

16 December 2016

Trading and Earnings Update

The Board of XRF Scientific Ltd (“XRF” or “Company”) wishes to provide an update on trading conditions and expectations of results for the December 2016 half-year.

After conducting a review of the November internal management accounts of XRF (unaudited), the Board now expects that there will be a material variation to the results generated for the half-year ended 31 December 2016, when compared to the Previous Corresponding Period (PCP) that delivered \$1.31m in statutory profit before tax.

A significant amount of this material variation is due to the cost of the expansion initiatives of the Precious Metal Division, which amount to \$0.5m for the five months ended 30 November and are expected to reach \$0.6m for the half-year. The expansion initiatives include the establishment of the new office in Germany. As noted at the November AGM, the Board is highly committed to the European precious metals expansion, and the temporary outflow of cash is a necessary investment in the development of this new business.

The Company relocated its precious metals factory in the half, resulting in a delay in completion of orders. The factory is currently very busy, working through this backlog arising from the move, as well as a significant amount of new orders that have subsequently been received.

Our North American operations have experienced a slowdown in sales, which appears to have been driven by the political uncertainty surrounding the USA presidential election. We note there have been no major client losses and we anticipate the market to return to normal levels of activity in the second half of this year.

As highlighted earlier this year, significant increases in lithium costs have increased some of our consumable products cost of production. Sales volumes have remained consistent with recent prior periods, however there has been some margin erosion.

Capital equipment sales to November have improved significantly compared to the prior year. Whilst the division has only broken even in the first five months, this is a better result than the loss position during the PCP. The success of our reinvigorated capital equipment product range continues to improve sales.

At this stage the Board still expects XRF to have a profitable half, however the level of profitability will be determined by the strength of trading in December.

Please direct any inquiries to:

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About XRF Scientific:

XRF Scientific Limited is an Australian listed company (ASX: XRF) based in Perth, Western Australia. XRF manufactures equipment and chemicals, which are distributed to production mines, construction material companies and commercial analytical laboratories, in Australia and overseas, and used in the preparation of samples for analysis.

XRF has manufacturing, sales and support facilities located in Perth, Melbourne, Europe and Canada, plus a global network of distributors. The Company has representation in the United States, South America, Africa, the Middle East and Asia and has a customer base that includes multinational blue-chip customers such as:- BHP Billiton, Rio Tinto, Vale, South 32, Glencore, Alcoa, Lafarge, Holcim, ArcelorMittal, CSIRO, Intertek, Bureau Veritas, SGS and ALS.

XRF's technology is used to measure the composition and purity of materials and is mainly applied in industrial quality control and in process control for manufacturing processes in industries such as metals and mining, construction materials, chemicals and petrochemicals.

XRF's products help customers to improve product quality and performance, increase productivity and yield and reduce downtime and waste. Its businesses have established positions in their specialised markets.