133,825,803	18,584,489	18,584,489

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 2015	**Opening balance**	**132,157,097**		**18,257,772**
1 December 2015	Shares issued to previous owners of Socachim	1,668,706	$0.20	331,405
1 December 2015	Less: Share issue costs (less deferred tax)	-		(4,688)
30 June 2016	**Closing balance**	**133,825,803**		**18,584,489**
1 July 2016	**Opening balance**	**133,825,803**		**18,584,489**
30 June 2017	**Closing balance**	**133,825,803**		**18,584,489**

(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	
	2017 $	2016 $
The gearing ratios at 30 June 2017 and 30 June 2016 were as follows:		
Total borrowings	1,253,237	1,111,500
Less: cash and cash equivalents	(833,405)	(3,304,773)
Net debt / (positive cash position)	419,832	(2,193,273)
Total equity	30,763,097	30,406,972
Total equity plus net debt	31,182,929	28,213,699
Gearing ratio	**Net cash 1.3%**	**Net cash (7.8%)**

NOTE 22: RESERVES AND RETAINED PROFITS

	Consolidated	
	2017	2016
	$	$
(a) Reserves		
Foreign currency translation reserve	(80,452)	(44,202)
Share-based payments reserve	759,243	759,243
Balance 30 June	678,791	715,041
(b) Retained Profits		
Movements in retained profits were as follows:		
Balance 1 July	11,107,442	10,763,313
Net profit for the year	793,851	1,537,264
Dividends paid or provided for	(401,476)	(1,193,135)
Balance 30 June	11,499,817	11,107,442

(c) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to recognise the unrealised gains and losses arising from the consolidation of subsidiaries denominated in currencies other than Australian dollars.

Share-based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments.

NOTE 23: DIVIDENDS

	Consolidated	
	2017	2016
	$	$
Final dividend for the prior financial year, paid in the current financial year	401,476	925,098
Interim dividend for the current financial year, paid in the current financial year	-	268,037
Total dividends provided for or paid	401,476	1,193,135

A fully franked dividend of 0.24 cents per share has been declared on ordinary shares post 30 June 2017.

Franked Dividends

	Consolidated	
	2017	2016
	$	$
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	4,644,490	4,622,363

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 2017 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2017. 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 $137,649 (2016: $172,062).

NOTE 24: BUSINESS COMBINATIONS

On 1 April 2017, XRF Scientific Limited acquired the remaining 50.01% of the shares in Gestion Scancia Inc. ("Scancia"), which then became a wholly owned subsidiary. Scancia is a manufacturer of chemical x-ray fluxes, used for x-ray fluorescence analysis and is based in Quebec, Canada. The business was established on the basis of a unique automated manufacturing process. The micro-bead type flux produced by Scancia is different to XRF's granular flux, which complements the Company's product range.

The Company has reported provisional amounts for goodwill, intangibles and property, plant & equipment acquired as part of the purchase of Scancia, as fair value assessments have not been finalised.

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

	2017 $
(i) Purchase consideration:	
Additional cash paid to shareholders of Scancia	85,992
Value of XRF's investment in Scancia prior to acquisition	539,298
Total purchase consideration	625,290
The assets and liabilities recognised as a result of the acquisition are as follows:	
Goodwill	318,825
Intellectual property	245,878
Customer lists	147,526
Trade and other receivables	49,465
Inventories	28,316
Cash	40,329
Property, plant and equipment	217,818
Interest-bearing loans	(345,941)
Trade and other payables	(76,926)
	625,290

The goodwill is attributable to the sales potential of Scancia's products, which complement XRF's existing range, and the production synergies expected to arise after the Company's acquisition of the business. None of the goodwill is expected to be deductible for tax purposes.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $184k and net loss before tax of $23k to the group for the period 1 April 2017 to 30 June 2017.

If the acquisition had occurred on 1 July 2016, consolidated revenue and consolidated net profit before tax for the period ended 30 June 2017 would have been $22.0m and $948k respectively. These amounts have been calculated using the group's accounting policies.

(iii) Acquisition related costs

Direct costs relating to the acquisition of Scancia of $113,167 are included "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

(iv) Purchase consideration – cash outflow

Included in the payments for acquisition of businesses in the investing activities section of the cash flow statement are the following:

	2017 $
Outflow of cash to acquire businesses:	
Cash consideration for Scancia	85,992
Less: Cash acquired through acquisition of Scancia	(40,329)
Net cash outflow	45,663

NOTE 24: BUSINESS COMBINATIONS continued

(vi) Critical accounting estimate and significant judgement - Fair value of investment in associate

The fair value of the 49.99% investment in Gestion Scancia is a Level 3 fair value. The following summarises quantitative information about the significant unobservable inputs:

Description	Unobservable inputs	Range of inputs	Relationship of inputs to fair value
Investment in Associate	Profit Growth rate	10%	A change in the Profit Growth rate by 1% would increase / decrease the fair value by $12,269.
	Terminal Value	4 times multiple	If the terminal value was based on a 3 times multiple then the fair value would decrease by $63,080.
	Discount Rate	12.62%	A change in the discount rate by 1% would increase / decrease the fair value by $20,590.

(vi) Critical accounting estimate and significant judgement - Fair value of intangibles acquired in a business combination

The intangible assets acquired are recognised at their fair value on the date of acquisition. The fair value of acquired intangibles was determined using the following key assumptions:

- **Customer lists:** Assumed level of future revenue and assumed gross margin contributions.
- **Intellectual property:** Estimated costs of developing and replicating the acquired technology internally.

NOTE 25: CONTINGENCIES

At 30 June 2017, the consolidated entity had no material contingent liabilities in respect of claims, contingent considerations, associates and joint ventures or any other matters.

NOTE 26: COMMITMENTS

(a) Lease commitments

	Consolidated	
	2017 $	2016 $
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	417,146	532,087
Later than one year but not later than five years	599,110	374,845
	1,016,256	906,932

Operating leases have been taken out for a number of sites, office facilities and a fleet of light motor vehicles. Operating leases typically run for a period of between 3 and 5 years with an option to renew the lease after that date. Lease payments for sites and office facilities are generally increased on an annual basis in line with market related / consumer price index increases.

XRF Labware Pty Ltd has lease agreements with external suppliers for the provision of 107kg of platinum, which is used for working capital purposes. The lease agreements are renewed annually and fees are paid on the current market price of platinum. The current annual agreements will expire on various dates between September 2017 and August 2018 and will be renewed accordingly.

(b) 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. The Group's undrawn borrowing facilities were as follows as at 30 June 2017:

	Consolidated	
	2017 $	2016 $
Bank overdraft facility	649,677	1,000,000
Bank guarantee facility	1,459,634	1,498,837
	2,109,311	2,498,837

NOTE 26: COMMITMENTS continued

(c) Capital commitments

As part of the expansion of the Labware division, the Group has committed to the purchase of manufacturing equipment valued at approximately $1.2m. A $462k deposit (40% of contract) was paid to the supplier during the 30 June 2017 financial year, with 55% to be paid upon loading onto the sea vessel and the remaining 5% payable on commissioning and installation.

NOTE 27: REMUNERATION OF AUDITORS

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

	Consolidated	
	2017 $	2016 $
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	104,858	95,285
Taxation services	43,790	44,568
Other services	-	11,838
BDO Réviseurs d'Entreprises Soc. Civ. SCRL (Belgium)		
Audit and review of financial reports	25,764	15,188
Taxation services	10,121	8,256
BDO AG Wirtschaftsprüfungsgesellschaft (Germany)		
Taxation services	11,797	15,222
BDO LLP (UK)		
Audit and review of financial reports	8,949	-
	205,279	190,357

NOTE 28: RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent and controlling entity is XRF Scientific Limited which at 30 June 2017 owns 100% of all subsidiaries listed in note 29.

(b) Interests in subsidiaries

Interests in subsidiaries are set out in note 29.

(c) Directors and key management compensation

	Consolidated	
	2017 $	2016 $
Short-term employee benefits	831,670	855,885
Post-employment benefits	62,764	65,820
Long-term benefits	8,221	7,766
	902,655	929,471

No other post-employment or termination benefits have been provided. Detailed remuneration disclosures are available in the remuneration report from pages 9-15.

(d) Loans to key management personnel

There were no loans to any key management personnel during either of the years ended 30 June 2016 or 30 June 2017.

(e) Other transactions with key management personnel

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, totaling $115,169 (2016: $114,029). 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.

NOTE 29: SUBSIDIARIES

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

Name of entity	Country of Incorporation	Class of shares	Entity holding 2017 %	Entity holding 2016 %
XRF Chemicals Pty Ltd	Australia	Ordinary	100	100
XRF Labware Pty Ltd	Australia	Ordinary	100	100
XRF Technology (WA) Pty Ltd	Australia	Ordinary	100	100
XRF Technology (VIC) Pty Ltd	Australia	Ordinary	100	100
XRF Scientific Americas Inc	Canada	Ordinary	100	100
XRF Scientific Europe SPRL	Belgium	Ordinary	100	100
XRF Scientific Europe GmbH	Germany	Ordinary	100	100
XRF Scientific UK Ltd	United Kingdom	Ordinary	100	100
Precious Metals Engineering (WA) Pty Ltd	Australia	Ordinary	100	100
XFlux Pty Ltd	Australia	Ordinary	100	100
Gestion Scancia Inc	Canada	Ordinary	100	49.99

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

NOTE 30: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

	Consolidated 2017 $	Consolidated 2016 $
Profit for the year	793,851	1,537,264
Depreciation and amortisation	767,527	721,539
Share of JV equity (profits) / losses	-	(52,748)
Net exchange differences	18,705	7,800
Net operating assets of acquired businesses reclassified as investing activities	16,699	187,812
Net (gain) loss on sale of non-current assets	13,895	161,624
(Increase) decrease in trade and other debtors	(601,753)	(850,873)
(Increase) decrease in inventories	(852,241)	(1,463,315)
(Increase) decrease in other current asset	(226,476)	39,485
(Increase) decrease in deferred tax asset	(290,218)	20,459
(Decrease) increase in trade and other creditors	523,605	147,605
(Decrease) increase in provision for income taxes	(103,315)	42,896
(Decrease) increase in provision for deferred income tax	31,079	18,422
(Decrease) increase in other liabilities	85,408	(24,260)
(Decrease) increase in other provisions	(20,585)	(68,646)
Net cash inflow (outflow) from operating activities	156,181	425,064

NOTE 31: SHARE-BASED PAYMENTS

There were no share-based payments during the year ended 30 June 2017 (2016: Nil).

NOTE 32: EARNINGS PER SHARE

	Consolidated	
	2017 Cents	**2016 Cents**
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	0.6	1.2
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	0.6	1.2

	$	$
(c) Reconciliations of earnings used in calculation earnings per share		
Profit attributable to the ordinary equity holders of the company	793,851	1,537,264

	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	133,825,803	133,126,318

NOTE 33: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2017 $	2016 $
Statement of Financial Position		
Current assets	6,343,558	6,416,015
Total assets	19,724,573	19,710,727
Current liabilities	11,012,869	10,530,363
Total liabilities	11,314,160	10,825,301
Shareholder's equity		
Issued capital	18,584,489	18,584,489
Reserves	721,275	709,221
Accumulated losses	(10,895,351)	(10,408,284)
	8,410,413	8,885,426
Total comprehensive income / (loss) for the year before tax	(265,218)	(178,649)
Tax benefit / (expense)	179,627	(37,935)
Total comprehensive income / (loss) for the year after tax	**(85,591)**	**(216,584)**

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

NOTE 34: EVENTS OCCURRING AFTER THE REPORTING DATE

Dividend

A final dividend of 0.24 cents per share fully franked was declared on 24 August 2017, bringing the total dividend for the year to 0.24 cents per share fully franked (FY16: 0.5 cents per share fully franked), with a record date of 15 September 2017 and payment date of 29 September 2017.

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 2017

XRF Scientific Limited and its controlled entities

ACN 107 908 314

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flow, consolidated 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 2017 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 27th day of September 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

INDEPENDENT AUDITOR'S REPORT

To the members of XRF Scientific Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of XRF Scientific Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment assessment

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 14 of the financial report, goodwill amounted to $14,458,374 and represents a significant balance recorded in the statement of financial position. This was determined to be a key audit matter as the determination of the "Value in Use" of each cash generating unit (CGU) and whether or not an impairment charge is necessary, involved judgements by management about the future growth rates of the business in each CGU, discount rates applied to future cash flow forecasts for each CGU and sensitivities of inputs and assumptions used in the cash flow models.	Our procedures included, but were not limited to the following: • Critically evaluating the Group's categorisation of CGUs and the allocation of assets to the carrying value of CGU's; • Obtaining the group's value in use model and agreeing amounts to a combination of board approved budgets and committed future plans; • Corroborating the assumptions for the key inputs in the value in use model for the forecast revenue, costs, discount rates and terminal growth rates by comparing forecasts to historical actuals; • Using our valuation specialists to recalculate management's discount rate based on external data were available; • Performing a sensitivity analysis on the key financial assumptions in the models. These included revenue forecasts, multipliers used in the terminal year of cash flows, and the applied discount rates applied; and • Evaluating the adequacy of the related disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of XRF Scientific Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 27 September 2017

SHAREHOLDER INFORMATION

Additional information (as at 12 September 2017) 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	16,427,313
Skye Alba Pty Ltd	13,316,641
Michael Karl Korber	8,797,908
D & GD Brown Nominees Pty Ltd [1]	8,400,000
Washington H Soul Pattinson & Co Ltd	7,910,411

[1] D & GD Brown Nominees Pty Ltd is a company owned by David Brown and his wife. David Brown is a director of XRF Scientific Limited.

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	47	–
1,000-5,000	97	–
5,001-10,000	105	–
10,001-100,000	343	–
100,001 and above	137	–
	729	**–**

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

No.	Holder name	Number of Ordinary Shares	Percentage of Ordinary Shares
1	NATIONAL NOM LTD	18,917,045	14.14%
2	SKYE ALBA PL	13,316,641	9.95%
3	KORBER MICHAEL KARL	8,797,908	6.57%
4	BNP PARIBAS NOMS PL	7,910,411	5.91%
5	D & GD BROWN NOM PL [1]	7,000,000	5.23%
6	EVELIN INV PL	6,300,000	4.71%
7	TZELEPIS NOM PL	3,280,000	2.45%
8	PROSSOR STEPHEN W + F C	2,669,767	1.99%
9	GREAT WESTERN CAP PL	2,649,578	1.98%
10	J P MORGAN NOM AUST LTD	2,593,463	1.94%
11	BETA GAMMA PL	2,000,000	1.49%
12	JGH METZ PL	1,888,480	1.41%
13	DAVIDTS FREDERIC	1,668,706	1.25%
14	BOYLES DAVID LEROY	1,500,000	1.12%
15	BROWN DAVID + GLENYS D [1]	1,400,000	1.05%
16	BNP PARIBAS NOM PL	1,294,151	0.97%
17	KLARIE PETER	1,290,576	0.96%
18	CREEL PL	1,230,069	0.92%
19	METZ JORG + CARR WENDY J	1,133,637	0.85%
20	G & E PROPS PL	1,120,000	0.84%
		87,960,432	65.73%

[1] D & GD Brown Nom PL is a company owned by David Brown and his wife. David Brown is a director of XRF Scientific Limited.

RESTRICTED SECURITIES

There are currently no restricted securities.

NON-MARKETABLE PARCELS

Class of Security	Number of Securities	Number of Holders
Ordinary shares	32,082	61

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)
Andrew Watson (Chief Financial Officer)

REGISTERED OFFICE

86 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