Appendix 4D
Half-Year Report

XRF Scientific Limited
ABN 80 107 908 314

For the Half-Year ended 31 December 2010

Results for Announcement to the Market

Revenue from ordinary activities	up	31.27%	to	$8,645,529
Earnings before interest and tax (EBIT)	up	645.53%	to	$1,513,821
Profit from ordinary activities after tax attributable to members	up	451.61%	to	$1,027,850
Net profit attributable to members	up	451.61%	to	$1,027,850

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend – this period	Nil	Nil
Interim dividend – previous corresponding period	Nil	Nil

Net tangible assets per ordinary share	**31 December 2010 $**	31 December 2009 $
	0.05	0.09

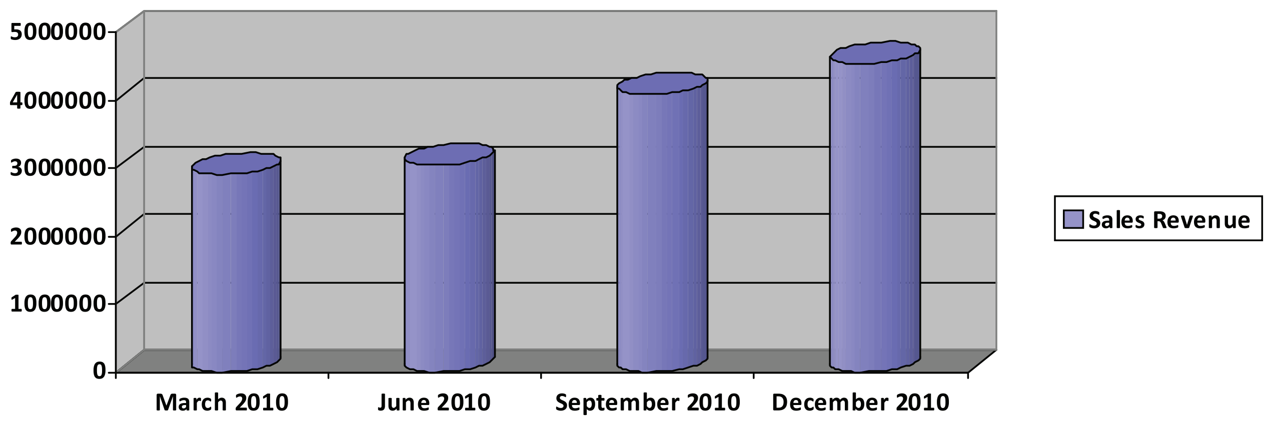
Commentary on the results for the half-year ended 31 December 2010

At the end of July 2010 the Group successfully completed the acquisition of Sigma Flux and Precious Metals for total cash and scrip consideration of $7 million. Combining the operations with XRF Scientific Ltd's (XRF) own flux and precious metals operations has resulted in a number of synergies, including a reduction of overheads and certain variable costs. The combined businesses continue to operate strongly and provide positive cash flow for the group. To help fund the Sigma acquisition the Group issued $750,000 in convertible notes.

As announced to ASX on 30 July 2010, there was a total of $1 million in deferred consideration owing to the vendors of the Sigma Flux and Precious Metals businesses. This was repaid on-time in December 2010.

As can be seen from the following graph, the acquisition of the Sigma businesses and improving market conditions have contributed to increasing sales over the past 4 quarters. Sales for chemicals and platinum labware have remained strong throughout the period. New product orders for platinum labware items were at a very high level towards the end of the half-year. As a result, a significant amount of cash has been required to purchase platinum inventory to meet these orders. These orders were delivered in January/February 2011, the benefit of which will be recognised in the second half of the financial year.

Quarterly Sales Revenue



Sales for capital equipment items in the group's Custom Fusion Machines and Furnace Technology segment also improved throughout the period. The completion and release of new products throughout the second half of the year should further increase and stabilise sales. $238k in research and development costs was invested throughout the period on the development of new products.

In October 2010 the group forecast a net profit before tax for the 2011 financial year of between $2.6 million to $3.0 million. The results for the first half of the year give the Company confidence that it will meet its full year forecast, particularly in light of ongoing strength in the mining sector.

Details of controlled entities acquired or disposed of

100% of the share capital in XFlux Pty Ltd (formerly Sigma Flux Pty Ltd) was acquired on 30 July 2010. See note 8 of the attached financial statements for further details. The acquisition of this company has increased gross profit and net profit before tax for the group by approximately $640k and $550k respectively for the December 2010 half-year.

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

There were no associates or joint venture entities associated with the group for the period.

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 auditors' review report is attached.
6. The entity has a formally constituted audit committee.

Signed: Company Secretary   Date: 18 February 2011

Name: Vance Stazzonelli (Company Secretary)

XRF SCIENTIFIC LIMITED
ABN 80 107 908 314
AND CONTROLLED ENTITIES

INTERIM FINANCIAL STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

This interim financial report does not include all the notes of the type normally included in an annual financial statement. Accordingly, this statement is to be read in conjunction with the annual statement for the year ended 30 June 2010 and any public announcements made by XRF Scientific Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

COMPANY PARTICULARS

BOARD OF DIRECTORS

K. P. Baxter	(Chairman, Non-Executive)
T. Sweet	(Managing Director)
D. Brown	(Non-Executive)
J. Parsons	(Non-Executive)

COMPANY SECRETARY

V. Stazzonelli

REGISTERED OFFICE

XRF Scientific Limited
88 Guthrie Street
Osborne Park WA 6017

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Phone: (08) 9315 2333
Fax: (08) 9315 2233

AUDITOR

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

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of XRF Scientific Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

The following persons were directors of XRF Scientific Limited during the whole of the half-year and up to the date of this report:

Kenneth Baxter (Chairman, Non-Executive)
Terry Sweet (Managing Director)
David Brown (Non-Executive)
John Parsons (Non-Executive)

Review of operations

Please refer to the "Commentary on the results for the half-year ended 31 December 2010" section, which can be found at the start of the Appendix 4D.

Business Segments

Customised Fusion Machines and Furnace Technology
Automated Fusion Technology Pty Ltd (AFT) – design, manufacture and service organisation, specialising in automated fusion equipment.

Modutemp Pty Ltd (MOD) – servicing the analytical sector with a range of high temperature test and production furnaces.

Platinum Labware
APS Labware Pty Ltd (APS) – manufactures products for the laboratory and platinum alloy markets.

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

Chemicals
X-Ray Flux Pty Ltd & XFlux Pty Ltd (formerly Sigma Flux Pty Ltd) – produces chemicals, supplying analytical fluxes to scientists for mineralogical applications, the cement and steel industries as well as other industries.

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 6.

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

Kenneth Baxter
Non Executive Chairman

18 February 2011

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

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

18 February 2011

To the Board of Directors
XRF Scientific Limited
88 Guthrie Street
Osborne Park WA 6017

Dear Sirs,

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

As lead auditor of XRF Scientific Limited for the year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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

Glyn O'Brien
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Half - year	
	31-Dec-10	31-Dec-09
	$	$
Revenue from continuing operations	8,645,529	6,585,850
Cost of sales	(5,139,181)	(4,354,731)
Gross profit	3,506,348	2,231,119
Other revenues	120,669	34,271
Occupancy expenses	(170,101)	(146,859)
Employee benefits expense	(951,880)	(1,162,869)
Motor vehicles expense	(26,997)	(25,432)
Depreciation & amortisation	(226,789)	(145,932)
Other expenses	(663,290)	(519,059)
Acquisition of business costs	(57,252)	-
Finance costs	(59,723)	(13)
Profit before income tax expense	1,470,985	265,226
Income tax expense	(443,135)	(78,890)
Profit after income tax from continuing operations	1,027,850	186,336
Net profit for half year	1,027,850	186,336
Other comprehensive income for the period, net of income tax	-	-
Total comprehensive income for the half year	1,027,850	186,336
Profit and total comprehensive income attributable to Equity holders of XRF Scientific Limited	**1,027,850**	**186,336**
Basic earnings per share (cents per share)	1.0	0.20
Diluted earnings per share (cents per share)	1.0	0.20

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Consolidated 31-Dec-10 $	Consolidated 30-June-10 $
CURRENT ASSETS			
Cash and cash equivalents		86,331	4,264,777
Trade and other receivables		3,104,693	2,095,495
Inventories		2,373,930	1,968,217
Other assets		285,854	240,778
TOTAL CURRENT ASSETS		5,850,808	8,569,267
NON-CURRENT ASSETS			
Property, plant and equipment		2,372,835	2,045,065
Intangible assets	9	12,473,032	5,733,689
Deferred tax asset		454,225	464,875
TOTAL NON-CURRENT ASSETS		15,300,092	8,243,629
TOTAL ASSETS		21,150,900	16,812,896
CURRENT LIABILITIES			
Trade and other payables		1,343,382	1,264,621
Short-term borrowings		172,696	183,710
Provisions		410,501	307,222
Other current liabilities		74,810	1,073
Current income tax liability		274,529	(40,492)
TOTAL CURRENT LIABILITIES		2,275,918	1,716,134
NON-CURRENT LIABILITIES			
Long-term borrowings	5	848,867	-
Deferred tax liability		283,594	269,462
Provisions		93,417	85,149
TOTAL NON-CURRENT LIABILITIES		1,225,878	354,611
TOTAL LIABILITIES		3,501,796	2,070,745
NET ASSETS		17,649,104	14,742,151
EQUITY			
Issued capital	7	12,774,068	10,894,963
Reserves		610,310	610,310
Retained profits		4,264,726	3,236,878
TOTAL EQUITY		17,649,104	14,742,151

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated 31-Dec-10 $	31-Dec-09 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,816,535	6,338,156
Payments to suppliers and employees (inclusive of GST)		(7,102,896)	(5,895,390)
Finance costs		(36,000)	(13)
Income taxes refunded (paid)		(101,526)	116,221
Interest received		52,471	60,324
Net cash inflow (outflow) from operating activities		628,584	619,298
Cash flows from investing activities			
Payments for property, plant and equipment		(78,416)	(441,613)
Payments for research & development		(237,945)	(134,468)
Payments for intangible assets		(2,086)	(2,823)
Payments for acquisition of businesses	8	(6,061,702)	-
Proceeds from sale of property, plant and equipment		-	3,181
Net cash inflow (outflow) from investing activities		(6,380,149)	(575,723)
Cash flows from Financing Activities			
Proceeds from issue of shares (net of transaction costs)		851,912	-
Proceeds from issue of convertible notes (net of transaction costs)		712,500	-
Proceeds from borrowings		81,840	-
Repayment of borrowings		(73,133)	-
Dividends paid		-	(673,424)
Net cash inflow (outflow) from financing activities		1,573,119	(673,424)
Net increase (decrease) in cash and cash equivalents		(4,178,446)	(629,849)
Cash and cash equivalents at the beginning of the financial period		4,264,777	5,080,876
Cash and cash equivalents at the end of the financial period		86,331	4,451,027

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

31 DECEMBER 2010

	Issued Share Capital $	Share Option Reserve $	Retained Profits $	Total $
Balance at 1 July 2010	**10,894,963**	**610,310**	**3,236,876**	**14,742,149**
Total comprehensive income for the period	**-**	**-**	**1,027,850**	**1,027,850**
Transactions with Equity Holders in their capacity as Equity Holders				
Ordinary shares issued, net of transaction costs	1,848,795	-	-	1,848,795
Equity component of convertible notes issued, net of transaction costs	30,310	-	-	30,310
	1,879,105	**-**	**-**	**1,879,105**
Balance at 31 December 2010	**12,774,068**	**610,310**	**4,264,726**	**17,649,104**

31 DECEMBER 2009

	Issued Share Capital $	Share Option Reserve $	Retained Profits $	Total $
Balance at 1 July 2009	**10,894,963**	**610,310**	**3,621,086**	**15,126,359**
Total comprehensive income for the period	**-**	**-**	**186,336**	**186,336**
Transactions with Equity Holders in their capacity as Equity Holders				
Dividends paid	-	-	(687,087)	(687,087)
	-	**-**	**(687,087)**	**(687,087)**
Balance at 31 December 2009	**10,894,963**	**610,310**	**3,120,335**	**14,625,608**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

1. Reporting entity

XRF Scientific Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial statement of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial statement of the consolidated entity as at and for the year ended 31 December 2010 is available on the Company's website at www.xrfscientific.com

2. Basis of preparation of half-year report

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reports* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by XRF Scientific Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

This consolidated interim financial report was approved by the Board of Directors on 18 February 2011.

3. 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 Managing Director.

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

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

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

Description of segments

The following summary describes the operations in each of the group's reportable segments:

(a) Customised Fusion Machines and Furnace Technology
Automated Fusion Technology Pty Ltd (AFT) – design, manufacture and service organisation specialising in automated fusion equipment.
Modutemp Pty Ltd (MOD) – servicing the analytical sector with a range of high temperature test and production furnaces.

(b) Platinum Labware
APS Labware Pty Ltd (APS) – manufactures products for the laboratory and platinum alloy markets.

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

(d) Chemicals
X-Ray Flux Pty Ltd & XFlux Pty Ltd (formerly Sigma Flux Pty Ltd) – produces chemicals, supplying analytical fluxes to scientists for mineralogical applications, the cement and steel industries as well as other industries.

Segment information provided to the Managing Director for the half-year ended 31 December 2010 is as follows:

	Customised Fusion Machines and Furnace Technology	Platinum Labware	LIBS Instruments	Chemicals	Total continuing operations
Half-year ended 31 December 2010	**$**	**$**	**$**	**$**	**$**
Segment revenue					
Total segment revenue	2,556,017	3,536,331	77,920	2,751,019	8,921,287
Inter segment sales	(70,067)	(161,113)	-	(68,337)	(299,517)
Revenue from external customers	2,485,950	3,375,218	77,920	2,682,682	8,621,770
Profit before income tax expense	**269,758**	**556,252**	**(6,221)**	**816,050**	**1,635,839**
Half-year ended 31 December 2009	**$**	**$**	**$**	**$**	**$**
Segment revenue					
Total segment revenue	2,173,623	4,128,839	165,058	1,392,243	7,859,763
Inter segment sales	(65,273)	(1,194,322)	(14,425)	-	(1,274,020)
Revenue from external customers	2,108,350	2,934,517	150,633	1,392,243	6,585,743
Profit before income tax expense	**124,472**	**438,106**	**(123,650)**	**274,564**	**713,492**
Segment assets					
At 31 December 2010	5,073,154	6,514,477	274,193	10,258,041	22,119,865
At 30 June 2010	4,237,115	4,958,724	118,142	3,084,289	12,398,270

	Half-year 31/12/10 $	Half-year 31/12/09 $
Revenue from external customers – segments	**8,621,770**	**6,585,743**
Unallocated revenue	23,759	107
Revenue from external customers - total	**8,645,529**	**6,585,850**
Profit before income tax expense	**1,635,839**	**713,492**
Eliminations and unallocated (corporate)	(164,854)	(448,266)
Profit before income tax expense from continuing operations	**1,470,985**	**265,226**

	Half-year 31/12/10 $	Full-year 30/06/10 $
Total segment assets	22,119,865	12,398,270
Eliminations and unallocated (corporate)	(968,965)	4,414,626
Total assets	**21,150,900**	**16,812,896**

4. Profit for the half-year

	Half-year 2010 $	Half-year 2009 $
Profit for the half-year included the following items that are unusual because of their nature, size or incidence:		
Provision for Managing Director bonus	100,000	100,000
Acquisition of business costs	57,252	-
Termination payments	-	89,925

5. Non-current borrowings

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

	Half-year 2010 $	Half-year 2009 $
Face value of notes issued	750,000	-
Other equity securities – face value of conversion rights	(31,407)	-
Transaction costs	(35,930)	-
	682,663	-
Interest expense*	46,901	-
Interest paid	(23,178)	-
Non-current liability	706,386	-

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

The group further negotiated an overdraft facility for $1 million as a safety guard on working capital requirements. As at 31 December 2010, 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 31 December 2010	$	$	$	$	$	$	$
Non-derivatives							
Trade payables	1,343,382	-	-	-	-	1,343,382	1,343,382
Borrowings (excluding finance leases)	44,630	45,370	817,315	-	-	907,315	706,386
Finance lease liabilities	64,923	125,295	78,189	78,189	-	346,596	315,177
Total non-derivatives	1,452,935	170,665	895,504	78,189	-	2,597,293	2,364,945
As at 30 June 2010							
Non-derivatives							
Trade payables	1,264,621	-	-	-	-	1,264,621	1,264,621
Borrowings (excluding finance leases)	-	-	-	-	-	-	-
Finance lease liabilities	77,485	25,828	86,200	-	-	189,513	183,710
Total non-derivatives	1,342,106	25,828	86,200	-	-	1,454,134	1,448,331

5. Non-current borrowings (continued)

Financing arrangements
The group's undrawn borrowing facilities were as follows as at 31 December 2010:

	Half-year 2010 $	Half-year 2009 $
Floating rate		
- Ongoing facility (bank overdraft)	770,653	-
	770,653	-

6. Dividends

	Half-year 2010 $	Half-year 2009 $
Dividends provided for or paid during the half - year		
- ordinary shares	-	687,087

$687,087 dividends were declared and paid during the half-year ended 31 December 2009 on ordinary shares.

7. Contributed equity

	2010 Shares	2009 Shares	2010 $	2009 $
(a) Share capital				
Ordinary shares	103,628,349	91,611,683	12,743,758	10,894,963
	103,628,349	91,611,683	12,743,758	10,894,963
(b) Other equity securities				
Value of conversion rights – convertible notes			31,407	-
Transaction costs, net of deferred tax			(1,097)	-
			30,310	
Total consolidated contributed equity			**12,774,068**	**10,894,963**

Date	Details	Number of shares	Issue Price $	$
01/07/09	**Opening balance**	**91,611,683**		**10,894,963**
30/06/10	**Closing balance**	**91,611,683**		**10,894,963**
01/07/10	**Opening balance**	**91,611,683**		**10,894,963**
	Issue of ordinary shares from acquisition of Sigma Flux Pty Ltd	6,666,666	0.15	1,000,000
	Transaction costs, net of deferred tax			(4,450)
	Issue of shares from exercise of unlisted options	5,350,000	0.16	856,000
	Transaction costs, net of deferred tax			(2,755)
31/12/10	**Closing balance**	**103,628,349**		**12,743,758**

8. Business combinations

(a) Summary of acquisition

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

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

	$
Purchase consideration	
Sigma Flux Pty Ltd	
Cash paid upfront	4,500,000
Cash paid via deferred consideration	1,000,000
Shares issued (6,666,666 ordinary shares at 15c)	1,000,000
Sigma Precious Metals	
Cash paid	500,000
Total purchase consideration	7,000,000

The assets and liabilities recongnised as a result of the acquisition are as follows:	
Property, plant and equipment	300,000
Inventories	100,000
Net identifiable assets acquired	400,000
Add: goodwill	6,600,000
	7,000,000

Intangible assets have been determined on a provisional basis, pending completion of reports on the potential identification and valuation of any additional intangible assets acquired.

The goodwill is attributable to Sigma Flux's strong position and profitability in trading in the X-Ray Flux market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

(i) Revenue and profit contribution

The acquired businesses contributed revenues of $1,326,132 and net profit of $428,352 to the group for the period 30 July 2010 to 31 December 2010.

If the acquisition has occurred on 1 July 2010, consolidated revenue and consolidated profit for the period ended 31 December would have been $8,910,755 and $1,113,520 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the businesses to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2010, together with the consequential tax effects.

8. Business combinations (continued)

(b) Purchase consideration – cash outflow

	Half-year 2010 $	Half-year 2009 $
Outflow of cash to acquire subsidiary (Sigma Flux Pty Ltd) and business Sigma Precious Metals, net of cash acquired		
Cash consideration	6,000,000	-
Direct costs relating to the acquisition		
Recognised in profit or loss	57,252	-
Recognised in equity – share issue transaction costs	4,450	-
	61,702	-
Outflow of cash – investing activities	6,061,702	-

Acquisition-related costs

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

9. Intangible assets

	$
Opening balances	
Goodwill	4,866,839
Research & development costs	586,482
Patents, trademarks & other rights	280,368
Balance at 30 June 2010	5,733,689
Additions	
Goodwill – acquisition of Sigma Flux & Sigma Precious Metals (note 8)	6,600,000
Research & development costs	237,945
Patents, trademarks & other rights	2,086
	6,840,031
Less Amortisation	(100,688)
Closing balance at 31 December 2010	12,473,032

10. Contingent liabilities

The economic entity is not aware of any material contingent asset or liability for the period ended 31 December 2010.

11. Events occurring after the balance sheet date

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.

DIRECTORS' DECLARATION

The directors of the economic entity declare that:

1. the financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act*, 2001 including:

   (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

2. there are reasonable grounds to believe that XRF Scientific Limited will be able to pay its debts as and when they become due and payable.

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

Ken Baxter
Non Executive Chairman

Terry Sweet
Managing Director

Dated this 18 day of February 2011

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Australia

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of XRF Scientific Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of XRF Scientific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of XRF Scientific Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 18th day of February 2011