Appendix 4D
Half-Year Report

XRF Scientific Limited
ABN 80 107 908 314

For the Half-Year ended 31 December 2018

Results for Announcement to the Market

Revenue from ordinary activities	Up	24%	to	$15,020,152	from	$12,068,436
Earnings before interest and tax (EBIT)	Up	114%	to	$1,669,521	from	$781,626
Profit from ordinary activities after tax	Up	105%	to	$1,076,413	from	$525,726
Net profit attributable to members	Up	105%	to	$1,076,413	from	$525,726

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 2018 $	31 December 2017 $
	0.12	0.11

Earnings per share (EPS)	31 December 2018	31 December 2017
Basic EPS – (cents per share)	0.8	0.4
Diluted EPS – (cents per share)	0.8	0.4
Weighted average of number of ordinary shares	133,825,803	133,825,803

Commentary on the results for the half-year ended 31 December 2018

XRF Scientific Ltd ("XRF" or "Company") is pleased to report its December 2018 half-year results to shareholders. The Company has generated revenue of $15m and a 105% increase in Net Profit After Tax to $1.1m. Underlying profit before tax has increased to $2.0m, before expensing costs associated with expansion of the Precious Metals division and debt refinancing.

Underlying profit before tax adds back the following costs:

	31-Dec-18	31-Dec-17
	$	$
Net profit before tax	1,613,216	741,092
Precious Metals division expansion costs	247,152	376,085
Bank refinancing costs	102,997	-
Acquisition of business and equity investment costs	-	195,531
Underlying profit before tax	1,963,365	1,312,708

The significantly improved profit is a result of positive conditions across the majority of geographical sectors, including in Australia, Asia, Europe and North America. Tight control over costs has been a focus, with operating structures being optimised. We are also starting to benefit from our strategy of diversifying sales from mining, with non-mining sales now accounting for approximately 42% of sales.

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 improved to $1.2m at 31 December 2018, compared to $415k as at 30 June 2018. Short-term debt has decreased from $1.4m to $668k after a building loan was reallocated to long-term debt after being renegotiated. During the half, $103k in borrowing costs were expensed, relating to the refinancing and movement of the Group's debt and banking facilities to HSBC. HSBC's global reach allows XRF to utilise one core bank and provides precious metals inventory funding, which is critical to our expansion in the Precious Metals division.

The Consumables division had a strong half, with a profit before tax of $1.2m, which was a 116% increase on the June 2018 half and 14% on the PCP. Revenue was up 6% on the PCP as a result of benefits arising from the Scancia acquisition and new customers acquired. The Scancia plant has been operating in the Perth factory for over six months and has been producing customer orders reliably and efficiently. Additional mine site customers were acquired during the half, which assisted with revenue development.

The Capital Equipment division had an excellent half and delivered a profit before tax of $356k which was a 221% increase on the June 2018 half. Revenue increased by 28% on the June 2018 half to $4.9m. The order book for machines continues to remain at record levels and production capacity has been increased to cope with demand. The demand for new and replacement equipment is strong in many sectors, both within Australia and internationally. The first of our new generation machines, the xrFuse 6, has been in the market now for just over four years. Our reputation for product reliability and the low cost of maintenance is assisting with sales. A new product, the Phoenix GO S, was launched in October, which is a one-position gas fusion machine and supersedes our Phoenix VFD 1000. This new machine is part of the recently launched Phoenix GO range, which uses gas only, reducing operating costs and installation complexity for customers. Product development remains a focus of the division, and additional complementary products will be added to our range of machines in the future.

The Precious Metals division performed very well, with improved contributions from the offices in Australia and overseas. Profit before tax of $449k was achieved, a 252% increase on the June 2018 half. This includes a $247k loss from the Germany office. Remanufacturing services have been strong, as have new product sales, which is in line with the increased level of fusion machines being sold by the Capital Equipment division. Numerous advances continue to be made in production, utilising the new equipment purchased to improve the production methods for existing products, as well as new items the office in Germany have been selling.

In December the division increased its platinum metal inventory via a loan, which resulted in a $1m increase to inventory and a corresponding increase to provisional liabilities. The new metal loan allows us to carry new platinum alloys in inventory, which is important to maintain short lead times for customers being acquired in the precision products group.

The result from the Germany office improved significantly, with the loss before tax decreasing to $247k in the current reporting period from $412k in the June 2018 half. Revenue was $1.126m for the current reporting period, compared to $1.072m for the June 2018 half. During the half we saw a steady reduction in its monthly losses and a $5k profit was recorded for the first time in January 2019. Sales are being achieved across all three of our product groups, including very good success with capital equipment products to customers in Germany and surrounding countries. We are optimistic about the future results achievable.

To complement the results for the first-half, we are confident of a strong full-year result. Alongside growing sales into additional new markets such as Japan and India, our primary focus remains developing the platinum markets via our expansion in Europe and Melbourne.

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.
- [x] 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: 25 February 2019

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 2018

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 2018 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

Fred Grimwade	(Non-Executive Chairman)
David Brown	(Non-Executive Director)
David Kiggins	(Non-Executive Director)
Vance Stazzonelli	(Managing Director)

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

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 2018.

Directors

The names of the directors in office at any time during or since the end of the half year are:

Fred Grimwade (Non-Executive Chairman)
David Brown (Non-Executive Director)
David Kiggins (Non-Executive Director)
Vance Stazzonelli (Managing Director)
Ken Baxter (Non-Executive Chairman, resigned 29 October 2018)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations

Please refer to the "Commentary on the results for the half-year ended 31 December 2018" 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:

Fred Grimwade
Chairman

25 February 2019

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2018, 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, 25 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-year 31-Dec-18 $	Half-year 31-Dec-17 $
Revenue from continuing operations	5	15,020,152	12,068,436
Cost of sales		(9,130,382)	(7,311,774)
Gross profit		5,889,770	4,756,662
Other revenues		24,389	27,131
Administration expenses		(3,431,443)	(3,128,533)
Occupancy expenses		(327,920)	(371,381)
Finance costs		(160,410)	(42,196)
Other expenses		(381,170)	(500,591)
Profit before income tax		1,613,216	741,092
Income tax expense		(536,803)	(215,366)
Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited		1,076,413	525,726
Other comprehensive income			
Items that will be classified to profit or loss			
Foreign currency translation differences		166,730	154,040
Other comprehensive income after income tax		166,730	154,040
Total comprehensive income for the half year		1,243,143	679,766
Total comprehensive income attributable to Equity holders of XRF Scientific Limited		**1,243,143**	**679,766**
Basic earnings per share (cents per share)		0.8	0.4
Diluted earnings per share (cents per share)		0.8	0.4

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 2018

	Note	Consolidated 31-Dec-18 $	Consolidated 30-June-18 $
CURRENT ASSETS			
Cash and cash equivalents		1,223,112	415,374
Trade and other receivables		4,935,812	4,119,689
Inventories	7	8,607,579	7,611,983
Other assets		483,669	414,802
TOTAL CURRENT ASSETS		15,250,172	12,561,848
NON-CURRENT ASSETS			
Property, plant and equipment	8	8,381,100	8,487,225
Intangible assets	9	15,878,815	15,964,438
Deferred tax asset		904,565	916,544
TOTAL NON-CURRENT ASSETS		25,164,480	25,368,207
TOTAL ASSETS		40,414,652	37,930,055
CURRENT LIABILITIES			
Trade and other payables		1,983,290	1,519,838
Provisions	10	2,567,813	1,510,310
Short-term borrowings	10	668,519	1,385,922
Other current liabilities		211,840	166,793
Current income tax liability		355,246	366,158
TOTAL CURRENT LIABILITIES		5,786,708	4,949,021
NON-CURRENT LIABILITIES			
Long-term borrowings	10	1,732,357	883,409
Deferred tax liability		231,625	278,176
Provisions		97,805	94,959
TOTAL NON-CURRENT LIABILITIES		2,061,787	1,256,544
TOTAL LIABILITIES		7,848,495	6,205,565
NET ASSETS		32,566,157	31,724,490
EQUITY			
Issued capital	11	18,584,489	18,584,489
Reserves		1,104,088	937,358
Retained profits		12,877,580	12,202,643
TOTAL EQUITY		32,566,157	31,724,490

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 2018

	Half-year	
	31-Dec-18	31-Dec-17
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	14,307,836	13,180,965
Payments to suppliers and employees (inclusive of GST)	(12,370,130)	(11,501,259)
Payment of expenses relating to business acquisitions	-	(195,531)
Interest received	1,109	1,662
Interest paid	(57,413)	(42,196)
Income taxes paid	(582,288)	(265,730)
Net cash inflow (outflow) from operating activities	1,299,114	1,177,911
Cash flows from investing activities		
Payments for property, plant and equipment	(182,575)	(1,193,958)
Proceeds from sale of property, plant and equipment	-	13,615
Payments for research and development	(38,869)	(170,329)
Net cash inflow (outflow) from investing activities	(221,444)	(1,350,672)
Cash flows from financing activities		
Proceeds from borrowings (net of repayments)	131,544	1,148,104
Dividends paid	(401,476)	(321,181)
Net cash inflow (outflow) from financing activities	(269,932)	826,923
Cash and cash equivalents at the beginning of the financial period	415,374	833,405
Net increase (decrease) in cash and cash equivalents	807,738	654,162
Cash and cash equivalents at the end of the financial period	1,223,112	1,487,567

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 2018

31 DECEMBER 2018

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	$	$	$	$	$
Balance at 1 July 2018	**18,584,489**	**759,243**	**178,115**	**12,202,643**	**31,724,490**
Profit for the period	-	-	-	1,076,413	1,076,413
Other comprehensive income	-	-	166,730	-	166,730
Total comprehensive income for the period	**-**	**-**	**166,730**	**1,076,413**	**1,243,143**
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	-	(401,476)	(401,476)
	-	**-**	**-**	**(401,476)**	**(401,476)**
Balance at 31 December 2018	**18,584,489**	**759,243**	**344,845**	**12,877,580**	**32,566,157**

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**

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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 2018 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 2018 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 2018 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*.

Aside from those discussed in note 3, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The consolidated entity has adopted all 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. As discussed in note 3, the adoption of the new and revised Standards and Interpretations has resulted in some changes to the consolidated entity's accounting policies but has had no material effect on the amounts reported for the current or prior periods.

This consolidated interim financial report was approved by the Board of Directors on 25 February 2019.

3. Adoption of new and revised accounting standards

Several new or amended standards became applicable for the current reporting period resulting in the adoption of the following standards:

(i) AASB 15 *Revenue from Contracts with Customers*
(ii) AASB 9 *Financial Instruments*

(i) AASB 15 *Revenue from Contracts with Customers* – Impact of Adoption

Group revenue is derived from the manufacture and sale of chemicals, equipment and accessories to production mines, construction material companies and commercial analytical laboratories, in Australia and overseas. These finished goods are primarily used in the preparation of samples for analysis. The Group also derives service revenue from the installation, maintenance and repair of goods sold to customers.

The Group has applied AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements at the reporting date and on transition to the standard.

Sale of finished goods - Revenue is recognised when control of the product has transferred to the customer, being when products are delivered. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the product in accordance with the agreed terms. Sales of goods are standalone transactions and do not involve ongoing contracts, nor the supply of additional goods and services.

Service revenue - When finished goods are bundled with installation services, they are listed separately on the sales invoice and there is a clear valuation assigned to each individual component. Installation is an optional service and could be performed by the customer or a third party, so it is considered to be a separate performance obligation. The performance of the service usually coincides with the delivery and installation of the goods, so both components can be recognised on the same date. Where there is a delay between the delivery of goods and the performance of services, the service components are allocated to the balance sheet as liabilities. This revenue will be recognised on the date that the service has been performed.

3. Adoption of new and revised accounting standards (continued)

Maintenance and repair services fall into two main categories:

- Single services to be performed on a specified date in the future – If invoiced in advance, the revenue for these transactions remains on the balance sheet as a liability until the service is performed.
- Contracts to provide multiple services over a period of time – The revenue for these transactions is initially allocated to the balance sheet and then recognised on a monthly basis over the term of the contract (either 1 or 2 years), as the customer receives the benefit of the service on a simultaneous basis.

(ii) AASB 9 *Financial Instruments* – Impact of Adoption

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 from 1 July 2018 did not give rise to any material transitional adjustments, but has changed the Group's accounting policies in relation to the adoption of AASB 9's new expected credit loss model.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and failure to make contractual payments for a period greater than 120 days past due, unless there is reasonable evidence that payment will be received.

Classification
From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At the end of the current reporting period, all the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Impairment
From 1 July 2018, the Group assesses expected credit losses associated on a forward-looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Critical accounting estimates and significant judgements
Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's recent history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Management have estimated the expected credit loss is immaterial for trade receivables held at 31 December 2018.

4. 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. 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. This is consistent to the approach used in previous periods.

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.

4. Segment information (continued)

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 Capital Equipment, Precious Metals & Consumables. For each of the strategic operating segments, the Managing Director reviews internal management reports on a monthly basis.

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

Precious Metals
Manufactures products for the laboratory and platinum alloy markets.

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

Segment information provided to the Managing Director for the half-year ended 31 December 2018 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Half-year ended 31 December 2018	**$**	**$**	**$**	**$**
Segment revenue				
Total segment revenue	4,908,983	6,428,443	4,386,750	15,724,176
Inter segment sales	(274,928)	(430,202)	-	(705,130)
Revenue from external customers	4,634,055	5,998,241	4,386,750	15,019,046
Profit before income tax expense	**356,454**	**449,055**	**1,186,223**	**1,991,732**
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**
Segment assets				
At 31 December 2018	9,246,405	18,710,138	24,082,344	52,038,887
At 30 June 2018	7,753,463	17,075,483	22,699,132	47,528,078
Segment liabilities				
At 31 December 2018	2,672,225	10,087,026	779,579	13,538,830
At 30 June 2018	1,558,208	8,827,816	624,079	11,010,103

	Half-year 31-Dec-18	Half-year 31-Dec-17
	$	$
Revenue from external customers – segments	**15,019,046**	**12,066,792**
Unallocated revenue (corporate)	1,106	1,644
Revenue from external customers - total	**15,020,152**	**12,068,436**
Profit before income tax expense – segments	**1,991,732**	**1,042,329**
Eliminations and unallocated (corporate)	(378,516)	(301,237)
Profit before income tax expense from continuing operations - total	**1,613,216**	**741,092**

4. Segment information (continued)

	Half-year 31-Dec-18 $	Full-year 30-Jun-18 $
Total segment assets	**52,038,887**	**47,528,078**
Related party loan elimination	(12,656,565)	(10,591,630)
Cash & cash equivalents	126,610	(180,558)
Deferred tax asset	904,565	916,544
Other corporate assets	1,155	257,621
Total assets	**40,414,652**	**37,930,055**
Total segment liabilities	**13,538,830**	**11,010,103**
Related party loan elimination	(6,761,442)	(6,229,576)
Deferred tax liability	231,625	278,176
Income tax provision	355,246	384,566
Trade & other payables	353,865	359,678
Other corporate liabilities	130,371	402,618
Total liabilities	**7,848,495**	**6,205,565**

5. Revenue

	31-Dec-18 $	31-Dec-17 $
Sale of finished goods	14,728,821	11,845,401
Service revenue (non-contract)	212,073	196,394
Service revenue (contract)	79,258	26,641
Total revenue	15,020,152	12,068,436

6. Profit for the half-year

	31-Dec-18 $	31-Dec-17 $
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)
Bank refinancing costs	(102,997)	-
PM division expansion costs	(247,152)	(376,085)
Research and development costs	(1,490)	(4,000)

7. Inventories

	31-Dec-18 $	30-Jun-18 $
Borrowed precious metals (refer note 10)	2,020,798	986,871
Owned precious metals	1,090,617	899,889
Other inventories	5,496,164	5,725,223
Total	8,607,579	7,611,983

8. Property, plant and equipment

	31-Dec-18 $	30-Jun-18 $
Plant and equipment	5,129,659	5,155,673
Land and buildings	1,823,217	1,823,217
Office furniture and equipment	195,263	222,257
Property improvements	1,111,330	1,148,818
Motor vehicles	121,631	137,260
Total property, plant and equipment	8,381,100	8,487,225
Opening net book amount	8,487,225	7,239,487
Additions	182,575	1,872,527
Foreign currency adjustment	8,388	18,313
Disposals	(5,471)	(80,298)
Depreciation expense	(291,617)	(562,804)
Closing net book amount	8,381,100	8,487,225

9. Intangible assets

	31-Dec-18 $	30-Jun-18 $
Goodwill	14,568,990	14,531,092
Development costs	729,851	818,459
Patents, trademarks and IP	579,974	614,887
Total intangible assets	15,878,815	15,964,438
Opening net book amount	15,964,438	15,942,626
Additions	38,869	225,750
Foreign currency adjustment	46,730	87,845
Amortisation expense	(171,222)	(291,783)
Closing net book amount	15,878,815	15,964,438

10. Liabilities

The group has an overdraft facility of $500,000 as a safeguard on working capital requirements. Additional facilities totaling $1,700,000 are utilised for bank guarantees and to fund the importation of certain raw materials. A further USD2,400,000 guarantee facility is used as security for platinum leases. As at 31 December 2018, 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 2018	$	$	$	$	$	$	$	$
Non-derivatives								
Trade payables	1,431,015	-	-	-	-	1,431,015	1,431,015	-
Property loan[1]	72,239	71,375	140,156	903,862	-	1,187,632	111,192	991,542
Plant & equipment loan[2]	24,195	24,195	-	-	-	48,390	47,041	-
Motor vehicle loan[3]	6,096	6,096	-	-	-	12,192	11,868	-
MDM equipment loan[4]	133,500	133,500	267,000	534,000	-	1,068,000	222,661	740,815
Import Loans[5]	280,708	-	-	-	-	280,708	275,757	-
Total non-derivatives	1,947,753	235,166	407,156	1,437,862	-	4,027,937	2,099,534	1,732,357

10. Liabilities (continued)

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 30 June 2018	$	$	$	$	$	$	$	$
Non-derivatives								
Trade payables	986,931	-	-	-	-	986,931	986,931	-
Property loan[1]	1,127,733	-	-	-	-	1,127,733	1,111,500	-
Plant & equipment loan[2]	24,195	24,195	24,195	-	-	72,585	45,825	23,828
Motor vehicle loan[3]	6,096	6,096	6,096	-	-	18,288	11,576	6,008
MDM equipment loan[4]	133,500	133,500	267,000	667,500	-	1,201,500	217,021	853,573
Total non-derivatives	2,278,455	163,791	297,291	667,500	-	3,407,037	2,372,853	883,409

[1] Consists of a three-year, interest-bearing loan for $1,112,000, used to fund the purchase of a property in Melbourne. Instalments are paid monthly (including principal and interest), at a rate of 3.11% per annum. As security for the loan facility, the lender holds a registered first mortgage over the acquired property, plus unlimited cross guarantees and indemnities by all subsidiaries within the XRF group (excluding subsidiaries in Canada and Germany).

[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.

[5] Consists of two short-term loans (less than 180 days) used to finance the importation of certain raw materials used to produce finished goods. Interest is payable on maturity, at an average rate of 4.06% per annum.

Interest-bearing loans
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 2018:

	31-Dec-18	30-Jun-18
	$	$
Bank overdraft facility	500,000	483,713
Bank guarantee facilities	911,695	313,245
Import loan facilities	1,224,243	-
	2,635,938	796,958

Current provisions

	31-Dec-18	30-Jun-18
	$	$
Provision for platinum loan	2,020,798	986,871
Other current provisions	547,015	523,439
	2,567,813	1,510,310

XRF has borrowed (and has title to under a master contract) $2,020,798 of platinum metal, which is inventoried to facilitate manufacturing processes and reduce lead times. This is funded by three loan facilities, which mature after 12 months. Interest is calculated at market rates and payable annually. At maturity, these facilities will be renewed for additional terms or the platinum will be returned. These liabilities are offset by an inventory asset of $2,020,798.

11. Contributed equity

	31-Dec-18 Shares	31-Dec-17 Shares	31-Dec-18 $	31-Dec-17 $
(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-17	Opening balance	133,825,803		18,584,489
31-Dec-17	**Closing balance**	**133,825,803**		**18,584,489**
1-Jul-18	Opening balance	133,825,803		18,584,489
31-Dec-18	**Closing balance**	**133,825,803**		**18,584,489**

12. Dividends

	Half-year 2018 $	2017 $
Dividends provided for or paid during the half-year on ordinary shares	401,476	321,181

13. Contingent assets or liabilities

The group is not aware of any material contingent asset or liability for the period ended 31 December 2018.

14. Events occurring after the reporting 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 6 to 16 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 2018 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:

Fred Grimwade
Chairman

Dated this 25th day of February 2019

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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 2018, 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 2018 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 2018 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

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 25 February 2019