

Appendix 4E Preliminary Final Report

XRF Scientific Limited
ABN 80 107 908 314



Financial Year Ended 30 June 2017

Results for Announcement to the Market

Revenue from ordinary activities	up	2%	to	\$21,540,489	from	\$21,132,846
Earnings before interest and tax (EBIT)	down	58%	to	\$982,440	from	\$2,318,737
Profit from ordinary activities after tax attributable to members	down	48%	to	\$793,851	from	\$1,537,264
Net profit attributable to members	down	48%	to	\$793,851	from	\$1,537,264

Dividends (distributions)

This period:

	Amount per security	Franked amount per security
Final dividend	0.24c	0.24c
Interim dividend	-	-

Previous corresponding period:

Final dividend	0.3c	0.3c
Interim dividend	0.2c	0.2c

Record date of determining entitlement to dividend	15 September 2017
Payment date of dividend	29 September 2017

Dividend payout ratio

30 June 2017	30 June 2016
%	%
40	43

Earnings per share (EPS)

	30 June 2017	30 June 2016
Basic EPS – (cents per share)	0.6	1.2
Diluted EPS – (cents per share)	0.6	1.2
Weighted average of number of ordinary shares	133,825,803	133,126,318

Net tangible assets per ordinary share (NTA)

30 June 2017	30 June 2016
\$	\$
0.11	0.11

Commentary on the results for the financial year ended 30 June 2017

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, and 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 \$1.55m as at 23 August 2017.

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 \$16k. 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.

Acquisitions still remain as 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.

Details of controlled entities acquired or disposed of

During the period, XRF acquired Gestion Scancia Inc, a manufacturer of x-ray flux based in Quebec, Canada.

See note 11 of the attached financial statements for further details.

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	30 June 2017	30 June 2016
	\$'000	\$'000
Net profit (loss) from ordinary activities	(69)	53

Compliance statement

1. This report, and the accounts upon which this report is based, have been prepared in accordance with AASB Standards.
2. This report, and the accounts upon which the report is based, use the same accounting policies.
3. This report gives a true and fair view of the matters disclosed.
4. This report is based upon accounts to which one of the following applies:

☐

The accounts have been audited.

☐

The accounts have been subject to review.

☒

The accounts are in the process of being audited or subject to review.

☐

The accounts have *not* yet been audited or reviewed.

5. The entity has a formally constituted audit committee.

Signed:



Name:

Vance Stazzonelli (Company Secretary)

Date: 24 August 2017

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

	Consolidated	
	2017	2016
	\$	\$
Revenue from continuing operations	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	36,994	150,570
Share of profits / (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 cost	(46,309)	(28,057)
Profit before income tax	968,429	2,373,420
Income tax expense	(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	(36,250)	(29,165)
Total comprehensive income for the year	757,601	1,508,099
Profit and total comprehensive income attributable to equity holders of XRF Scientific Limited	757,601	1,508,099
Basic earnings per share (cents per share)	0.6	1.2
Diluted earnings per share (cents per share)	0.6	1.2

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		Consolidated	
		2017	2016
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	833,405	3,304,773
Trade and other receivables		4,634,866	4,033,113
Inventories		4,875,783	4,023,542
Other assets		484,879	258,403
TOTAL CURRENT ASSETS		10,828,933	11,619,831
NON-CURRENT ASSETS			
Property, plant and equipment	5	7,239,487	5,832,007
Intangible assets	6	15,942,626	15,227,483
Investments accounted for using the equity method	7	-	607,890
Deferred tax asset		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		1,632,859	1,109,254
Provisions		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		1,198,737	1,111,500
Deferred tax liability		282,574	251,495
Provisions		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	9	18,584,489	18,584,489
Reserves		678,791	715,041
Retained profits		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 CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
		2017	2016
	Note	\$	\$
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	4	156,181	425,064
Cash flows from investing activities			
Payments for property, plant and equipment		(1,841,573)	(3,120,139)
Payments for acquisition of businesses		(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 / (repayment of) borrowings		(125,539)	1,111,500
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	3	833,405	3,304,773

The above consolidated statement of cash flow 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

	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	-	-	(36,250)	-	(36,250)
Total comprehensive income 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

	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 period	-	-	-	1,537,264	1,537,264
Other comprehensive income	-	-	(29,165)	-	(29,165)
Total comprehensive income 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)
	-	-	-	(1,193,135)	(886,418)
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.

Accounting Policies

Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

These consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with any public announcements made by XRF Scientific Limited and its controlled entities during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

These financial statements cover the consolidated group of XRF Scientific Limited and controlled entities. XRF Scientific Limited is a listed public company, incorporated and domiciled in Australia.

These financial statements of XRF Scientific Limited and controlled entities comply with all International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2016 annual report.

This report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

These financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

1. Segment Information

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

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

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

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

The consolidated entity has determined that strategic decision making is facilitated by evaluation of operations on the customer segments of Capital Equipment, Precious Metals & Consumables. For each of the strategic operating segments, the Chief Executive Officer reviews internal management reports on a monthly basis.

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.

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	\$	\$	\$	\$
Segment revenue				
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	\$	\$	\$	\$
Segment revenue				
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	2,552,069
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 expense				
For the year ended 30 June 2017	81,740	251,604	86,351	419,695
For the year ended 30 June 2016	59,417	192,148	175,041	426,606
	Consolidated		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	2,552,069
Loss incurred by parent entity			(265,218)	(178,649)
Profit before income tax expense from continuing operations – total			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 & 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

2. Profit for the year

	Consolidated	
	2017	2016
	\$	\$
Profit for the full year included the following items that are unusual because of their nature, size or incidence:		
Acquisition of business and investment costs	113,167	172,740
Loss incurred by new German division	881,893	170,416
Assets written off by Precious Metals division due to relocation of premises	-	159,793
Other expenses relating to the expansion of the Precious Metals division	224,629	160,681

3. Reconciliation of cash

	Consolidated	
	2017	2016
	\$	\$
Cash on hand and at bank	288,052	2,275,462
Deposits at call	545,353	1,029,311
	<u>833,405</u>	<u>3,304,773</u>

4. Reconciliation of profit after income tax to net cash flow from operating activities

	Consolidated	
	2017	2016
	\$	\$
Profit for the year	793,851	1,537,264
Depreciation and amortisation	767,527	721,539
Share of associate and JV entity (profits) / losses	-	(52,748)
Net exchange differences	18,705	7,800
Net assets of acquired businesses reclassified as investing activities	16,699	187,812
Net (gain) loss on sale of non-current assets	13,895	1,831
Assets written off by Precious Metals division due to relocation of premises	-	159,793
(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	<u>156,181</u>	<u>425,064</u>

5. Property, plant and equipment

	Consolidated	
	2017	2016
	\$	\$
Plant and equipment	3,908,132	3,368,116
Office furniture and equipment	291,397	347,129
Property improvements	1,092,879	174,009
Motor vehicles	123,862	119,536
Land & Buildings	1,823,217	1,823,217
Total property, plant and equipment	7,239,487	5,832,007
Opening net book amount	5,832,007	3,400,626
Additions	2,059,391	3,141,712
Transfer from intangible assets	-	-
Foreign currency adjustment	(11,361)	319
Disposals	(121,980)	(198,384)
Depreciation expense	(518,570)	(512,266)
Closing net book amount	7,239,487	5,832,007

6. Intangible assets

	Consolidated	
	2017	2016
	\$	\$
Goodwill	14,558,572	14,294,351
Research and development costs	783,652	661,391
Patents, trademarks and IP	600,402	271,741
Total intangible assets	15,942,626	15,227,483
Opening net book amount	15,227,483	14,641,537
Recognition of customer list on purchase of Laval	-	103,685
Recognition of goodwill and customer list on purchase of Socachim	-	463,307
Recognition of goodwill and IP on purchase of Gestion Scancia	725,604	-
Foreign currency adjustment	(64,675)	(4,864)
Capitalisation of development costs	293,782	220,678
Other additions	9,389	12,760
Disposals	-	(347)
Amortisation expense	(248,957)	(209,273)
Closing net book amount	15,942,626	15,227,483

7. Investments accounted for using 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 11)	(539,298)	-
Closing amount	-	607,890

8. Liabilities

The group has an overdraft facility of \$1,000,000 as a safeguard on working capital requirements. An additional \$1,600,000 facility is utilised for bank guarantees, used as security for leases. As at 30 June 2017, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
As at 30 June 2017	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade payables	1,188,837	-	-	-	-	1,188,837	1,188,837
Property loan ¹	19,479	19,479	1,127,733	-	-	1,166,691	1,111,500
Plant & equipment loan ²	24,195	24,195	48,389	24,195	-	120,974	113,139
Motor vehicle loan ³	6,096	6,096	12,192	6,096	-	30,480	28,598
Total non-derivatives	1,238,607	49,770	1,188,314	30,291	-	2,506,982	2,442,074

As at 30 June 2016

Non-derivatives							
Trade payables	748,206	-	-	-	-	748,206	748,206
Property loan ¹	19,479	19,479	38,958	1,127,733	-	1,205,649	1,111,500
Total non-derivatives	767,685	19,479	38,958	1,127,733	-	1,953,855	1,859,706

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 fixed and floating charges over the assets of XRF Scientific (including the property acquired) as security for the loan facility.

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.

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.

Interest-bearing loans

The lender holds fixed and floating charges over the assets of XRF Scientific (including the property acquired) as security for the loan facilities. The carrying value of borrowing facilities approximates its fair value, as interest payable is close to market rates.

Financing arrangements

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

9. Contributed equity

	2017	2016	2017	2016
	Shares	Shares	\$	\$
(a) Share capital				
Ordinary shares	133,825,803	133,825,803	18,584,489	18,584,489
Total consolidated contributed equity	133,825,803	133,825,803	18,584,489	18,584,489

Date	Details	Number of shares	\$
1 July 2015	Opening balance	132,157,097	18,257,772
1 December 2015	Shares issued to previous owners of Socachim	1,668,706	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

10. Dividends

	Consolidated
	2017
	\$
Dividends provided for or paid during the year on ordinary shares	401,476
	1,193,135

11. 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 and completes 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:

	\$
(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 and customer lists	393,404
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:

Outflow of cash to acquire businesses:

Cash consideration for Scancia	85,992
Less: Cash acquired through acquisition of Scancia	(40,329)
Net cash outflow	<u>45,663</u>

12. Contingent liabilities

The economic entity is not aware of any material contingent asset or liability for the period ended 30 June 2017.

13. Events occurring after the reporting date

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

There have been 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.