

Appendix 4D

Half-Year Report

XRF Scientific Limited
ABN 80 107 908 314



For the Half-Year Ended 31 December 2022

Results for announcement to the market

Revenue from ordinary activities	Up	46%	to	\$27,090,693	from	\$18,534,615
Earnings before interest and tax (EBIT)	Up	55%	to	\$5,727,983	from	\$3,706,709
Profit from ordinary activities after tax	Up	45%	to	\$3,987,987	from	\$2,744,456
Net profit attributable to members	Up	34%	to	\$3,738,192	from	\$2,791,931

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 2022	31 December 2021
	\$	\$
	0.20	0.17

Earnings per share (EPS)	31 December 2022	31 December 2021
Basic EPS – (cents per share)	2.8	2.1
Diluted EPS – (cents per share)	2.8	2.1
Weighted average of number of ordinary shares	135,587,521	134,699,698

Commentary on the results for the half-year ended 31 December 2022

XRF Scientific Ltd (“XRF” or “Company” or “Group”) is pleased to report its December 2022 half-year results to shareholders. The Company has generated a record half-year result with revenue of \$27.1m and a 34% increase in Net Profit After Tax to \$3.7m.

During the half we saw strong levels of activity across the business, driven by the mining and industrial sectors. There was positive growth in key international markets in Europe, Asia and the Americas. Capital equipment sales were a key highlight, with strong customer demand and a growing market share internationally.

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

Our balance sheet remains robust with \$6.0m in cash and \$3.1m in debt at 31 December 2022. We added \$0.3m in debt during the half to partially fund higher priced lithium raw materials for the Consumables division.

We expect our revenue for the Group to exceed \$50m for FY23, which increases our Australian income tax rate from 25% to 30%. As a result there has been an increase to income tax expense in the Statement of Profit or Loss and deferred tax asset/liability and current income tax liability in the Statement of Financial Position.

The Consumables division had a positive half, generating a profit before tax of \$2.5m from revenue of \$7.7m. The mining sector remained the key driver of activity, in which our products are consumed for sample testing processes across production and exploration. Profits increased due to high product volumes and additional margin earned on previously ordered low-cost raw materials that were part of our large inventory position. We launched one new product line during the half (xr-Tab binder tablets) and continue to work towards further new releases.

Lithium chemicals are a key production input and continued to increase in price during the half due to demand from the EV sector. As a result of the price increases our inventory balance in the division grew by \$1.0m during the half. The inventory increase of \$1m is lower than the forecast range of \$2.3-2.8m by the end of 1H23. Revenue and costs are expected to continue to rise in 2H23, with margins normalising, after all lower-cost lithium has been used.

The Capital Equipment division delivered a profit before tax of \$1.5m from revenue of \$9.2m. Demand for our capital equipment products was robust, which is expected to continue into 2H23. In January 2023 our order book reached a new record level, with production for some products booked out past 2H23. We have been working towards a higher level of production capacity to deal with the increased level of orders. The demand is being driven by a mix of mining and industrial customers globally. A new complementary product line is in the final stages of development, targeting existing and new industry exposures.

Included in the result, Orbis Mining generated revenue of \$3.4m and total profit before tax of \$684k (50% of PBT allocated to non-controlling interest) compared to revenue of \$2.5m for FY22 full year. The laboratory crusher product line continues to develop increased sales momentum as a result of its growing reputation in the market.

The Precious Metals division delivered revenue of \$11.3m and a profit before tax of \$1.6m. We are continuing to see high levels of reoccurring orders from mining customers, as increased sample testing requires regular recycling of spent platinum labware products. In addition, a high level of machine orders is driving the sale of new platinum labware products. We continued to grow our base of industrial product customers in Europe, where our office in Germany increased revenue to \$4.5m compared to \$2.7m in 2H22. The division acquired new customers in specialised fields, including aerospace.

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

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 2023

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 2022**

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 2022 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)
Vance Stazzonelli	(Managing Director)
David Brown	(Non-Executive Director)
David Kiggins	(Non-Executive 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
Level 9, 5 Spring Street
Perth WA 6000

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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 2022.

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)
Vance Stazzonelli (Managing Director)
David Brown (Non-Executive Director)
David Kiggins (Non-Executive 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 2022" 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

20 February 2023

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 2022, 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
20 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

		Half-year	
	Note	31-Dec-22	31-Dec-21
		\$	\$
Revenue from continuing operations	4	27,090,693	18,534,615
Cost of sales		(15,797,029)	(10,490,983)
Gross profit		11,293,664	8,043,632
Other revenues		41,961	16,357
Administration expenses		(4,787,475)	(3,809,088)
Occupancy expenses		(364,121)	(361,639)
Finance costs		(85,727)	(18,299)
Other expenses		(429,962)	(181,582)
Profit before income tax		5,668,340	3,689,381
Income tax expense		(1,680,353)	(944,925)
Profit after income tax		3,987,987	2,744,456
(Profit)/Loss Attributable to non-controlling interest		(249,795)	47,475
Profit after income tax attributable to equity holders of XRF Scientific Limited		3,738,192	2,791,931
Other comprehensive income			
Items that will be classified to profit or loss			
Foreign currency translation differences		78,308	41,341
Total comprehensive income for the half year		3,816,500	2,833,272
Total comprehensive income attributable to equity holders of XRF Scientific Limited		3,816,500	2,833,272
Basic earnings per share (cents per share)		2.8	2.1
Diluted earnings per share (cents per share)		2.8	2.1

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 2022

		Consolidated	
	Note	31-Dec-22	30-June-22
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		6,061,287	6,649,539
Trade and other receivables		8,256,267	6,228,337
Inventories	6	16,791,616	15,521,407
Other assets		605,699	515,212
TOTAL CURRENT ASSETS		31,714,869	28,914,495
NON-CURRENT ASSETS			
Property, plant and equipment	7	8,807,976	8,663,193
Intangible assets	8	16,793,745	16,949,853
Deferred tax asset		1,245,097	1,030,898
TOTAL NON-CURRENT ASSETS		26,846,818	26,643,944
TOTAL ASSETS		58,561,687	55,558,439
CURRENT LIABILITIES			
Trade and other payables		3,954,334	3,077,458
Provisions	9	3,184,480	3,312,412
Short-term borrowings	9	1,740,326	1,303,602
Current lease liabilities	10	307,915	368,464
Other current liabilities	11	735,087	887,972
Current income tax liability		969,619	708,294
TOTAL CURRENT LIABILITIES		10,891,761	9,658,202
NON-CURRENT LIABILITIES			
Long-term borrowings	9	1,377,500	1,464,500
Non-current lease liabilities	10	532,390	377,358
Deferred tax liability		778,790	615,224
Provisions		112,741	95,126
TOTAL NON-CURRENT LIABILITIES		2,801,421	2,552,208
TOTAL LIABILITIES		13,693,182	12,210,410
NET ASSETS		44,868,505	43,348,029
EQUITY			
Issued capital	12	20,346,649	19,632,304
Non-controlling interest		118,142	(131,653)
Reserves		1,697,812	1,482,364
Retained profits		22,705,902	22,365,014
TOTAL EQUITY		44,868,505	43,348,029

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 2022

	Note	Half-year 31-Dec-22 \$	31-Dec-21 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		25,004,679	19,030,140
Payments to suppliers and employees (inclusive of GST)		(21,182,375)	(16,149,930)
Interest received		26,084	971
Interest paid		(85,727)	(18,299)
Income taxes paid		(1,469,661)	(1,110,766)
Net cash inflow (outflow) from operating activities		2,293,000	1,752,116
Cash flows from investing activities			
Payments for business acquisitions (net of cash acquired)		-	(601,382)
Payments for property, plant and equipment		(284,209)	(176,687)
Payments for research and development		(8,634)	(142,136)
Net cash inflow (outflow) from investing activities		(292,843)	(920,205)
Cash flows from financing activities			
Proceeds from borrowings		1,566,326	952,310
Repayment of borrowings		(1,216,602)	(37,064)
Payment of lease liabilities		(259,391)	(243,256)
Dividends paid		(2,678,742)	(2,125,031)
Net cash inflow (outflow) from financing activities		(2,588,409)	(1,453,041)
Cash and cash equivalents at the beginning of the financial period		6,649,539	5,256,378
Net increase (decrease) in cash and cash equivalents		(588,252)	(621,130)
Cash and cash equivalents at the end of the financial period		6,061,287	4,635,248

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 2022

31 DECEMBER 2022

	Issued Share Capital	Non- Controlling Interest	Share Option Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	19,632,304	(131,653)	759,243	-	723,121	22,365,014	43,348,029
Profit for the period	-	249,795	-	-	-	3,738,192	3,987,987
Other comprehensive income	-	-	-	-	78,308	-	78,308
Total comprehensive income for the period	-	249,795	-	-	78,308	3,738,192	4,066,295
Transactions with Equity Holders in their capacity as Equity Holders							
Ordinary shares issued, net of transaction costs	714,345	-	-	-	-	-	714,345
Dividends paid	-	-	-	-	-	(3,397,304)	(3,397,304)
Employee Performance Rights Plan	-	-	-	137,140	-	-	137,140
	714,345	-	-	137,140	-	(3,397,304)	(2,545,819)
Balance at 31 December 2022	20,346,649	118,142	759,243	137,140	801,429	22,705,902	44,868,505

31 DECEMBER 2021

	Issued Share Capital	Non- Controlling Interest	Share Option Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	18,802,517	-	759,243	-	562,380	18,978,773	39,102,913
Profit for the period	-	(47,475)	-	-	-	2,791,931	2,744,456
Other comprehensive income	-	-	-	-	41,341	-	41,341
Total comprehensive income for the period	-	(47,475)	-	-	41,341	2,791,931	2,785,797
Transactions with Equity Holders in their capacity as Equity Holders							
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)
	767,062	(112,282)	-	-	-	(2,697,496)	(2,042,716)
Balance at 31 December 2021	19,569,579	(159,757)	759,243	-	603,721	19,073,208	39,845,994

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 2022**

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 2022 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 2022 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 2022 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 20 February 2023.

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.

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.

XRF SCIENTIFIC LIMITED
ABN 80 107 908 314
INTERIM FINANCIAL STATEMENT – 31 DECEMBER 2022



3. Segment information (continued)

Segment information provided to the Managing Director for the half-year ended 31 December 2022 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Half-year ended 31 December 2022	\$	\$	\$	\$
Segment revenue				
Total segment revenue	9,196,234	11,333,808	7,727,701	28,257,743
Inter segment sales	(691,146)	(501,969)	-	(1,193,115)
Revenue from external customers	8,505,088	10,831,839	7,727,701	27,064,628
Profit before income tax expense	1,542,313	1,608,655	2,528,810	5,679,778
Half-year ended 31 December 2021	\$	\$	\$	\$
Segment revenue				
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
Profit before income tax expense	632,129	1,326,195	1,739,649	3,697,973
Segment assets				
At 31 December 2022	12,501,866	19,153,312	21,641,979	53,297,157
At 30 June 2022	10,314,469	19,310,616	19,312,665	48,937,750
Segment liabilities				
At 31 December 2022	2,811,002	5,222,318	2,421,889	10,455,209
At 30 June 2022	2,275,109	5,556,279	1,690,791	9,522,179
			Half-year 31-Dec-22	Half-year 31-Dec-21
			\$	\$
Revenue from external customers – segments			27,064,628	18,533,656
Unallocated revenue (corporate)			26,065	959
Revenue from external customers – total			27,090,693	18,534,615
Profit before income tax expense – segments			5,679,778	3,697,973
Eliminations and unallocated (corporate)			(11,438)	(8,592)
Profit before income tax expense from continuing operations – total			5,668,340	3,689,381
			Half-year 31-Dec-22	Full-year 30-Jun-22
			\$	\$
Total segment assets			53,297,157	48,937,750
Cash and cash equivalents held by parent entity			3,765,344	5,323,578
Deferred tax asset			1,245,097	1,030,898
Other corporate assets and eliminations			254,089	266,213
Total assets			58,561,687	55,558,439
Total segment liabilities			10,455,209	9,522,179
Deferred tax liability			778,790	615,224
Income tax provision			969,619	708,294
Trade and other payables			1,099,230	1,035,133
Other corporate liabilities and eliminations			390,334	329,580
Total liabilities			13,693,182	12,210,410

4. Revenue

	31-Dec-22 \$	31-Dec-21 \$
<i>Revenue from continuing operations</i>		
<i>Revenue from external customers</i>		
Sale of finished goods	26,651,031	18,186,086
Service revenue (non-contract)	265,696	205,955
Service revenue (contract)	147,882	141,603
Total revenue	27,064,609	18,553,644
Interest income	26,084	971
Total revenue from continuing operations	27,090,693	18,534,615

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 2022				
Australia	6,568,707	4,162,810	6,594,144	17,325,661
Canada	556,503	1,572,461	335,843	2,464,807
Europe	1,379,878	5,096,568	797,714	7,274,160
Revenue from external customers	8,505,088	10,831,839	7,727,701	27,064,628
Half-year ended 31 December 2021				
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

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:

	31-Dec-22 \$	31-Dec-21 \$
Share-based payments expense (included in Administration Expenses) (Note 15)	137,140	-

6. Inventories

	31-Dec-22	30-Jun-22
	\$	\$
Borrowed precious metals (refer to note 9)	2,337,279	2,639,722
Owned precious metals	3,318,959	3,328,853
Other inventories	11,135,378	9,552,832
Total inventories	<u>16,791,616</u>	<u>15,521,407</u>

7. Property, plant and equipment

	31-Dec-22	30-Jun-22
	\$	\$
Plant and equipment	5,045,805	4,944,551
Land and buildings	1,823,217	1,823,217
Property improvements	857,774	890,184
Right-of-use assets for leased properties	824,649	728,003
Office furniture and equipment	102,834	102,126
Motor vehicles	153,697	175,112
Total property, plant and equipment	<u>8,807,976</u>	<u>8,663,193</u>
<i>Opening net book amount</i>	8,663,193	8,752,738
Additions	284,209	372,499
Movement on right-of-use assets resulting from changes to lease conditions	353,874	596,878
Disposals	-	(62,169)
Foreign currency adjustment	6,781	(8,117)
Depreciation expense	(500,081)	(988,636)
Closing net book amount	<u>8,807,976</u>	<u>8,663,193</u>

8. Intangible assets

	31-Dec-22	30-Jun-22
	\$	\$
Goodwill	15,393,542	15,463,076
Product development costs	886,667	928,923
Patents, trademarks and IP	513,536	557,854
Total intangible assets	<u>16,793,745</u>	<u>16,949,853</u>
<i>Opening net book amount</i>	16,949,853	15,914,665
Additions	8,634	1,114,595
Foreign currency adjustment	(82,423)	109,319
Amortisation expense	(82,319)	(188,726)
Closing net book amount	<u>16,793,745</u>	<u>16,949,853</u>

9. Liabilities

The Group has an overdraft facility of \$500,000 as a safeguard on working capital requirements. Additional facilities totaling \$3.6m are utilised for bank guarantees and to fund the importation of certain raw materials. As at 31 December 2022, 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 2022	\$	\$	\$	\$	\$	\$	\$	\$
Non-derivatives								
Trade payables	3,146,644	-	-	-	-	3,146,644	3,146,644	-
Property loan ¹	125,719	123,475	1,433,303	-	-	1,682,497	174,000	1,377,500
Import Loans	1,601,216	-	-	-	-	1,601,216	1,566,326	-
Total non-derivatives	4,873,579	123,475	1,433,303	-	-	6,430,357	4,886,970	1,377,500

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 2022	\$	\$	\$	\$	\$	\$	\$	\$
Non-derivatives								
Trade payables	2,415,622	-	-	-	-	2,415,622	2,415,622	-
Property loan ¹	116,373	114,764	224,699	1,305,969	-	1,761,805	174,000	1,464,500
Import loans	1,143,545	-	-	-	-	1,143,545	1,129,602	-
Total non-derivatives	3,675,540	114,764	224,699	1,305,969	-	5,320,972	3,719,224	-

¹ 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 5.16% 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 Group (excluding subsidiaries in Canada, Germany and Orbis Mining Pty Ltd).

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 2022:

	31-Dec-22	30-Jun-22
	\$	\$
Bank overdraft facility	500,000	500,000
Bank guarantee facility (AUD denominated)	73,958	73,958
Import loan facility (facility limit increased from \$1.5m to \$3.5m during the period)	1,933,675	370,398
Total undrawn facilities	2,507,633	944,356

Current provisions

	31-Dec-22	30-Jun-22
	\$	\$
Provision for platinum loan	2,337,279	2,639,722
Other current provisions	847,201	672,690
Total current provisions	3,184,480	3,312,412

XRF has borrowed (and has title to under a master contract) \$2,337,279 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 \$2,337,279.

10. Lease liabilities

In accordance with AASB 16 *Leases*, the following liabilities have been recognised at 31 December 2022:

	31-Dec-22	30-Jun-22
	\$	\$
Current lease liabilities	307,915	368,464
Non-current lease liabilities	532,390	377,358
Total lease liabilities	840,305	745,822

11. Other current liabilities

	31-Dec-22	30-Jun-22
	\$	\$
Customer deposits	628,786	765,361
Revenue received in advance	106,301	122,611
Total other current liabilities	735,087	887,972

12. Contributed equity

	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	Shares	Shares	\$	\$
(a) Share capital				
Ordinary shares	136,980,775	135,797,969	20,346,649	19,569,579
Total contributed equity	136,980,775	135,797,969	20,346,649	19,569,579

Date	Details	Number of shares	Issue Price \$	\$
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)
31-Dec-21	Closing balance	135,797,969		19,569,579
1-Jul-22	Opening balance	135,892,049		19,632,304
14-Oct-22	Shares issued under dividend reinvestment plan	1,088,726	0.6600	718,559
14-Oct-22	Less: transaction costs			(4,214)
31-Dec-22	Closing balance	136,980,775		20,346,649

13. Dividends

	Half-year 2022	2021
	\$	\$
Dividends provided for or paid during the half-year on ordinary shares	3,397,304	2,697,496

14. Contingent assets or liabilities

The Group is not aware of any material contingent asset or liability for the period ended 31 December 2022.

15. Share-based payments

Performance rights (PRs) are granted to employees at the discretion of the Board based on the Performance Rights Plan (Plan) approved by the Board.

The Board may invite eligible employees to participate in the Plan and acquire PRs for no consideration. The PRs vest upon the satisfaction of any applicable vesting conditions, following which the Group will allocate one share per PR. Vesting conditions include total shareholder return, earnings per share growth rates and service periods. Where vesting conditions are not met, the PRs will lapse.

The fair value of the PRs granted during the half-year ended 31 December 2022 was determined using the Monte Carlo Simulation and Black Scholes methods, with the following key assumptions:

Assumption	Value
Underlying security spot price	\$0.80
Exercise price	Nil
Valuation date	21 October 2022
Commencement of performance period	1 July 2022
Performance measurement date	30 June 2025
Performance period (years)	3.00
Remaining performance period (years)	2.69
Volatility of XRF	45%
Volatility of the index	20%
Risk-free rate	3.745%
Dividend yield	4%
Valuation per PR	\$0.524 to \$0.72

On 21 October 2022, the Group received approval from shareholders to issue 402,503 PRs to the Managing Director, Vance Stazzonelli, with performance hurdles based on total shareholder returns and earnings per share growth rates. On 11 November 2022, 1,504,278 PRs were issued to employees (including the shareholder-approved number issued to the Managing Director). The PRs are divided into three tranches, with the following performance conditions:

- Indexed Total Shareholder Returns – 612,139 PRs**

Total Shareholder Return (TSR) measures the growth in the Group's share price together with the value of dividends during the period. When calculating the Group's TSR, its share price at the beginning and end of the performance period will be calculated as a one-month VWAP (i.e. July in year 1 and June in year 3). The percentage of PRs out of this tranche that vest will be determined by reference to the relative TSR of the Group achieved over the three-year performance period, compared to the TSR of the S&P/ASX Small Ordinaries Accumulation Index (ASOAI), as follows:

Performance against the relevant condition(s)	Quantum of Performance Rights subject to performance conditions that vest (%)
Less than index TSR Below 100% of the proportionate change in the ASOAI index over the relevant performance period	Nil
Equal to index TSR At 100% of the proportionate change in the ASOAI index over the relevant performance period	50%
Greater than index TSR Between 100% and 120% of the proportionate change in the ASOAI index over the relevant performance period	Pro-rata between 50% and 100%

Threshold vesting of this tranche of the PRs occurs where the Company's TSR equals the S&P/ASX Small Ordinaries Accumulation Index TSR over the performance period. For the whole tranche of PRs to vest, the Company's TSR must exceed the TSR of the S&P/ASX Small Ordinaries Index over the performance period by 20 per cent.

15. Share-based payments (continued)

- **Earnings Per Share Compound Annual Growth Rate – 489,143 PRs**

Earnings per share (EPS) is based on the consolidated statutory net profit after tax of the Group, in proportion to the total number of shares issued. The Board retains the sole discretion to include or exclude certain one-off items, to ensure the statutory profit is a true reflection of the trading results. The percentage of PRs out of this tranche that vest will be determined by reference to the EPS compound annual growth rate (CAGR), as follows:

EPS compound annual growth rate (EPS CAGR)	Percentage of EPS-tested rights vesting
<10%	Nil
10%	50%
Between 10% - 20%	Pro-rata between 50% and 100%
> = 20%	100%

The difference in EPS between FY22 and FY25 is the basis of the EPS CAGR calculation. For example:

- An EPS CAGR of 10% equates to a 33.1% increase in EPS between FY22 and FY25
- An EPS CAGR of 20% equates to a 72.8% increase in EPS between FY22 and FY25

- **Service Period – 402,996**

The percentage of performance rights out of this tranche that vest, if any, will be determined after the employee has remained continuously employed by the Group for the duration of the performance period.

At 31 December 2022, a total of 1,504,278 PRs were granted to employees.

The fair value of the PRs will be expensed proportionally over the vesting period. For the half-year ended 31 December 2022, the Group has recognised \$137,140 of share-based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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 2022 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 2023

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 2022, 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 significant 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 2022 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 2022 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

A handwritten signature in dark ink, appearing to read 'J Prue', is written over a faint, larger 'BDO' watermark.

Jarrad Prue

Director

Perth

20 February 2023