Appendix 4D
Half-Year Report

XRF Scientific Limited
ABN 80 107 908 314

For the Half-Year Ended 31 December 2019

Results for announcement to the market

Revenue from ordinary activities	Up	5%	to	$15,743,906	from	$15,020,152
Earnings before interest and tax (EBIT)	Up	40%	to	$2,330,744	from	$1,669,521
Profit from ordinary activities after tax	Up	51%	to	$1,625,750	from	$1,076,413
Net profit attributable to members	Up	51%	to	$1,625,750	from	$1,076,413

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 2019 $	31 December 2018 $
	0.14	0.12

Earnings per share (EPS)	31 December 2019	31 December 2018
Basic EPS – (cents per share)	1.2	0.8
Diluted EPS – (cents per share)	1.2	0.8
Weighted average of number of ordinary shares	133,825,803	133,825,803

Commentary on the results for the half-year ended 31 December 2019

XRF Scientific Ltd ("XRF" or "Company") is pleased to report its December 2019 half-year results to shareholders. The Company has generated revenue of $15.7m and a 51% increase in Net Profit After Tax to $1.6m.

The increase in profit is a result of positive market conditions and continual optimisation of business operations and costs. There was growth in sample preparation products in newer geographical markets, as well as the platinum markets being developed in Europe. The mining industry remained strong, with sales driven by both exploration and production. Capex sales came from new laboratories being established, as well as replacement and expansion capex from existing customers.

The Board has maintained policy to pay one dividend per year on operating profits which will be determined based on the full-year result. We are currently reviewing options to distribute our excess franking credits to shareholders. As a service to shareholders, a Dividend Reinvestment Plan (DRP) has been established and will be available for future dividend payments. Shareholders will soon receive correspondence from the share registry requesting they elect a preference on their DRP participation.

AASB16 *Leases* has been adopted since 1 July 2019 which has impacted our Consolidated Statement of Financial Position. A new right-of-use asset for leased property has been created as part of Property, Plant and Equipment, which had a balance of $957k at 31 December. Lease liabilities correspondingly increased, with $377k added as Current Liabilities and $587k as Non-Current Liabilities. The impact on EBIT was an increase of $23k, as a portion of the Company's payments for property leases has been reclassified from "Occupancy Expenses" to "Finance Costs". Refer to note 3 for further details.

The cash position was $1.6m at 31 December compared to $3.2m at 30 June, primarily reduced by $1.34 in dividends paid during the half. Operating cash flow generated during the half was lower at $343k, due to strong sales activity occurring towards the end of the half, increasing trade debtors by $950k to $5m. Trade and other payables were also down by $0.5m compared to 30 June, due to the timing of creditor payments. The cash position has improved since the end of the half, developing to $2.7m at 19 February 2020, which we expect to continue to build through the second half.

The Consumables division had an excellent half, delivering $4.85m in revenue, which was a 10% increase on the Previous Corresponding Period (PCP). Profits before tax were $1.33m which was a 13% increase on the PCP. Additional revenue was generated on a regular basis from new customers that were acquired throughout FY19. Conditions were particularly buoyant in the mining sector across both exploration and production activities.

The Capital Equipment division also performed well and delivered a profit before tax of $386k compared to $356k in the PCP. Despite revenue dropping from $4.6m to $3.9m, we were able to improve profits due to a reduction in operational costs, a higher proportion of direct sales to end-users and the product mix of sales. We are continuing to place an importance on new products, with two new machines currently under development. The expectation is for both products to be released within the 2020 calendar year, one of which will expand the business into a new complementary field.

The Precious Metals division increased profits by 58% to $710k. Revenue was also up more than $1m to $7.04m for the half. The result was driven by positive market conditions and new sales being developed by the office in Germany. $1.6m in revenue was recorded by the Germany office compared to $1.1m in the PCP. We continued to develop numerous projects for industrial platinum products through the period, with new revenue expected to be added in the second half. Some technical break throughs were made in the Melbourne factory, primarily in the semi-finished and industrial product lines. These manufacturing developments allow us to expand the product portfolio and bring certain capabilities in house. A change in our platinum loans facility has meant drawdowns no longer need to be secured by bank guarantee, and as such the USD$2.4m guarantees facility provided by HSBC Australia is currently in the process of being cancelled.

We are positive about the second half and an update on the third quarter performance will be provided in April. Whilst our prime focus is growing our existing business and the expansion initiative in Europe, we are also exploring other initiatives to grow shareholder value.

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: 20 February 2020

Name: Vance Stazzonelli (Managing Director)

XRF SCIENTIFIC LIMITED
ABN 80 107 908 314
AND CONTROLLED ENTITIES

INTERIM FINANCIAL STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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 2019 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

Automic Pty Ltd
Level 2, 267 St Georges Terrace
Perth WA 6000
Phone: 1300 288 664

AUDITOR

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

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of XRF Scientific Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

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)

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 2019" 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 and on behalf of the Board by:

F Grimwade

Fred Grimwade
Chairman

20 February 2020

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PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF XRF SCIENTIFIC LIMITED

As lead auditor for the review of XRF Scientific Limited for the half-year ended 31 December 2019, 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.

Jarrad Prue

Partner

BDO Audit (WA) Pty Ltd

Perth, 20 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Half-year 31-Dec-19 $	31-Dec-18 $
Revenue from continuing operations	5	15,743,906	15,020,152
Cost of sales		(9,138,712)	(9,130,382)
Gross profit		6,605,194	5,889,770
Other revenues		318	24,389
Administration expenses		(3,555,970)	(3,431,443)
Occupancy expenses		(345,295)	(327,920)
Finance costs		(64,280)	(160,410)
Other expenses		(367,561)	(381,170)
Profit before income tax		2,272,406	1,613,216
Income tax expense		(646,656)	(536,803)
Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited		1,625,750	1,076,413
Other comprehensive income			
Items that will be classified to profit or loss			
Foreign currency translation differences		33,674	166,730
Total comprehensive income for the half year		1,659,424	1,243,143
Total comprehensive income attributable to equity holders of XRF Scientific Limited		**1,659,424**	**1,243,143**
Basic earnings per share (cents per share)		1.2	0.8
Diluted earnings per share (cents per share)		1.2	0.8

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 2019

	Note	Consolidated 31-Dec-19 $	Consolidated 30-June-19 $
CURRENT ASSETS			
Cash and cash equivalents		1,616,848	3,238,297
Trade and other receivables		5,015,072	4,067,214
Inventories	7	9,393,124	8,699,219
Other assets		417,932	418,738
TOTAL CURRENT ASSETS		16,442,976	16,423,468
NON-CURRENT ASSETS			
Property, plant and equipment	8	9,293,763	8,397,919
Intangible assets	9	15,956,314	15,973,269
Deferred tax asset		939,068	924,535
TOTAL NON-CURRENT ASSETS		26,189,145	25,295,723
TOTAL ASSETS		42,632,121	41,719,191
CURRENT LIABILITIES			
Trade and other payables		1,576,953	2,090,278
Provisions	10	2,888,651	2,629,542
Short-term borrowings	10	880,246	697,854
Current lease liabilities	11	377,355	-
Other current liabilities		135,372	195,685
Current income tax liability		390,502	419,248
TOTAL CURRENT LIABILITIES		6,249,079	6,032,607
NON-CURRENT LIABILITIES			
Long-term borrowings	10	1,386,782	1,561,072
Non-current lease liabilities	11	586,673	-
Deferred tax liability		226,685	230,423
Provisions		50,369	83,722
TOTAL NON-CURRENT LIABILITIES		2,250,509	1,875,217
TOTAL LIABILITIES		8,499,588	7,907,824
NET ASSETS		34,132,533	33,811,367
EQUITY			
Issued capital	12	18,584,489	18,584,489
Reserves		1,321,795	1,288,121
Retained profits		14,226,249	13,938,757
TOTAL EQUITY		34,132,533	33,811,367

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 2019

	Half-year	
	31-Dec-19	31-Dec-18
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	14,742,856	14,307,836
Payments to suppliers and employees (inclusive of GST)	(13,647,386)	(12,370,130)
Interest received	5,942	1,109
Interest paid	(64,280)	(57,413)
Income taxes paid	(693,675)	(582,288)
Net cash inflow (outflow) from operating activities	343,457	1,299,114
Cash flows from investing activities		
Payments for property, plant and equipment	(365,566)	(182,575)
Payments for research and development	(95,710)	(38,869)
Net cash inflow (outflow) from investing activities	(461,276)	(221,444)
Cash flows from financing activities		
Proceeds from borrowings	534,672	275,757
Repayment of borrowings	(526,570)	(144,213)
Payment of lease liabilities	(173,474)	-
Dividends paid	(1,338,258)	(401,476)
Net cash inflow (outflow) from financing activities	(1,503,630)	(269,932)
Cash and cash equivalents at the beginning of the financial period	3,238,297	415,374
Net increase (decrease) in cash and cash equivalents	(1,621,449)	807,738
Cash and cash equivalents at the end of the financial period	1,616,848	1,223,112

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 2019

31 DECEMBER 2019

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	$	$	$	$	$
Balance at 1 July 2019	**18,584,489**	**759,243**	**528,878**	**13,938,757**	**33,811,367**
Profit for the period	-	-	-	1,625,750	1,625,750
Other comprehensive income	-	-	33,674	-	33,674
Total comprehensive income for the period	**-**	**-**	**33,674**	**1,625,750**	**1,659,424**
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	-	(1,338,258)	(1,338,258)
	-	**-**	**-**	**(1,338,258)**	**(1,338,258)**
Balance at 31 December 2019	**18,584,489**	**759,243**	**562,552**	**14,226,249**	**34,132,533**

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**

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 2019

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 2019 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 2019 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 2019 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 20 February 2020.

3. Adoption of new and revised accounting standards

This note explains the impact of the adoption of AASB 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 in note 3(b) below. The group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 4%.

	1-Jul-19
	$
Operating lease commitments disclosed as at 30 June 2019	705,261
Discounted using the lessee's incremental borrowing rate of at the date of initial application	652,837
Add/(less): adjustments as a result of a different treatment of extension and termination options	484,665
Lease liability recognised as at 1 July 2019	**1,137,502**
Of which are:	
Current lease liabilities	377,355
Non-current lease liabilities	760,147
	1,137,502

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

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31-Dec-19 $	1-Jul-19 $
Properties	956,687	1,137,502
Total right-of-use assets	**956,687**	**1,137,502**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets – increase by $1,137,502
- Current lease liabilities – increase by $377,355
- Non-current lease liabilities – increase by $760,147

(i) Impact on segment disclosures and earnings per share

Segment assets and liabilities for 31 December 2019 increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	Segment assets $	Segment liabilities $
Capital Equipment	537,516	541,966
Precious Metals	119,375	120,097
Consumables	-	-
	656,891	**662,063**

Earnings per share decreased by 0.004c per share for the six months to 31 December 2019 as a result of the adoption of AASB 16.

(ii) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) The group's leasing activities and how these are accounted for

The group leases various offices, warehouses and factories. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor. Approximately 21% of the total lease payments made during the half-year relate to optional lease periods.

(ii) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of $679,583 have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4. Segment information

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.

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.

4. Segment information (continued)

The consolidated entity has determined that strategic decision making is facilitated by evaluation of operations on the customer segments of Capital Equipment, Precious Metals and 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 2019 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Half-year ended 31 December 2019	**$**	**$**	**$**	**$**
Segment revenue				
Total segment revenue	4,262,912	7,307,301	4,845,331	16,415,544
Inter segment sales	(410,396)	(266,791)	-	(677,187)
Revenue from external customers	3,852,516	7,040,510	4,845,331	15,738,357
Profit before income tax expense	**386,342**	**709,957**	**1,338,909**	**2,435,208**
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**
Segment assets				
At 31 December 2019	8,262,444	16,991,925	15,893,722	41,148,091
At 30 June 2019	7,306,267	15,841,265	15,793,056	38,940,588
Segment liabilities				
At 31 December 2019	1,282,331	5,223,761	806,864	7,312,956
At 30 June 2019	937,531	4,899,742	617,137	6,454,410

	Half-year 31-Dec-19 $	Half-year 31-Dec-18 $
Revenue from external customers – segments	**15,738,357**	**15,019,046**
Unallocated revenue (corporate)	5,549	1,106
Revenue from external customers – total	**15,743,906**	**15,020,152**
Profit before income tax expense – segments	**2,435,208**	**1,991,732**
Eliminations and unallocated (corporate)	(162,802)	(378,516)
Profit before income tax expense from continuing operations – total	**2,272,406**	**1,613,216**

4. Segment information (continued)

	Half-year 31-Dec-19 $	Full-year 30-Jun-19 $
Total segment assets	**41,148,091**	**38,940,588**
Cash and cash equivalents held by parent entity	603,263	1,888,852
Deferred tax asset	939,068	924,534
Other corporate assets and eliminations	(58,301)	(34,783)
Total assets	**42,632,121**	**41,719,191**
Total segment liabilities	**7,312,956**	**6,454,410**
Deferred tax liability	226,685	230,423
Income tax provision	390,502	505,760
Trade and other payables	371,543	519,102
Other corporate liabilities and eliminations	197,902	198,129
Total liabilities	**8,499,588**	**7,907,824**

5. Revenue

	31-Dec-19 $	31-Dec-18 $
Revenue from continuing operations		
Revenue from external customers		
Sale of finished goods	15,413,208	14,727,712
Service revenue (non-contract)	207,575	212,073
Service revenue (contract)	117,182	79,258
Total revenue	15,737,965	15,019,043
Interest income	5,941	1,109
Total revenue from continuing operations	**15,743,906**	**15,020,152**

The Group derives revenue from external customers from the transfer of goods and services at a point in time and over time in the following major product lines and geographical regions (based on the location of the Group entity preparing the invoice):

	Capital Equipment	Precious Metals	Consumables	Total
Half-year ended 31 December 2019	**$**	**$**	**$**	**$**
Australia	2,789,691	2,568,811	4,006,425	9,364,927
Canada	268,735	2,120,015	464,779	2,853,529
Europe	794,090	2,351,684	374,127	3,519,901
Revenue from external customers	3,852,516	7,040,510	4,845,331	15,738,357
Half-year ended 31 December 2018	**$**	**$**	**$**	**$**
Australia	3,989,811	2,540,609	3,728,415	10,258,835
Canada	99,758	1,801,669	352,715	2,254,142
Europe	544,486	1,655,963	305,620	2,506,069
Revenue from external customers	4,634,055	5,998,241	4,386,750	15,019,046

6. Profit for the half-year

Profit for the half-year included the following items that are unusual because of their nature, size or incidence:

	31-Dec-19 $	31-Dec-18 $
Precious Metals division expansion costs	(121,649)	(247,152)
Bank refinancing costs	-	(102,997)

7. Inventories

	31-Dec-19 $	30-Jun-19 $
Borrowed precious metals (refer to note 10)	2,250,630	1,977,955
Owned precious metals	1,265,732	1,069,713
Other inventories	5,876,762	5,651,551
Total inventories	9,393,124	8,699,219

8. Property, plant and equipment

	31-Dec-19 $	30-Jun-19 $
Plant and equipment	5,146,785	5,176,936
Land and buildings	1,823,217	1,823,217
Property improvements	1,094,082	1,128,637
Right-of-use assets for leased properties	956,687	-
Office furniture and equipment	154,172	163,124
Motor vehicles	118,820	106,005
Total property, plant and equipment	9,293,763	8,397,919
Opening net book amount	8,397,919	8,487,225
Additions	255,090	521,110
Initial recognition of right-of-use assets for leased properties	1,137,502	-
Disposals	(8,391)	(22,025)
Foreign currency adjustment	(26,349)	3,362
Depreciation expense	(462,008)	(591,753)
Closing net book amount	9,293,763	8,397,919

9. Intangible assets

	31-Dec-19 $	30-Jun-19 $
Goodwill	14,675,412	14,662,554
Development costs	752,761	749,164
Patents, trademarks and IP	528,141	561,551
Total intangible assets	15,956,314	15,973,269
Opening net book amount	15,973,269	15,964,438
Additions	95,710	120,391
Disposals	-	(9,242)
Foreign currency adjustment	15,323	159,988
Amortisation expense	(127,988)	(262,306)
Closing net book amount	15,956,314	15,973,269

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 2019, 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 2019	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-derivatives								
Trade payables	961,486	-	-	-	-	961,486	961,486	-
Property loan[1]	65,542	64,966	905,297	-	-	1,035,805	111,192	880,350
Plant & equipment loans[2]	133,500	133,500	267,000	267,000	-	801,000	234,382	506,432
Import Loans[3]	541,095	-	-	-	-	541,095	534,672	-
Total non-derivatives	1,701,623	198,466	1,172,297	267,000	-	3,339,386	1,841,732	1,386,782

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 2019	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-derivatives								
Trade payables	1,531,610	-	-	-	-	1,531,610	1,531,610	-
Property loan[1]	71,375	70,510	138,427	835,081	-	1,115,393	111,192	935,946
Plant & equipment loans[2]	163,791	133,500	267,000	400,500	-	964,791	258,283	625,126
Import loans[3]	333,400	-	-	-	-	333,400	328,380	-
Total non-derivatives	2,100,176	204,010	405,427	1,235,581	-	3,945,194	2,229,465	1,561,072

[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 2.96% 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 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.

[3] Consists of a number of 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 2.9% 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 2019:

	31-Dec-19	30-Jun-19
	$	**$**
Bank overdraft facility	500,000	500,000
Bank guarantee facility (AUD denominated)	14,382	17,824
Bank guarantee facility (USD denominated)	3,421,656	874,985
Import loan facilities	965,328	1,171,620
Total undrawn facilities	4,901,366	2,564,429

10. Liabilities (continued)

Current provisions

	31-Dec-19 $	30-Jun-19 $
Provision for platinum loan	2,250,630	1,977,955
Other current provisions	638,021	651,587
Total current provisions	2,888,651	2,629,542

XRF has borrowed (and has title to under a master contract) $2,250,630 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 $2,250,630.

11. Lease liabilities

As a result of the adoption of AASB 16 *Leases*, the following liabilities have been recognised on the balance sheet at 31 December 2019:

	31-Dec-19 $	30-Jun-19 $
Current lease liabilities	377,355	-
Non-current lease liabilities	586,673	-
Total lease liabilities	964,028	-

12. Contributed equity

	31-Dec-19 Shares	31-Dec-18 Shares	31-Dec-19 $	31-Dec-18 $
(a) Share capital				
Ordinary shares	133,825,803	133,825,803	18,584,489	18,584,489
Total contributed equity	**133,825,803**	**133,825,803**	**18,584,489**	**18,584,489**

Date	Details	Number of shares	Issue Price $	$
1-Jul-18	Opening balance	133,825,803		18,584,489
31-Dec-18	**Closing balance**	**133,825,803**		**18,584,489**
1-Jul-19	Opening balance	133,825,803		18,584,489
31-Dec-19	**Closing balance**	**133,825,803**		**18,584,489**

13. Dividends

	Half-year 2019 $	Half-year 2018 $
Dividends provided for or paid during the half-year on ordinary shares	1,338,258	401,476

14. Contingent assets or liabilities

The group is not aware of any material contingent asset or liability for the period ended 31 December 2019.

15. Events occurring after the reporting date

There have been no 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 17 are in accordance with the *Corporations Act*, 2001 including:

   (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 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 20th day of February 2020

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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 2019, 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 2019 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 2019 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

Jarrad Prue

Director

Perth, 20 February 2020