

Appendix 4D Half-Year Report

XRF Scientific Limited
ABN 80 107 908 314



For the Half-Year ended 31 December 2017

Results for Announcement to the Market

Revenue from ordinary activities	up	15%	to	\$12,068,436	from	\$10,480,119
Earnings before interest and tax (EBIT)	up	59%	to	\$781,626	from	\$491,393
Profit from ordinary activities after tax	up	43%	to	\$525,726	from	\$366,493
Net profit attributable to members	up	43%	to	\$525,726	from	\$366,493

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 2017	31 December 2016
	\$	\$
	0.11	0.11

Earnings per share (EPS)

	31 December 2017	31 December 2016
Basic EPS – (cents per share)	0.4	0.3
Diluted EPS – (cents per share)	0.4	0.3
Weighted average of number of ordinary shares	133,825,803	133,825,803

Commentary on the results for the half-year ended 31 December 2017

XRF Scientific Ltd (“XRF” or “Company”) is pleased to report its December 2017 half-year results to shareholders. The Company has generated revenue of \$12.1m and Net Profit After Tax of \$526k. Underlying profit before tax has increased by 21% on the PCP to \$1.32m, before expensing costs associated with acquisitions, R & D and expansion of the Precious Metals Division. Acquisition-related costs were \$196k during the half, compared to \$7k in the PCP, which related to the acquisition and integration of Scancia into the group, including the factory closure in Canada and the cost of relocating production to Perth.

Underlying profit before tax adds back the following costs:

	31-Dec-17	31-Dec-16
	\$	\$
Net profit before tax	741,092	492,997
Acquisition of business and equity investment costs	195,531	7,344
Loss incurred by new German division	376,085	447,657
Precious metals factory relocation costs	-	86,244
Research and development costs	4,000	51,624
Underlying profit before tax	1,316,708	1,085,866

The Board has determined not to pay an interim dividend, due to the ongoing investment in the Precious Metals Division and new office in Germany.

The Company’s cash position has improved to \$1.5m as at 31 December, compared to \$833k as at 30 June. Short-term borrowings have increased from \$55k as at 30 June to \$1.38m as at 31 December. This is mainly due to the reclassification of the \$1.1m building loan for the Company’s precious metals factory in Melbourne, which had an initial three-year term, and will be renegotiated prior to 30 June in advance of the expiry in November 2018. Debt increased during the half due to the finalisation of a \$1.2m purchase of equipment for the precious metals factory, which was commissioned in late November. \$0.5m of this loan value was to refund the Company for a deposit paid to the supplier in FY17. The new equipment significantly expands our precious metals fabrication capabilities, into product areas not previously accessible.

As noted at the AGM in November, the Consumables Division has seen a strong level of activity in the last half. Revenue has increased by 27% on the PCP to \$4.1m and net profit before tax has increased by 17% to \$1.04m. The increase has been driven by customers globally, particularly those involved in the mining sector. During the last half, lithium prices remained relatively stable, and therefore as did production costs for our consumable products. The Scancia flux factory in Quebec was closed in October and the equipment was shipped to the division’s main factory in Perth. The production plant is currently being recommissioned and is expected to be operational shortly. During this commissioning period, regular customer orders are being fulfilled from our stock holding that was built up in Canada.

The Capital Equipment Division improved during the half, delivering a profit before tax of \$70k, as opposed to a loss of \$24k in the PCP. The main driver of this improvement has been the strong level of electric fusion machine orders, which are manufactured in the Perth factory. The launch of the “xrFuse 1” one-position fusion machine has been highly successful, with a number of units already sold. The machine is a good sample preparation partner for smaller benchtop x-ray spectrometers, which are increasing in popularity. Orders for electric machines are expected to remain strong through the next half. The sale of gas fusion machines also started to improve towards the end of the half, with a good order book now being maintained. In late November, a new machine, the “Phoenix GO” was launched. Advances in our R & D program have allowed for this new product to be released, which uses gas only, without the need for oxygen or compressed air for operation. The machine is aimed at the lower pricing end of the market, and is ideally suited for cost-conscious users, with savings available both on the initial infrastructure and ongoing operating costs.

The Precious Metals Division delivered a loss before tax of \$72k for the half, as compared to \$369k in the PCP. The loss reduced significantly, due to increased sales activity, and non-recurring relocation costs of the precious metals factory that were in the PCP. Towards the end of the half an increase in new precious metals product sales started to occur, in addition to regular used product remanufacturing orders. The factory in Melbourne has been extremely busy, expanding its product portfolio and capabilities, in line with the sales activity occurring in Germany. New products are being developed both for the traditional labware portfolio and precision customised platinum products.

Sales development at our office in Germany is progressing well, which achieved \$784k of revenue during the half as compared to \$416k during the June 2017 half. The office is still in a loss position, which amounted to \$376k for the December half, compared to \$434k in the June 2017 half. The size of the loss was increased due to forex differences caused by the strength of the Euro against the AUD. Our current expectation is that the office will be breaking even on a monthly basis within the calendar year. XRF's precision products are experiencing a strong level of acceptance in the European markets, with the first order for an aerospace customer delivered in November. New customers for platinum labware are regularly being added each month, with many of the largest customers in Germany now buying from our office. The office is also experiencing success with the sale of fusion machines and XRF fluxes, into Germany and surrounding countries.

Growing our international revenue base remains a key priority, both through our own overseas offices and independent network of distributors. Good progress is being made in Asian countries such as China and Indonesia, which have seen an increased level of activity over the last half. A new distributor was recently appointed in Japan, which resulted in our first ever machine sale into the country. We are also seeing an improvement in sales activity in North America via our office in Canada. During the half, the office delivered revenue of \$1.83m as compared to \$1.45m in the PCP. This is due to Customers increasing both the frequency and sizes of their orders. A number of new large customers have also been acquired.

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

Group's share of associates and joint venture entities:	31 December 2017	31 December 2016
	\$	\$
Profit (loss) from ordinary activities	-	(18,607)

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

Signed:



Date: 22 February 2018

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 2017**

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 2017 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

Kenneth P. Baxter	(Chairman, Non-Executive)
David Brown	(Non-Executive)
David Kiggins	(Non-Executive)
Fred Grimwade	(Non-Executive)

COMPANY SECRETARIES

Vance Stazzonelli
Andrew Watson

REGISTERED OFFICE

XRF Scientific Limited
86 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

TABLE OF CONTENTS

Directors' report	4
Auditor's independence declaration	5
Interim financial report	
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of cash flows	8
Consolidated statement of changes in equity	9
Notes to the consolidated financial statements	10-14
Directors' declaration	15
Independent auditor's review report to the members	16-17

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 2017.

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)
David Brown (Non-Executive)
David Kiggins (Non-Executive)
Fred Grimwade (Non-Executive)

Review of operations

Please refer to the "Commentary on the results for the half-year ended 31 December 2017" section, which can be found at the start of the Appendix 4D.

Business Segments

Capital Equipment

Design, manufacture and service organisation, specialising in automated fusion equipment, high temperature test and production furnaces, as well as general laboratory equipment.

Precious Metals

Manufactures products for the laboratory and platinum alloy markets.

Consumables

Produces and distributes consumables, chemicals and other supplies for analytical laboratories.

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 5.

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
Chairman

22 February 2018

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

As lead auditor for the review of XRF Scientific Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of XRF Scientific Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 22 February 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Half-year	
	31-Dec-17	31-Dec-16
	\$	\$
Revenue from continuing operations	12,068,436	10,480,119
Cost of sales	(7,311,774)	(6,260,160)
Gross profit	4,756,662	4,219,959
Other revenues	27,131	27,797
Share of net profit / (loss) of investments accounted for using the equity method	-	(18,607)
Administration expenses	(3,128,533)	(2,951,624)
Occupancy expenses	(371,381)	(394,758)
Finance costs	(42,196)	(20,020)
Other expenses	(500,591)	(369,750)
Profit before income tax	741,092	492,997
Income tax expense	(215,366)	(126,504)
Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited	525,726	366,493
Other comprehensive income		
Items that will be classified to profit or loss		
Foreign currency translation differences	154,040	(61,538)
Other comprehensive income after income tax	154,040	(61,538)
Total comprehensive income for the half year	679,766	304,955
Total comprehensive income attributable to Equity holders of XRF Scientific Limited	679,766	304,955
Basic earnings per share (cents per share)	0.4	0.3
Diluted earnings per share (cents per share)	0.4	0.3

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Consolidated 31-Dec-17 \$	30-June-17 \$
CURRENT ASSETS			
Cash and cash equivalents		1,487,567	833,405
Trade and other receivables		3,713,339	4,634,866
Inventories		5,939,843	4,875,783
Other assets		318,590	484,879
Current income tax asset		37,024	-
TOTAL CURRENT ASSETS		11,496,363	10,828,933
NON-CURRENT ASSETS			
Property, plant and equipment	5	8,223,322	7,239,487
Intangible assets	6	16,026,644	15,942,626
Investments accounted for using the equity method	7	-	-
Deferred tax asset		682,272	700,184
TOTAL NON-CURRENT ASSETS		24,932,238	23,882,297
TOTAL ASSETS		36,428,601	34,711,230
CURRENT LIABILITIES			
Trade and other payables		1,317,581	1,632,859
Provisions	8	848,740	422,247
Short-term borrowings	8	1,378,956	54,499
Other current liabilities		310,575	191,518
Current income tax liability		-	40,931
TOTAL CURRENT LIABILITIES		3,855,852	2,342,054
NON-CURRENT LIABILITIES			
Long-term borrowings	8	1,022,384	1,198,737
Deferred tax liability		292,252	282,574
Provisions		136,431	124,768
TOTAL NON-CURRENT LIABILITIES		1,451,067	1,606,079
TOTAL LIABILITIES		5,306,919	3,948,133
NET ASSETS		31,121,682	30,763,097
EQUITY			
Issued capital	9	18,584,489	18,584,489
Reserves		832,831	678,791
Retained profits		11,704,362	11,499,817
TOTAL EQUITY		31,121,682	30,763,097

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-year	
	31-Dec-17	31-Dec-16
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	13,180,965	10,930,220
Payments to suppliers and employees (inclusive of GST)	(11,501,259)	(9,948,552)
Payment of expenses relating to business acquisitions	(195,531)	(7,344)
Interest received	1,662	16,364
Interest paid	(42,196)	(20,020)
Income taxes paid	(265,730)	(447,026)
Net cash inflow (outflow) from operating activities	<u>1,177,911</u>	<u>523,642</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(1,193,958)	(1,249,970)
Proceeds from sale of property, plant and equipment	13,615	16,336
Payments for research and development	(170,329)	(125,313)
Net cash inflow (outflow) from investing activities	<u>(1,350,672)</u>	<u>(1,358,947)</u>
Cash flows from financing activities		
Proceeds from borrowings (net of repayments)	1,148,104	167,944
Dividends paid	(321,181)	(401,476)
Net cash inflow (outflow) from financing activities	<u>826,923</u>	<u>(233,532)</u>
Cash and cash equivalents at the beginning of the financial period	833,405	3,304,773
Net increase (decrease) in cash and cash equivalents	<u>654,162</u>	<u>(1,068,837)</u>
Cash and cash equivalents at the end of the financial period	<u>1,487,567</u>	<u>2,235,936</u>

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 2017

31 DECEMBER 2017

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	18,584,489	759,243	(80,452)	11,499,817	30,763,097
Profit for the period	-	-	-	525,726	525,726
Other comprehensive income	-	-	154,040	-	154,040
Total comprehensive income for the period	-	-	154,040	525,726	679,766
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	-	(321,181)	(321,181)
	-	-	-	(321,181)	(321,181)
Balance at 31 December 2017	18,584,489	759,243	73,588	11,704,362	31,121,682

31 DECEMBER 2016

	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	-	-	-	366,493	366,493
Other comprehensive income	-	-	(61,538)	-	(61,538)
Total comprehensive income for the period	-	-	(61,538)	366,493	304,955
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	-	(401,477)	(401,477)
	-	-	-	(401,477)	(401,477)
Balance at 31 December 2016	18,584,489	759,243	(105,740)	11,072,458	30,310,450

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 2017**

1. Reporting entity

XRF Scientific Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2017 are 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 2017 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.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity’s accounting policies and has had no effect on the amounts reported for the current or prior periods.

This consolidated interim financial report was approved by the Board of Directors on 22 February 2018.

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 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 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 Chief Executive Officer 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 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.

XRF SCIENTIFIC LIMITED
ABN 80 107 908 314
INTERIM FINANCIAL STATEMENT – 31 DECEMBER 2017



Segment information provided to the Chief Executive Officer for the half-year ended 31 December 2017 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Half-year ended 31 December 2017	\$	\$	\$	\$
Segment revenue				
Total segment revenue	3,278,123	5,157,645	4,131,377	12,567,145
Inter segment sales	(233,011)	(267,342)	-	(500,353)
Revenue from external customers	3,045,112	4,890,303	4,131,377	12,066,792
Profit before income tax expense	70,470	(71,880)	1,043,739	1,042,329
Half-year ended 31 December 2016	\$	\$	\$	\$
Segment revenue				
Total segment revenue	3,132,019	4,352,522	3,240,834	10,725,375
Inter segment sales	(93,458)	(173,413)	-	(266,871)
Revenue from external customers	3,038,561	4,179,109	3,240,834	10,458,504
Profit before income tax expense	(23,521)	(368,852)	894,849	502,476
Segment assets				
At 31 December 2017	7,824,771	15,642,698	22,640,637	46,108,106
At 30 June 2017	7,667,006	14,133,174	22,098,986	43,899,166
Segment liabilities				
At 31 December 2017	1,675,506	7,299,710	772,891	9,748,107
At 30 June 2017	1,559,345	5,723,420	1,311,026	8,593,791
			Half-year 31-Dec-17 \$	Half-year 31-Dec-16 \$
Revenue from external customers – segments			12,066,792	10,458,504
Unallocated revenue (corporate)			1,644	21,615
Revenue from external customers - total			12,068,436	10,480,119
Profit before income tax expense – segments			1,042,329	502,476
Eliminations and unallocated (corporate)			(301,237)	(9,479)
Profit before income tax expense from continuing operations - total			741,092	492,997
			Half-year 31-Dec-17 \$	Full-year 30-Jun-17 \$
Total segment assets			46,108,106	43,899,166
Related party loan elimination			(11,081,647)	(10,319,290)
Cash & cash equivalents			367,539	315,626
Deferred tax asset			682,272	700,184
Other corporate assets			352,331	115,544
Total assets			36,428,601	34,711,230
Total segment liabilities			9,748,107	8,593,791
Related party loan elimination			(4,943,454)	(5,039,819)
Deferred tax liability			292,252	282,574
Other corporate liabilities			210,014	111,587
Total liabilities			5,306,919	3,948,133

4. Profit for the half-year

	31-Dec-17	31-Dec-16
	\$	\$
Profit for the half-year included the following items that are unusual because of their nature, size or incidence:		
Acquisition of business and equity investment costs	(195,531)	(7,344)
Loss incurred by new German division	(376,085)	(447,657)
Precious metals factory relocation costs	-	(86,244)
Research and development costs	(4,000)	(51,624)

5. Property, plant and equipment

	31-Dec-17	30-Jun-17
	\$	\$
Plant and equipment	4,958,491	3,908,131
Land and buildings	1,823,217	1,823,217
Office furniture and equipment	257,952	291,397
Property improvements	1,047,329	1,092,879
Motor vehicles	136,333	123,863
Total property, plant and equipment	<u>8,223,322</u>	<u>7,239,487</u>
Opening net book amount	7,239,487	5,832,007
Additions (via business combination)	-	217,818
Additions (other)	1,291,547	1,841,573
Foreign currency adjustment	10,300	(11,361)
Disposals	(50,675)	(121,980)
Depreciation expense	(267,337)	(518,570)
Closing net book amount	<u>8,223,322</u>	<u>7,239,487</u>

6. Intangible assets

	31-Dec-17	30-Jun-17
	\$	\$
Goodwill	14,507,778	14,458,374
Development costs	856,568	783,653
Patents, trademarks and IP	662,298	700,599
Total intangible assets	<u>16,026,644</u>	<u>15,942,626</u>
Opening net book amount	15,942,626	15,227,483
Additions (via business combination)	-	712,229
Additions (other)	163,459	303,171
Foreign currency adjustment	59,019	(51,300)
Amortisation expense	(138,460)	(248,957)
Closing net book amount	<u>16,026,644</u>	<u>15,942,626</u>

7. Investments accounted for using the equity method

	31-Dec-17	30-Jun-17
	\$	\$
Opening amount	-	607,890
Share of net profit / (loss) of investments accounted for using the equity method	-	(68,592)
Conversion of investment to wholly-owned subsidiary	-	(539,298)
Closing amount	<u>-</u>	<u>-</u>

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 operating leases. As at 31 December 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 cash flows	Carrying amount of liabilities	
							Current	Non-Current
As at 31 December 2017	\$	\$	\$	\$	\$	\$	\$	
Non-derivatives								
Trade payables	831,200	-	-	-	-	831,200	831,200	-
Property loan ¹	19,479	1,127,733	-	-	-	1,147,212	1,111,500	-
Plant & equipment loan ²	24,195	24,195	48,389	-	-	96,779	44,640	47,041
Motor vehicle loan ³	6,096	6,096	12,192	-	-	24,384	11,291	11,868
Plant & equipment loan ⁴	133,500	133,500	267,000	801,000	-	1,335,000	211,525	963,475
Total non-derivatives	1,014,470	1,291,524	327,581	801,000	-	3,434,575	2,210,156	1,022,384

As at 30 June 2017

Non-derivatives								
Trade payables	1,168,922	-	-	-	-	1,168,922	1,168,922	-
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	43,486	69,653
Motor Vehicle loan ³	6,096	6,096	12,192	6,096	-	30,480	11,013	17,584
Total non-derivatives	1,218,692	49,770	1,188,314	30,291	-	2,487,067	1,223,421	1,198,737

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.

⁴ Consists of a five-year, interest-bearing loan for \$1,175,000, used to fund the purchase of plant and equipment. Instalments are paid monthly (including principal and interest), at a rate of 5.14% per annum. The lender holds first registered security over the plant and equipment 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.

Undrawn facilities

The group's undrawn borrowing facilities were as follows as at 31 December 2017:

	31-Dec-17	30-Jun-17
	\$	\$
Bank overdraft facility	898,897	649,677
Bank guarantee facility	1,082,900	1,459,634
	1,981,797	2,109,311

8. Liabilities (continued)

Current provisions

	31-Dec-17	30-Jun-17
	\$	\$
Provision for platinum loan	386,383	-
Other current provisions	462,357	422,247
	848,740	422,247

In October 2017, XRF borrowed \$386,383 of platinum metal, which is inventoried to facilitate manufacturing processes and reduce lead times. The loan facility matures after 12 months and interest of 1.67% is payable annually. At maturity, the facility will be renewed for another term or the platinum will be returned. The liability above is offset by an inventory asset of \$386,383.

9. Contributed equity

	31-Dec-17 Shares	31-Dec-16 Shares	31-Dec-17 \$	31-Dec-16 \$
(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	Issue Price \$	\$
1-Jul-16	Opening balance	133,825,803		18,584,489
31-Dec-16	Closing balance	133,825,803		18,584,489
1-Jul-17	Opening balance	133,825,803		18,584,489
31-Dec-17	Closing balance	133,825,803		18,584,489

10. Dividends

	Half-year 2017	2016
	\$	\$
Dividends provided for or paid during the half-year on ordinary shares	321,181	401,477

11. Contingent assets or liabilities

The group is not aware of any material contingent asset or liability for the period ended 31 December 2017.

12. Events occurring after the reporting date

In January 2018, XRF borrowed an additional \$600,488 of platinum metal, to facilitate further manufacturing processes. This increases the total borrowed metal to \$986,871. The loan facility matures after 12 months and interest of 1.89% is payable annually. At maturity, the facility will be renewed for another term or the platinum will be returned. The new liability is offset by an inventory asset of \$600,488.

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 6 to 14 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 other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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:



Kenneth Baxter
Chairman

Dated this 22nd day of February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of XRF Scientific Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of XRF Scientific Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company 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 internal 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over a faint, light blue BDO logo.

Glyn O'Brien

Director

Perth, 22 February 2018