

# Appendix 4D

## Half-Year Report

**XRF Scientific Limited**  
**ABN 80 107 908 314**



### For the Half-Year Ended 31 December 2021

#### Results for announcement to the market

Revenue from ordinary activities	Up	24%	to	\$18,534,615	from	\$14,960,987
Earnings before interest and tax (EBIT)	Up	19%	to	\$3,706,709	from	\$3,110,764
Profit from ordinary activities after tax	Up	15%	to	\$2,744,456	from	\$2,382,067
Net profit attributable to members	Up	17%	to	\$2,791,931	from	\$2,382,067

#### 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 2021	31 December 2020
	\$	\$
	0.17	0.15

Earnings per share (EPS)	31 December 2021	31 December 2020
Basic EPS – (cents per share)	2.1	1.8
Diluted EPS – (cents per share)	2.1	1.8
Weighted average of number of ordinary shares	134,699,698	134,133,506

## Commentary on the results for the half-year ended 31 December 2021

XRF Scientific Ltd (“XRF” or “Company”) is pleased to report its December 2021 half-year results to shareholders. The Company has generated a record half-year result with revenue of \$18.5m and a 17% increase in Net Profit After Tax to \$2.8m.

Our adjusted profit before tax was up 56% on the previous year when considering the below items:

	December 2021	December 2020
	\$	\$
Profit before tax	3,689,381	3,091,667
COVID-19 wages subsidies	-	(700,281)
COVID-19 other grants/subsidies	-	(20,000)
Underlying profit before tax	3,689,381	2,371,386

During the half we experienced strong levels of activity from both the mining and industrial sectors. The December Q2 was particularly strong, with record profit before tax of \$2.1m being generated. We continue to make good progress with our growth initiatives, including in the Precious Metals division and geographical expansion. We are also working towards new product releases across all divisions, which are at varying stages of development. Conditions remain positive into the second half, which is expected to be a strong trading period.

The Board has maintained policy to pay one dividend per year on operating profits which will be determined based on the full-year result.

Our balance sheet is robust with \$4.6m in cash and \$1.7m in debt at 31 December 2021. The majority of our debt has now been reclassified to long-term, following the renewal of a facility into a new three-year term.

The Consumables division had a very positive half, generating a profit before tax of \$1.7m from revenue of \$5.2m. The strong levels of activity being generated from the mining sector in the June half carried through to the December half. Lithium chemicals are a key production input and have been rising in price due to demand from the EV sector. As a result, revenue and costs are expected to rise by a double digit percentage, with no negative impact on margins expected. The impact will materialise more fully during the second half. We also expect our inventory levels to rise by ~\$1.5m by 30 June 2022 as a result of the lithium cost increases. Positive conditions from the mining industry are continuing into the second half.

As announced to the ASX on 1 October 2021, XRF Scientific Limited acquired 50% of the shares in Orbis Mining Pty Ltd, a laboratory crusher manufacturing business based in Western Australia. The shares were purchased for \$600,000 in cash and \$200,000 in XRF shares. XRF also loaned \$500,000 of working capital to Orbis Mining.

The Capital Equipment division delivered a profit before tax of \$632k from revenue of \$5.1m. The normalised profit before tax was \$727k after allowing for a loss of \$95k contributed by Orbis Mining. This loss is expected to reverse into a profit in the second half, as some sales were delayed into January and February. The Orbis crushers product line has good forward sales momentum, due to a growing market reputation with large industry-leading customers. The availability of XRF’s resources and sales network is expected to have a benefit on Orbis’s sales from the second half onwards.

Sales of our pre-existing capital equipment products were steady in our key mining and industrial markets. Sales continue to build in new geographies and contributed to the result for the half. The division is expected to be busy in the second half, with a record level of machines currently on order.

The Precious Metals division delivered revenue of \$8.7m and a profit before tax of \$1.3m. Sales were strong during the half from both mining and industrial customers. Net profit margins in the December half were 15% compared to the June half of 18%, which was due to a difference in the revenue mix (precious metals vs fabrication sales). We expect the margin percentage to expand from current levels in the second half. Our Germany office performed very well and contributed revenue of \$2.8m (1H21: \$1.5m) and profit before tax of \$233k (1H21: \$29k). Positive conditions have continued into the second half with a robust order book being maintained by the division.

During the period we refinanced \$0.9m of platinum loans, to reduce costs and increase flexibility. The platinum metal was returned to the lender, and a similar amount of platinum was purchased as an inventory asset using cash drawn from a different facility. Our platinum loan provisions have reduced by \$0.9m and short- and long-term debt has increased by \$0.9m. The asset remains unchanged, as the metal on loan was also classified as an inventory asset, as XRF held title to the platinum under the master loan agreement. As a result of the purchase of metal, it reduced our operating cash flow by \$0.9m during the period.

Our next trading update will be provided via the March quarter report in April.

### Details of controlled entities acquired or disposed of

During the period, XRF acquired 50% of the shares in Orbis Mining Pty Ltd, a business based in Mandurah, Western Australia. See note 15 of the attached financial statements for further details.

### 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: 21 February 2022

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 2021**

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 2021 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 2021.

### 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 half-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 2021" section, which can be found at the start of the Appendix 4D.

### Business segments

#### ***Capital Equipment***

Manufactures automated fusion equipment, high temperature test and production furnaces, laboratory jaw crushers and general laboratory equipment.

#### ***Precious Metals***

Manufactures products for the laboratory and industrial platinum alloy markets.

#### ***Consumables***

Manufactures 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:



**Fred Grimwade**  
Chairman

21 February 2022

## 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 2021, 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**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth, 21 February 2022



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

		Half-year	
	Note	31-Dec-21	31-Dec-20
		\$	\$
Revenue from continuing operations	4	18,534,615	14,960,987
Cost of sales		(10,490,983)	(8,659,840)
Gross profit		8,043,632	6,301,147
Other revenues	5	16,357	721,456
Administration expenses		(3,809,088)	(3,363,652)
Occupancy expenses		(361,639)	(325,647)
Finance costs		(18,299)	(20,732)
Other expenses		(181,582)	(220,905)
<b>Profit before income tax</b>		3,689,381	3,091,667
Income tax expense		(944,925)	(709,600)
<b>Profit after income tax</b>		2,744,456	2,382,067
(Profit)/Loss Attributable to non-controlling interest		47,475	-
<b>Profit after income tax attributable to equity holders of XRF Scientific Limited</b>		2,791,931	2,382,067
<b>Other comprehensive income</b>			
<b>Items that will be classified to profit or loss</b>			
Foreign currency translation differences		41,341	(214,617)
<b>Total comprehensive income for the half year</b>		2,833,272	2,167,450
<b>Total comprehensive income attributable to equity holders of XRF Scientific Limited</b>		2,833,272	2,167,450
Basic earnings per share (cents per share)		2.1	1.8
Diluted earnings per share (cents per share)		2.1	1.8

*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 2021**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31-Dec-21</b>	<b>30-June-21</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,635,248	5,256,378
Trade and other receivables		4,894,841	4,478,383
Inventories	6	13,394,394	12,516,160
Other assets		328,704	399,689
<b>TOTAL CURRENT ASSETS</b>		<b>23,253,187</b>	<b>22,650,610</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	9,072,365	8,752,738
Intangible assets	8	16,920,684	15,914,665
Deferred tax asset		1,012,472	1,055,167
<b>TOTAL NON-CURRENT ASSETS</b>		<b>27,005,521</b>	<b>25,722,570</b>
<b>TOTAL ASSETS</b>		<b>50,258,708</b>	<b>48,373,180</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,714,357	2,030,700
Provisions	9	3,424,600	4,427,317
Short-term borrowings	9	188,500	824,754
Current lease liabilities	10	487,214	383,110
Other current liabilities	11	551,424	210,252
Current income tax liability		223,226	561,637
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,589,321</b>	<b>8,437,770</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	9	1,551,500	-
Non-current lease liabilities	10	525,692	233,099
Deferred tax liability		660,488	530,613
Provisions		85,713	68,785
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,823,393</b>	<b>832,497</b>
<b>TOTAL LIABILITIES</b>		<b>10,412,714</b>	<b>9,270,267</b>
<b>NET ASSETS</b>		<b>39,845,994</b>	<b>39,102,913</b>
<b>EQUITY</b>			
Issued capital	12	19,569,579	18,802,517
Non-controlling interest		(159,757)	-
Reserves		1,362,964	1,321,623
Retained profits		19,073,208	18,978,773
<b>TOTAL EQUITY</b>		<b>39,845,994</b>	<b>39,102,913</b>

*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 2021**

	Note	Half-year 31-Dec-21 \$	31-Dec-20 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		19,030,140	15,173,680
Payments to suppliers and employees (inclusive of GST)		(16,149,930)	(13,655,989)
Receipts from government subsidies		-	720,281
Interest received		971	1,635
Interest paid		(18,299)	(20,732)
Income taxes paid		(1,110,766)	(883,552)
<b>Net cash inflow (outflow) from operating activities</b>		<u>1,752,116</u>	<u>1,335,323</u>
<b>Cash flows from investing activities</b>			
Payments for business acquisitions (net of cash acquired)	15	(601,382)	-
Payments for property, plant and equipment		(176,687)	(279,833)
Payments for research and development		(142,136)	(117,870)
<b>Net cash inflow (outflow) from investing activities</b>		<u>(920,205)</u>	<u>(397,703)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		952,310	-
Repayment of borrowings		(37,064)	(55,596)
Payment of lease liabilities		(243,256)	(234,241)
Dividends paid		(2,125,031)	(1,652,949)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(1,453,041)</u>	<u>(1,942,786)</u>
<b>Cash and cash equivalents at the beginning of the financial period</b>		5,256,378	3,634,171
Net increase (decrease) in cash and cash equivalents		<u>(621,130)</u>	<u>(1,005,166)</u>
<b>Cash and cash equivalents at the end of the financial period</b>		<u>4,635,248</u>	<u>2,629,005</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 2021**

**31 DECEMBER 2021**

	Issued Share Capital	Non- Controlling Interest	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	<b>18,802,517</b>	<b>-</b>	<b>759,243</b>	<b>562,380</b>	<b>18,978,773</b>	<b>39,102,913</b>
Profit for the period	-	(47,475)	-	-	2,791,931	2,744,456
Other comprehensive income	-	-	-	41,341	-	41,341
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(47,475)</b>	<b>-</b>	<b>41,341</b>	<b>2,791,931</b>	<b>2,785,797</b>
<b>Transactions with Equity Holders in their capacity as Equity Holders</b>						
Ordinary shares issued, net of transaction costs	767,062	-	-	-	-	767,062
Dividends paid	-	-	-	-	(2,697,496)	(2,697,496)
Amount recognised on 50% acquisition of Orbis Mining	-	(112,282)	-	-	-	(112,282)
	<b>767,062</b>	<b>(112,282)</b>	<b>-</b>	<b>-</b>	<b>(2,697,496)</b>	<b>(2,042,716)</b>
<b>Balance at 31 December 2021</b>	<b>19,569,579</b>	<b>(159,757)</b>	<b>759,243</b>	<b>603,721</b>	<b>19,073,208</b>	<b>39,845,994</b>

**31 DECEMBER 2020**

	Issued Share Capital	Non- Controlling Interest	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2020</b>	<b>18,584,489</b>	<b>-</b>	<b>759,243</b>	<b>569,860</b>	<b>15,721,879</b>	<b>35,635,471</b>
Profit for the period	-	-	-	-	2,382,067	2,382,067
Other comprehensive income	-	-	-	(214,617)	-	(214,617)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(214,617)</b>	<b>2,382,067</b>	<b>2,167,450</b>
<b>Transactions with Equity Holders in their capacity as Equity Holders</b>						
Ordinary shares issued, net of transaction costs	218,028	-	-	-	-	218,028
Dividends paid	-	-	-	-	(1,873,562)	(1,873,562)
	<b>218,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,873,562)</b>	<b>(1,655,534)</b>
<b>Balance at 31 December 2020</b>	<b>18,802,517</b>	<b>-</b>	<b>759,243</b>	<b>355,243</b>	<b>16,230,384</b>	<b>36,147,387</b>

*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 2021**

**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 2021 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 2021 are available on the Company’s website at [www.xrfscientific.com](http://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 2021 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.

This consolidated interim financial report was approved by the Board of Directors on 21 February 2022.

**3. 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.

### 3. 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**

Manufactures automated fusion equipment, high temperature test and production furnaces, laboratory jaw crushers and general laboratory equipment.

#### **Precious Metals**

Manufactures products for the laboratory and industrial platinum alloy markets.

#### **Consumables**

Manufactures chemicals and other supplies for analytical laboratories.

Segment information provided to the Managing Director for the half-year ended 31 December 2021 is as follows:

	<b>Capital Equipment</b>	<b>Precious Metals</b>	<b>Consumables</b>	<b>Total</b>
<b>Half-year ended 31 December 2021</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment revenue</b>				
Total segment revenue	5,051,949	8,710,448	5,213,062	18,975,459
Inter segment sales	(193,060)	(248,743)	-	(441,803)
Revenue from external customers	4,858,889	8,461,705	5,213,062	18,533,656
<b>Profit before income tax expense</b>	<b>632,129</b>	<b>1,326,195</b>	<b>1,739,649</b>	<b>3,697,973</b>
<b>Half-year ended 31 December 2020</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment revenue</b>				
Total segment revenue	5,025,930	6,796,681	4,235,563	16,058,174
Inter segment sales	(322,898)	(776,272)	-	(1,099,170)
Revenue from external customers	4,703,032	6,020,409	4,235,563	14,959,004
<b>Profit before income tax expense</b>	<b>780,592</b>	<b>1,173,804</b>	<b>1,287,140</b>	<b>3,241,536</b>
<b>Segment assets</b>				
At 31 December 2021	10,229,869	19,367,319	16,444,224	46,041,412
At 30 June 2021	7,929,471	19,233,247	16,073,271	43,235,989
<b>Segment liabilities</b>				
At 31 December 2021	2,216,636	5,969,132	374,528	8,560,296
At 30 June 2021	1,429,538	5,688,302	482,589	7,600,429
		<b>Half-year 31-Dec-21</b>	<b>Half-year 31-Dec-20</b>	
		<b>\$</b>	<b>\$</b>	
<b>Revenue from external customers – segments</b>		<b>18,533,656</b>	<b>14,059,004</b>	
Unallocated revenue (corporate)		959	1,983	
<b>Revenue from external customers – total</b>		<b>18,534,615</b>	<b>14,960,987</b>	
<b>Profit before income tax expense – segments</b>		<b>3,697,973</b>	<b>3,241,536</b>	
Eliminations and unallocated (corporate)		(8,592)	(149,869)	
<b>Profit before income tax expense from continuing operations – total</b>		<b>3,689,381</b>	<b>3,091,667</b>	

**3. Segment information (continued)**

	Half-year 31-Dec-21 \$	Full-year 30-Jun-21 \$
<b>Total segment assets</b>	<b>46,041,412</b>	<b>43,235,989</b>
Cash and cash equivalents held by parent entity	2,997,542	4,362,667
Deferred tax asset	1,012,472	1,055,167
Other corporate assets and eliminations	207,282	(280,643)
<b>Total assets</b>	<b>50,258,708</b>	<b>48,373,180</b>
<b>Total segment liabilities</b>	<b>8,560,296</b>	<b>7,600,429</b>
Deferred tax liability	660,488	530,613
Income tax provision	223,226	561,637
Trade and other payables	716,745	675,490
Other corporate liabilities and eliminations	251,959	(97,902)
<b>Total liabilities</b>	<b>10,412,714</b>	<b>9,270,267</b>

**4. Revenue**

	31-Dec-21 \$	31-Dec-20 \$
<i>Revenue from continuing operations</i>		
<i>Revenue from external customers</i>		
Sale of finished goods	18,186,086	14,642,641
Service revenue (non-contract)	205,955	210,661
Service revenue (contract)	141,603	106,050
<i>Total revenue</i>	<i>18,553,644</i>	<i>14,959,352</i>
Interest income	971	1,635
<b>Total revenue from continuing operations</b>	<b>18,534,615</b>	<b>14,960,987</b>

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 \$
<b>Half-year ended 31 December 2021</b>				
Australia	3,036,361	3,848,827	4,461,835	11,347,023
Canada	157,371	1,319,550	320,545	1,797,466
Europe	1,665,157	3,293,328	430,682	5,389,167
Revenue from external customers	4,858,889	8,461,705	5,213,062	18,533,656
<b>Half-year ended 31 December 2020</b>				
Australia	3,542,184	2,706,763	3,616,302	9,865,249
Canada	98,889	1,322,434	278,491	1,699,814
Europe	1,061,959	1,991,212	340,770	3,393,941
Revenue from external customers	4,703,032	6,020,409	4,235,563	14,959,004

**5. Profit for the half-year**

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

	<b>31-Dec-21</b>	<b>31-Dec-20</b>
	<b>\$</b>	<b>\$</b>
COVID-19 wages subsidies and other grants	-	720,281
Miscellaneous	16,357	1,175
Total other revenues	<u>16,357</u>	<u>721,456</u>

**6. Inventories**

	<b>31-Dec-21</b>	<b>30-Jun-21</b>
	<b>\$</b>	<b>\$</b>
Borrowed precious metals (refer to note 9)	2,747,021	3,788,471
Owned precious metals	3,308,602	2,552,765
Other inventories	7,338,771	6,174,924
Total inventories	<u>13,394,394</u>	<u>12,516,160</u>

**7. Property, plant and equipment**

	<b>31-Dec-21</b>	<b>30-Jun-21</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment	5,075,242	5,155,496
Land and buildings	1,823,217	1,823,217
Property improvements	918,629	959,542
Right-of-use assets for leased properties	998,834	600,546
Office furniture and equipment	124,334	135,810
Motor vehicles	132,109	78,127
Total property, plant and equipment	<u>9,072,365</u>	<u>8,752,738</u>
<i>Opening net book amount</i>	8,752,738	9,275,484
Additions	176,686	411,984
Movement on right-of-use assets resulting from changes to lease conditions	639,953	87,584
Disposals	-	(601)
Foreign currency adjustment	(5,370)	(8,080)
Depreciation expense	(491,642)	(1,013,633)
Closing net book amount	<u>9,072,365</u>	<u>8,752,738</u>

**8. Intangible assets**

	<b>31-Dec-21</b>	<b>30-Jun-21</b>
	<b>\$</b>	<b>\$</b>
Goodwill	15,556,046	14,629,236
Development costs	979,584	867,949
Patents, trademarks and IP	385,054	417,480
Total intangible assets	<u>16,920,684</u>	<u>15,914,665</u>
<i>Opening net book amount</i>	15,914,665	15,890,844
Recognition of goodwill and IP on acquisition of Orbis Mining	912,282	-
Additions	167,901	239,458
Disposals	-	-
Foreign currency adjustment	17,151	5,151
Amortisation expense	(91,315)	(220,788)
Closing net book amount	<u>16,920,684</u>	<u>15,914,665</u>



## 9. Liabilities

The group has an overdraft facility of \$500,000 as a safeguard on working capital requirements. Additional facilities totaling \$1.6m are utilised for bank guarantees and to fund the importation of certain raw materials. As at 31 December 2021, 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 2021	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>								
Trade payables	2,057,740	-	-	-	-	2,057,740	2,057,740	-
Property loan <sup>1</sup>	119,933	104,425	205,985	1,401,237	-	1,831,580	188,500	1,551,500
<b>Total non-derivatives</b>	<b>2,177,673</b>	<b>104,425</b>	<b>205,985</b>	<b>1,401,237</b>	<b>-</b>	<b>3,889,320</b>	<b>2,246,240</b>	<b>1,551,500</b>

  

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 2021	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>								
Trade payables	1,380,865	-	-	-	-	1,380,865	1,380,865	-
Property loan <sup>1</sup>	828,938	-	-	-	-	828,938	824,754	-
<b>Total non-derivatives</b>	<b>2,209,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,209,803</b>	<b>2,205,619</b>	<b>-</b>

<sup>1</sup> Consists of a three-year, interest-bearing loan for \$1,740,000, used to fund the purchase of a property in Melbourne. The facility was refinanced during the period, extending the maturity date to November 2024. Instalments are paid monthly (including principal and interest), at a rate of 2.1% 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).

### *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 2021:

	31-Dec-21	30-Jun-21
	\$	\$
Bank overdraft facility	500,000	500,000
Bank guarantee facility (AUD denominated)	73,958	69,963
Import loan facilities	1,500,000	1,500,000
<b>Total undrawn facilities</b>	<b>2,073,958</b>	<b>2,069,963</b>

### *Current provisions*

	31-Dec-21	30-Jun-21
	\$	\$
Provision for platinum loan	2,747,021	3,788,471
Other current provisions	677,579	638,846
<b>Total current provisions</b>	<b>3,424,600</b>	<b>4,427,317</b>

XRF has borrowed (and has title to under a master contract) \$2,747,021 of platinum metal, which is inventoried to facilitate manufacturing processes and reduce lead times. This is funded by two loan facilities, with terms of up to 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 \$2,747,021.

#### 10. 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 2021:

	31-Dec-21 \$	30-Jun-21 \$
Current lease liabilities	487,214	383,110
Non-current lease liabilities	525,692	233,099
Total lease liabilities	1,012,906	616,209

#### 11. Other current liabilities

	31-Dec-21 \$	30-Jun-21 \$
Customer deposits	394,625	109,534
Revenue received in advance	156,799	100,718
Total other current liabilities	551,424	210,252

#### 12. Contributed equity

	31-Dec-21 Shares	31-Dec-20 Shares	31-Dec-21 \$	31-Dec-20 \$
<b>(a) Share capital</b>				
Ordinary shares	135,797,969	134,561,093	19,569,579	18,802,517
Total contributed equity	135,797,969	134,561,093	19,569,579	18,802,517

Date	Details	Number of shares	Issue Price \$	\$
1-Jul-20	Opening balance	133,825,803		18,584,489
16-Oct-20	Shares issued under dividend reinvestment plan	735,290	0.3000	220,587
16-Oct-20	Less: transaction costs			(2,559)
<b>31-Dec-20</b>	<b>Closing balance</b>	<b>134,561,093</b>		<b>18,802,517</b>
1-Jul-21	Opening balance	134,561,093		18,802,517
30-Sept-21	Shares issued as part of consideration for Orbis Mining	313,676	0.6376	200,000
30-Sept-21	Less: transaction costs			(1,667)
15-Oct-21	Shares issued under dividend reinvestment plan	923,200	0.6200	572,384
15-Oct-21	Less: transaction costs			(3,655)
<b>31-Dec-21</b>	<b>Closing balance</b>	<b>135,797,969</b>		<b>19,569,579</b>

#### 13. Dividends

	Half-year 2021 \$	2020 \$
Dividends provided for or paid during the half-year on ordinary shares	2,697,496	1,873,560

#### 14. Contingent assets or liabilities

The group is not aware of any material contingent asset or liability for the period ended 31 December 2021.

## 15. Business combination

### a) Summary of acquisition

On 30 September 2021, XRF Scientific Limited acquired 50% of the shares in Orbis Mining Pty Ltd, a business based in Mandurah, Western Australia. The business was founded in 2014 by Brad Hunting and Darrin Hunting and manufactures laboratory jaw crushers, primarily for use in the mining sector.

The Company is considered to have control over Orbis Mining. A shareholder agreement entitles the Company to fill half of the available positions on the Board of Directors, including the Chairman who will have a casting vote. The Company will also control all of the financial and administrative functions post acquisition.

The Company has reported provisional amounts for goodwill and intellectual property acquired as part of the purchase of Orbis Mining, as fair value assessments have not been finalised. XRF has been granted a Call Option to purchase the remaining 50% of the shares of Orbis Mining which is exercisable from 1 July 2024 to 31 October 2024 with an exercise price based on the 5x multiple of average EBIT for 2023 and 2024. No value has been attributed to the Call Option.

#### (i) Purchase consideration

Details of the purchase consideration, the net assets acquired, goodwill and non-controlling interests are as follows:

	\$
Cash paid upfront	600,000
Shares issued to existing shareholders	200,000
Total potential purchase consideration	<u>800,000</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	\$
Goodwill and intellectual property	912,282
Trade and other receivables	682,924
Inventories	352,495
R&D assets	25,764
Other assets	10,357
Cash & cash equivalents	(1,382)
Trade and other payables	(841,810)
Loans payable	(325,412)
Other liabilities	(127,500)
Non-controlling interest	<u>112,282</u>
	<u>800,000</u>

The goodwill is attributable to Orbis Mining's strong position and profitability in trading in the sample preparation market and synergies expected to arise after the Company's acquisition of the business. None of the goodwill is expected to be deductible for tax purposes. The intellectual property is attributable to expenditure incurred developing crushing equipment and will be amortised over the determined useful life.

#### (ii) Revenue and profit contribution

The acquired business contributed revenues of \$89k and net loss before tax of \$95k to the group for the period of 30 September 2021 to 31 December 2021. This loss is expected to reverse into a profit in the second half, as some sales were delayed into January and February. If the acquisition had occurred on 1 July 2021, consolidated revenue and consolidated net profit before tax for the period ended 31 December 2021 would have been \$19.1m and \$3.6m respectively. These amounts have been calculated using the group's accounting policies.

#### (iii) Acquisition related costs

Direct costs relating to the acquisition of Orbis Mining of \$27,406 are included in "other expenses" on the consolidated statement of profit or loss and other comprehensive income.

#### (iv) Purchase consideration – cash outflow

Included in the payments for business acquisitions in the investing activities section of the cash flow statement is \$601,382, which represents the cash paid for 50% of the available shares of Orbis Mining, net of cash acquired.

**15. Business combination (continued)**

*(v) Significant estimates and judgements*

In accounting for the business combination, the following significant estimates and judgements have been made:

- Assessing that the Company controls Orbis Mining Pty Ltd.
- Estimating the value of the Call Option of the 50% of the share capital of Orbis Mining Pty Ltd held by the vendors.
- Estimating the acquisition date fair value of the assets and liabilities acquired.

**16. 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 Company 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 2021 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 21<sup>st</sup> day of February 2022

## 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 2021, 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 ended on that date, a summary of 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 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*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.



#### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 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*.

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.

**BDO Audit (WA) Pty Ltd**

BDO  
J Prue

**Jarrad Prue**

**Director**

Perth, 21 February 2022