

NOTICE OF ANNUAL
GENERAL MEETING 2022

xrf
scientific



**Shareholders are advised that the 2022 Annual General Meeting of
XRF Scientific Limited will be held on:
Friday, 21 October 2022 at the Quest Hotel, 1 Sunray Drive, Innaloo WA 6018
Commencing at 11:00 a.m. (WST)**

The Annual General Meeting (**AGM**) of XRF Scientific Limited ACN 107 908 314 (**Company**) will be held on Friday, 21 October 2022 at the Quest Hotel, 1 Sunray Drive, Innaloo WA 6018, commencing at 11:00 a.m. (WST).

The Explanatory Statement that accompanies and forms part of this Notice describes the matters to be considered at this meeting.

AGENDA

FINANCIAL STATEMENTS AND REPORTS (NO RESOLUTION REQUIRED)

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2022 together with the declaration of the Directors, Directors' Report, Remuneration Report and the Auditor's Report.

RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report, which forms part of the Directors' Report of the Company for the financial year ended 30 June 2022."

Note: the vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

Voting Prohibition Statement

As required by the Corporations Act, the Company will disregard any votes cast (in any capacity) on this Resolution 1 by or on behalf of either of the following persons:

- a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- b) a Closely Related Party of such a member.

However, a person described above (**the voter**) may cast a vote on this Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution 1; or
- b) the voter is the Chair and the appointment of the Chair as proxy:
 - i. does not specify the way the proxy is to vote on this Resolution 1; and
 - ii. expressly authorises the Chair to exercise the proxy even though this Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR DAVID BROWN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr David Brown, being a Director of the Company who retires by rotation in accordance with clause 13.2 of the Constitution and ASX Listing Rule 14.4, be re-elected as a Director of the Company."

RESOLUTION 3 - APPROVAL TO ISSUE SECURITIES UNDER THE COMPANY'S PERFORMANCE RIGHTS PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.2, Exception 13, and for all other purposes, the issue of securities under the Company's Performance Rights Plan on the terms and conditions outlined in the Explanatory Statement be approved."

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of this Resolution 3 by or on behalf of:

- a) any person who is eligible to participate in the Performance Rights Plan; or
- b) any associate of any such persons.

However, this does not apply to a vote cast in favour of this Resolution 3 by:

- a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i. the beneficiary provides written communication to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - ii. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

In addition, as required by the Corporations Act, no Key Management Personnel of the Company or a Closely Related Party of such a member may vote as a proxy on the resolution unless:

- a) the person votes as a proxy appointed by writing that specifies how the person is to vote on the resolution; or
- b) the person is the Chair and votes as a proxy appointed by writing that authorises the Chair to vote on the resolution even though the resolution is connected directly or indirectly with the remuneration of Key Management Personnel of the Company.

RESOLUTION 4 - APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO MR VANCE STAZZONELLI OR HIS NOMINEE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant by the Company to Mr Vance Stazzonelli of Performance Rights as outlined in the Explanatory Statement (and the issue of Shares upon the vesting of those Performance Rights) under the Company's Performance Rights Plan and on the terms and conditions set out in the Explanatory Statement be approved."

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of this Resolution 4 by or on behalf of Mr Vance Stazzonelli, the Managing Director of the Company, who is eligible to participate in the Company's Performance Rights Plan and is excluded from voting, or an associate of Mr Vance Stazzonelli.

However, this does not apply to a vote cast in favour of this Resolution 4 by:

- a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i. the beneficiary provides written communication to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - ii. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

In addition, as required by the Corporations Act, no Key Management Personnel of the Company or a Closely Related Party of such a member may vote as a proxy on the resolution unless:

- a) the person votes as a proxy appointed by writing that specifies how the person is to vote on the resolution; or
- b) the person is the Chair and votes as a proxy appointed by writing that authorises the Chair to vote on the resolution even though the resolution is connected directly or indirectly with the remuneration of Key Management Personnel of the Company.

BY ORDER OF THE BOARD

Andrew Watson
Company Secretary
16 September 2022

NOTES

1. Voting Entitlements

The Board has determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that those persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00 pm WST on Wednesday, 19 October 2022. This means that if you are not the registered holder of a Share in the Company at the entitlement time, you will not be entitled to participate in or vote at the AGM.

2. Proxies

A member entitled to attend and vote at the Meeting (see note 1 above for eligibility criteria) is entitled to appoint not more than two proxies to attend and vote on behalf of the member. A proxy need not be a member of the Company, but must be a natural person (not a corporation). A proxy may also be appointed by reference to an office held by the proxy (e.g. "the Company Secretary"). Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member's voting rights. If no such proportion is specified, each proxy may exercise half of the member's votes.

A proxy form is enclosed. A separate form must be used for each proxy. An additional form can be obtained by writing to the Company at 86 Guthrie Street, Osborne Park, WA 6017 or by fax to (08) 9244 9611. Alternatively, you may photocopy the enclosed form.

A duly completed proxy form and (where applicable) any power of attorney or a certified copy of the power of attorney must be received by the Company at its registered office or the address or fax number set out below, **not less than 48 hours before** the time for commencement of the Meeting. Please send by post to 86 Guthrie Street, Osborne Park, WA 6017 or by fax to (08) 9244 9611. Any Proxy Forms received after the above time will not be valid for the Meeting.

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The Company will accept proxy appointments by a corporate member executed in accordance with either section 127(1) (not under seal) or section 127(2) (under seal) of the Corporations Act.

3. **Explanatory Statement**

The Explanatory Statement accompanying this Notice is incorporated in and comprises part of this Notice and should be read in conjunction with this Notice.

EXPLANATORY STATEMENT

This Explanatory Statement forms part of the Notice of Annual General Meeting. This Explanatory Statement has been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of XRF Scientific Limited. The Directors recommend Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Financial Statements and Reports

In accordance with section 317 of the Corporations Act, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2022 together with the declaration of the Directors, Directors' Report, Remuneration Report and the Auditor's Report. There is no requirement for Shareholders to approve the annual financial report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.xrfscientific.com.

The Company's Auditor will be present at the Meeting and Shareholders will have the opportunity to ask the Auditor questions as to the conduct of the audit, the Auditor's Report, the Company's accounting policies and the independence of the Auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's Auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than five business days before the Meeting to the Company Secretary at the Company's registered office.

Resolution 1 – Remuneration Report

1.1 General

During this item, there will be a reasonable opportunity for Shareholders at the Meeting to comment on, and ask questions about, the Remuneration Report which is incorporated in the Directors' Report in the Company's 2022 annual financial report.

In accordance with the Corporations Act, the vote on the proposed resolution is advisory only and will not bind the Directors or the Company; however, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a Remuneration Report resolution are voted against adoption of the Remuneration Report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the previous financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting, those persons whose election or re-election as directors of the company is approved will be the directors of the company.

1.2 Previous voting results

At the Company's previous annual general meeting, the votes cast against the Remuneration Report considered at that Annual General Meeting were approximately 0.5%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

1.3 Proxy Restrictions

Shareholders appointing a proxy for this Resolution should note the following restrictions placed on certain proxies:

Proxy being appointed	Directed Votes	Undirected Votes
Key Management Personnel (other than the Chair) ¹	Can vote directed votes	Cannot vote undirected votes ³
Chair ²	Can vote directed votes	Can vote at discretion of Proxy ⁴
Other third party	Can vote directed votes	Can vote at discretion of Proxy

Notes:

- 1) Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.
- 2) Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).
- 3) Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.
- 4) The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

1.4 Directors' Recommendation

Given the personal interests of all Directors in this Resolution, the Board makes no recommendation to Shareholders regarding this Resolution.

Resolution 2 – Re-election of Director – Mr David Brown

Clause 13.2 of the Constitution requires that at the Company's Annual General Meeting in every year, one third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except the Managing Director) shall hold office for a period in excess of 3 years, or until the third Annual General Meeting following his or her appointment, whichever is longer, without submitting himself or herself for re-election.

The Directors to retire at an Annual General Meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A retiring Director is eligible for re-election.

The Company currently has 4 Directors, one of which is a Managing Director, and accordingly 1 must retire.

Mr Brown, the longest in office since his last election, retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election. Mr Brown was appointed a Director in 2004 and has continuously served as a Director since his appointment, having last been re-elected in 2019.

Mr Brown's Biography

Mr Brown has over four decades of experience in R&D and the manufacturing of X-ray flux chemicals. He pioneered the commercial development of X-ray fluxes in Australia and was responsible for the commercialisation of current formulae now used by most Australian X-ray flux users. He holds B.Sc. and B.Ec degrees from the University of Western Australia and has previously held the position of Chairman of the Scientific Industries Council of WA.

Other Directorships

Private companies only.

Directors' Recommendation

The Board has considered the performance of Mr Brown as well as the skills, knowledge and experience he brings to the Board and his contribution to Board discussions. The Board (other than Mr Brown) recommends Shareholders vote in favour of the Resolution.

Resolution 3 – Approval to issue securities under the Company's Performance Rights Plan

3.1 Background

ASX Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12-month period without requiring Shareholder approval. ASX Listing Rule 7.2 allows certain issues of securities to be excluded from the calculation of the number of securities issued in the 12-month period under ASX Listing Rules 7.1, including under Exception 13 for issues made under an employee incentive plan.

Exception 13 is only available for issues made under an employee incentive plan if, within three years before the date of issue:

- (a) for a plan which was established before the entity was listed, a summary of the terms of the plan were included in the prospectus lodged with ASX on listing; or
- (b) the holders of the entity's ordinary securities approved the issue of securities under the plan as an exception to ASX Listing Rule 7.2.

Therefore, the Company is seeking Shareholder approval for the issue of securities under the Company's Performance Rights Plan as an exception to ASX Listing Rule 7.2 (via Exception 13(b)), so that any securities issued by the Company under the Performance Rights Plan (being rights and Shares when rights vest) after that date will not be included when calculating the Company's remaining placement capacity under ASX Listing Rule 7.1.

3.2 Requirements under ASX Listing Rule 7.2, Exception 13

In accordance with the requirements of ASX Listing Rule 7.2, Exception 13, the following information is provided by the Company:

- (a) A summary of the terms of the Company's Performance Rights Plan are outlined below. The detailed terms and conditions of the Performance Rights Plan may be obtained free of charge by contacting the Company on (08) 9244 0600 or by email at esp@xrfscientific.com.
- (b) The Performance Rights Plan is a new employee incentive plan and has not previously been approved by Shareholders. As at the date of this Notice, no performance rights have been granted (nor Shares issued) under the Performance Rights Plan.
- (c) The maximum number of performance rights proposed to be issued under the Performance Rights Plan following Shareholder approval over the next three years is approximately 1,200,000 performance rights (some of which may vest during that time, with Shares allocated to the participant on vesting). This maximum is not intended to be a prediction of the actual number of performance rights to be issued under the Performance Rights Plan, but is specified for the purposes of setting a ceiling on the number of performance rights approved to be issued under and for the purposes of ASX Listing Rule 7.2, Exception 13. If that number is reached, fresh Shareholder approval under ASX Listing Rule 7.2, Exception 13 would be required, otherwise any additional issues of performance rights under the Performance Rights Plan over the maximum will count towards the calculation of the Company's placement capacity under ASX Listing Rule 7.1.
- (d) A voting exclusion statement in respect of Resolution 3 included in this Notice.

3.3 Terms of the Performance Rights Plan

Eligibility Criteria

Subject to the rules of the Performance Rights Plan, the Performance Rights Plan is open to all eligible participants, being full time, part time and casual employees, contractors and Directors of the Company or any of its related bodies corporate who the Board designates as being eligible. The Directors are entitled to participate in the Performance Rights Plan.

Invitation and offer of performance rights

Under the Performance Rights Plan, the Board may invite eligible participants to participate in the Performance Rights Plan and make an offer to acquire performance rights for no consideration. The invitation must be in writing and specify, amongst other things, the number of performance rights that eligible participants may accept, the date on which the performance rights may vest, any conditions to be satisfied before vesting and any other terms attaching to the performance rights.

Following receipt by an eligible participant of an invitation, the eligible participant may make an offer by delivering a duly completed and signed application form or renunciation form (if the eligible participant intends to renounce its invitation) to the Company within the closing time specified in the invitation. The Board may decide to accept or reject an offer. An offer is accepted by the Company by the grant of performance rights to the participant or the participant's nominee.

Vesting of performance rights

The performance rights vest upon the satisfaction of any vesting conditions (such as performance criteria) or any other conditions contained in the offer, following which the Company will allocate to the participant the number of Shares to which the participant is entitled under the terms of the offer. If the transfer or issue of Shares on exercise of a performance right would otherwise fall within a blackout period, or breach the insider trading or takeover provisions of the Corporations Act, the Company may delay the transfer or issue of the Shares for as long as it is reasonably practicable to do so.

Lapse

Unvested performance rights shall lapse where the vesting conditions have not been met within the relevant vesting period or as otherwise specified by the terms of the offer or rules of the Performance Rights Plan.

Quotation

Performance rights will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the Performance Rights Plan in accordance with the ASX Listing Rules and having regard to any disposal restrictions.

Rights

A participant is not conferred with the rights of a shareholder until such time as Shares are allocated to the participant.

Administration

The Performance Rights Plan is administered by the Board, or its delegates, in accordance with the rules of the Performance Rights Plan. The Board may make regulations and policies for operating and administering the Performance Rights Plan provided that such regulations and policies are consistent with the rules of the Performance Rights Plan.

Termination and Amendment

The Performance Rights Plan may be terminated or suspended at any time by the Board. To the extent permitted by the Corporations Act and the ASX Listing Rules, the Board may vary the rules of the Performance Rights Plan except where the amendment would reduce any of the participant's rights (in which case the Board must obtain prior written consent of at least 75% of the participants affected by the proposed change).

3.4 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in FAVOUR of Resolution 3. The Chair intends to vote undirected proxies in FAVOUR of Resolution 3.

Resolution 4 – Approval of issue of performance rights to Mr Vance Stazzonelli or his nominee

4.1 Background

Resolution 4 seeks Shareholder approval of the long-term incentive (LTI) component of Mr Stazzonelli's remuneration through the issue of 402,503 performance rights under the Company's Performance Rights Plan for the 2023 financial year.

The objective of the Performance Rights Plan is to allow the Board to grant performance rights to executives of the Company to:

- (a) assist in the reward, retention and motivation of executives;
- (b) link the reward of executives to performance and the creation of shareholder value;
- (c) align the interests of executives more closely with the interests of shareholders by providing an opportunity for executives to receive Shares;
- (d) provide executives with the opportunity to share in any future growth in value of the Company; and
- (e) provide greater incentive for executives to focus on the Company's longer-term goals.

ASX Listing Rule 10.14 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

As Shareholder approval is sought under ASX Listing Rule 10.14, separate approval under ASX Listing Rules 7.1 and 10.11 are not required to issue the performance rights to Mr Stazzonelli.

If Resolution 4 is passed, the Company will be able to proceed with the issue of the performance rights to Mr Stazzonelli. If any of Resolution 4 is not passed, the Company will not be able to proceed with the issue of the performance rights to Mr Stazzonelli. If this occurs, the Company will consider other forms of performance-based remuneration for that Director.

4.2 The Performance Rights Plan

The Board is responsible for administering the Performance Rights Plan in accordance with the rules of the Performance Rights Plan and the terms and conditions of the specific grants to participants under the Performance Rights Plan.

The Board is cognisant of general Shareholder opinion that long-term equity-based rewards for staff should be linked to the achievement by the Company of performance conditions.

Mr Stazzonelli, who is Managing Director of the Company receives a fixed remuneration of \$386,000 per annum (inc. Superannuation). The Board will offer 402,503 performance rights to Mr Stazzonelli based on his LTI opportunity for the Performance Rights Plan, being at a rate of 60% of his fixed remuneration (**LTI Opportunity**). The number of performance rights to be awarded has been calculated by dividing the LTI Opportunity amount (being \$231,600) by the 31-day volume weighted average price of the Company's shares (57.54 cents) up to and including 31 July 2022.

The performance rights that the Board will offer to Mr Stazzonelli under the Performance Rights Plan for the 2023 financial year are subject to the two performance conditions outlined below. These performance conditions must be satisfied in order for the performance rights to vest. The two performance conditions are equally weighted and operate independently of each other so that performance rights can vest under either or both categories (with 50% of the 402,503 performance rights capable of vesting under each of the two performance conditions). The Board currently expects that it will determine whether or not the performance conditions have been satisfied by late August 2025, after the release of the Company's audited financial statements.

In addition, subject to certain exemptions in the Performance Rights Plan, it will be a requirement, in order for Mr Stazzonelli's 402,503 performance rights to vest, that his employment with the Company is not terminated by his resigning or by the Company terminating for cause or underperformance prior to 30 June 2025. If Mr Stazzonelli's employment terminates under a special circumstance, then the vesting of the performance rights may still be assessed against the performance conditions attaching to them, unless the Board determines otherwise. If the above performance hurdles and employment conditions are not met as at the vesting date, Mr Stazzonelli's performance rights will lapse.

Upon the vesting of performance rights, and subject to any adjustments in accordance with the rules of the Performance Rights Plan (e.g. upon a reorganisation of capital), one Share will be automatically issued to Mr Stazzonelli or his nominee for each performance right that vests (unless the Board exercises its discretion below to pay a cash equivalent). Mr Stazzonelli or his nominee will not be required to pay any exercise price to the Company on the vesting of any performance rights.

While the Board's current intention is that Mr Stazzonelli or his nominee will be issued with a Share upon a performance right vesting, the Board retains the discretion to pay the cash equivalent of a performance right (being the gross value of the Shares that would have been issued to Mr Stazzonelli if the Board chose to settle the performance rights in Shares) in lieu of issuing Shares.

In accordance with the Company's Performance Rights Plan and the terms of the offer, the performance rights to be issued to Mr Stazzonelli:

- (a) are not transferrable;
- (b) do not confer any right to vote, except as otherwise required by law;
- (c) do not confer any entitlement to a dividend, whether fixed or at the discretion of the directors;
- (d) do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise;
- (e) do not confer any right to participate in the surplus profit or assets of the entity upon a winding up; and
- (f) do not confer any right to participate in new issues of securities such as bonus issues or entitlement issues,

unless and until the performance rights vest and Mr Stazzonelli is issued Shares.

4.3 Indexed Total Shareholder Returns (50% of Performance Rights)

Total shareholder return (**TSR**) is a method of calculating the return Shareholders would earn if they held a notional number of Shares over a period of time. TSR measures the growth in the Company's share price together with the value of dividends during the period, assuming that all of those dividends are re-invested into new Shares. When calculating the Company's TSR, its Share price at the beginning and end of the measurement period will be calculated as a one-month VWAP (i.e. July in year 1 and June in year 3).

The percentage of performance rights out of this tranche that vest, if any, will be determined by reference to the relative TSR of the Company achieved over a three-year performance period commencing 1 July 2022 and ending 30 June 2025 (**Performance Period**), compared to the TSR of the S&P/ASX Small Ordinaries Accumulation Index (**ASOAI**), as follows:

Performance against the relevant condition(s)	Quantum of Performance Rights subject to performance conditions that vest (%)
Less than index TSR Below 100% of the proportionate change in the ASOAI index over the relevant Measurement Period	Nil
Equal to index TSR At 100% of the proportionate change in the ASOAI index over the relevant Measurement Period	50%
Greater than index TSR Between 100% and 120% of the proportionate change in the ASOAI index over the relevant Measurement Period	Pro-rata between 50% and 100%

Threshold vesting of this tranche of the performance rights occurs where the Company's TSR equals the S&P/ASX Small Ordinaries Accumulation Index TSR over the Performance Period. For the whole tranche of performance rights to vest, the Company's TSR must exceed the TSR of the S&P/ASX Small Ordinaries Index over the Performance Period by 20 per cent.

4.4 EPS Compound Annual Growth Rate (50% of Performance Rights)

Earnings per share (**EPS**) is a method of calculating the performance of an organisation, capturing information regarding an organisation's net profit after tax in proportion to the total number of shares issued by the organisation. EPS is based on statutory profit, calculated in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act. The Board retains the sole discretion to include or exclude certain one-off items, to ensure the statutory profit is a true reflection of the trading results.

The percentage of performance rights out of this tranche that vest, if any, will be determined by reference to the EPS compound annual growth rate (CAGR), as follows:

EPS compound annual growth rate (EPS CAGR)	Percentage of EPS-tested rights vesting
<10%	Nil
10%	50%
Between 10% - 20%	Pro-rata between 50% and 100%
> = 20%	100%

- The difference in EPS between FY22 and FY25 is the basis of the EPS CAGR calculation
- An EPS CAGR of 10% equates to a 33.1% increase in EPS between FY22 and FY25
- An EPS CAGR of 20% equates to a 72.8% increase in EPS between FY22 and FY25

4.5 Technical information required by Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to Resolution 4:

- (a) Subject to Shareholder approval, the performance rights will be issued under the Performance Rights Plan to Mr Vance Stazzonelli, who is a Director of the Company;
- (b) Mr Stazzonelli is a related party of the Company by virtue of being a Director and therefore falls within the category stipulated by Listing Rule 10.14.1;
- (c) The total number of performance rights to be issued to Mr Stazzonelli is 402,503 performance rights;

- (d) Mr Stazzonelli's current total remuneration package as at the date of this Notice is:
 - (i) Base Remuneration (inc. Superannuation): \$386,000
 - (ii) Performance rights: 0
 - (iii) Short-term incentives (100% cash): Cash bonus received for FY 2022 was \$80,000 (inc. superannuation) out of a maximum bonus payable of \$100,000. The maximum bonus payable for FY 2023 is \$150,000.
- (e) Mr Stazzonelli has not previously been issued performance rights;
- (f) A summary of the material terms of the performance rights proposed to be issued to Mr Stazzonelli is set out in sections 4.2, 4.3 and 4.4 of this Explanatory Statement;
- (g) Performance rights are being issued to Mr Stazzonelli to provide an incentive component in his remuneration package to retain his services, motivate performance, and reward the achievement of performance hurdles within a specified period. The Board considers this to be a cost-effective remuneration practice which is reasonable given that the vesting conditions and performance hurdles will align the interests of Mr Stazzonelli with those of Shareholders;
- (h) The fair value of the performance rights will be determined at the date the performance rights are granted to Mr Stazzonelli. In order to provide the information required by Listing Rule 10.15 an indicative valuation has been calculated using the valuation methodology set out in Schedule 1;
- (i) Subject to Shareholder approval being obtained, the performance rights will be issued to Mr Stazzonelli no later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules), and it is anticipated that the performance rights will be issued on one date;
- (j) the performance rights to be issued to Mr Stazzonelli, and any Shares to be allocated on vesting of the performance rights, will be provided for nil cash consideration;
- (k) a summary of the material terms of the Performance Rights Plan is set out in section 3.3 of this Explanatory Statement;
- (l) no loans will be made to Mr Stazzonelli in relation to the issue, vesting or exercise of the performance rights;
- (m) details of any securities issued under the Performance Rights Plan will be published in the Company's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14;
- (n) any additional persons covered by Listing Rule 10.14 who become entitled to participate in the Performance Rights Plan after Resolution 4 is approved and who were not named in this Notice will not participate until approval is obtained under Listing Rule 10.14; and
- (o) a voting exclusion statement in respect of Resolution 4 is included in this Notice of Meeting.

4.6 Directors' Recommendation

The Directors (other than Mr Stazzonelli) unanimously recommend that Shareholders vote in FAVOUR of Resolution 4. The Chair intends to vote undirected proxies in FAVOUR of Resolution 4.

ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+ 61 8) 9244 0600 if they have any queries in respect of the matters set out in these documents.

SCHEDULE 1 - VALUATION OF PERFORMANCE RIGHTS

The fair value of the performance rights proposed to be granted to Mr Vance Stazzonelli pursuant to Resolution 4 will be determined at the date the performance rights are granted using the Monte Carlo Simulation (TSR component) and Black-Scholes (EPS component) valuation methodologies. For the purposes of complying with Listing Rule 10.15 an indicative fair value has been calculated using these methodologies and the assumption that the performance rights had been granted on 6 September 2022.

The key inputs used in determining the indicative fair values were as follows:

Item	TSR component	EPS component
Underlying security spot price	\$0.72	\$0.72
Exercise price	Nil	Nil
Valuation Date	6-Sep-22	6-Sep-22
Commencement of performance period	1-Jul-22	1-Jul-22
Performance measurement date	30-Jun-25	30-Jun-25
Performance period (years)	3.00	3.00
Remaining performance period (years)	2.82	2.82
Volatility of XRF	45%	45%
Volatility of the Index	20%	N/A
Risk-free rate	3.28%	3.28%
Dividend yield	4.00%	4.00%
Valuation per Right	\$0.4500	\$0.6450

Based on the above, the Company has calculated an indicative value of all performance rights to be granted to Mr Stazzonelli pursuant to Resolution 4 is \$220,370, comprising:

	TSR component	EPS component
Number of performance rights	201,252	201,251
Fair value per performance right	\$0.4500	\$0.6450
Total	\$90,563	\$129,807

Any change in the inputs applied in the Monte Carlo Simulation and Black-Scholes valuation methodologies between the date of the indicative valuation (6 September 2022) and the date the performance rights are granted would have an impact on their value.

GLOSSARY

\$	Australian dollars.
ASX	ASX Limited ACN 008 624 691 or, where the context permits, the financial market operated by it.
Auditor	BDO Audit (WA) Pty Ltd (ACN 112 284 787).
Auditor's Report	The Auditor's Report on the annual financial report of the Company for the financial year ended 30 June 2022.
Board	The current board of directors of the Company.
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
Chair	The chairman of the Meeting.
Closely Related Party	<p>A closely related party of a member of Key Management Personnel means:</p> <ul style="list-style-type: none"> • a spouse or child of the member; • a child of the member's spouse; • a dependent of the member or the member's spouse; • anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; • a company the member controls; or • a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).
Company	XRF Scientific Limited (ACN 107 908 314).
Constitution	The constitution of the Company.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Director	A current director of the Company.
Directors' Report	The Directors' Report prepared under Chapter 2M of the Corporations Act for the Company for the financial year ended 30 June 2022.
Explanatory Statement	The explanatory statement accompanying the Notice.
Key Management Personnel	Has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.
Meeting or Annual General Meeting	The Annual General Meeting convened by the Notice.
Notice	This notice of meeting including the Explanatory Statement and the Proxy Form.
Performance Rights Plan	The XRF Scientific Limited Performance Rights Plan, whereby eligible employees will be invited to apply for performance rights, which will be converted to Shares if performance criteria are satisfied within a set performance period.
Proxy Form	The proxy form accompanying the Notice.
Remuneration Report	The Remuneration Report set out in the Director's Report section of the Company's annual financial report for the year ended 30 June 2022.
Resolutions	The resolutions set out in the Notice, or any one of them, as the context requires.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A holder of a Share.
WST	Western Standard Time as observed in Perth, Western Australia.

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XRF SCIENTIFIC LIMITED

ACN 107 908 314

2022 ANNUAL GENERAL MEETING PROXY FORM

(Name of member/s)

Of

(Address of member/s)

Appointment of Proxy

I/We being a member/s of XRF Scientific Limited and entitled to attend and vote at the Annual General Meeting hereby appoint

☐

the Chairman of the Meeting
(mark with an 'X')

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting

or, failing the person named, or if no person is named, the Chairman of the Meeting, or the Chairman's nominee, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given and subject to the relevant laws, as the proxy sees fit) at the Annual General Meeting of XRF Scientific Limited to be held on Friday, 21 October 2022, at the Quest Hotel, 1 Sunray Drive, Innaloo WA 6018, commencing at 11:00 a.m. (WST) and at any adjournment of that meeting.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. If this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting directions to your proxy – please mark ☒ to indicate your directions.

	FOR	AGAINST	ABSTAIN
1. Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Director – Mr David Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval to issue securities under the Company's Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of issue of performance rights to Mr Vance Stazzonelli or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in calculating the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%.

Please sign here

THIS SECTION MUST BE SIGNED IN ACCORDANCE WITH THE INSTRUCTIONS OVERLEAF TO ENABLE YOUR DIRECTIONS TO BE IMPLEMENTED.

Individual or Securityholder 1

Individual/ Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/ Company Secretary

Contact Name

Contact Daytime Telephone No.

Date

HOW TO COMPLETE THE PROXY FORM

1. Appointment of a Proxy

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

2. Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. However, where both proxies attend the Meeting, voting may only be exercised on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the Company or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy on the form overleaf;
- (b) on each of the first Proxy Form and the second Proxy Form, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (c) return both forms together in the same envelope.

4. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise, this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

5. Attending the Meeting

Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.

6. Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 48 hours before the commencement of the meeting at 11:00 a.m. on Friday, 21 October 2022. **Any Proxy Form received after that time will not be valid for the scheduled meeting.**

Documents may be lodged by posting, delivery, facsimile, or email to:

XRF Scientific Limited
86 Guthrie Street
Osborne Park WA 6017
Facsimile: (08) 9244 9611
Email: investors@xrfscientific.com