

2 September 2021

XRF Acquires 50% of Orbis Mining

XRF Scientific Ltd ("XRF" or "The Company") is pleased to advise that it has entered into a binding but conditional Share Purchase Agreement ("Agreement") to acquire 50% of the shares in Orbis Mining Pty Ltd ("Orbis") from Brad Hunting and Darrin Hunting ("Founders"). XRF has further acquired a Call Option to purchase the remaining 50% of the shares currently held by the Founders.

The Agreement is conditional on the satisfaction or waiver by 31 October 2021 (or such other date which is agreed) of various conditions precedent. Material conditions precedent include the Company being satisfied with its due diligence enquiries in relation to Orbis, there being no material adverse change in relation to Orbis, various third-party approvals being obtained and the Founders entering into employment agreements with Orbis.

Orbis is a manufacturer of laboratory jaw crushers, primarily used in the mining sector. The business was founded in 2014 by Brad Hunting and Darrin Hunting and is currently based in Mandurah, Western Australia. It is one of two known companies in the world to produce a highly efficient double acting jaw crusher. Orbis utilises a unique and patented component that allows for samples sizes of up to 110mm to be crushed down to 2mm in a single pass, which allows most users to avoid multiple processing steps. Read more about Orbis at: <https://www.orbismining.com/>

For FY21 Orbis produced unaudited revenue of \$2.3m and profit before tax of \$0.34m. The business currently has a blue-chip customer base of commercial laboratories and miners.

Key Acquisition Benefits

- A low risk, bolt-on acquisition with highly complementary products: the majority of our existing customers require jaw crushers
- Given current sales opportunities at hand, Orbis's revenue and profits have the potential to grow rapidly in the short to medium term
- Orbis has addressable markets significantly larger than XRF's own existing capital equipment products
- Further diversification of revenue into the gold mining sector: Orbis's products are used in gold assaying processes such as Fire Assay and Photon Assay

Acquisition Price of first 50% shareholding

- \$600,000 in cash and \$200,000 in XRF shares. The cash consideration will be funded from XRF's cash reserves. The XRF shares will be issued at the 10-day VWAP prior to settlement and will be issued using XRF's available placement capacity under ASX Listing Rule 7.1.
- XRF will make a \$500,000 working capital loan into Orbis.

- The acquisition is subject to the conditions precedent mentioned above and provided all conditions are satisfied, the sale is expected to settle by 30 September 2021.
- XRF will appoint two directors to the Board of Orbis, with the remaining directors of the board of Orbis comprising the Founders.

Call Option to acquire the remaining 50% shareholding in Orbis and Earnout

See attached schedule for key terms.

Please direct any inquiries to:

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About XRF Scientific:

XRF Scientific Limited is an Australian listed company (ASX: XRF) based in Perth, Western Australia. XRF manufactures equipment and chemicals, which are distributed to production mines, construction material companies and commercial analytical laboratories, in Australia and overseas, and used in the preparation of samples for analysis.

XRF has manufacturing, sales and support facilities located in Perth, Melbourne, Europe and Canada, plus a global network of distributors. The Company has representation in the United States, South America, Africa, the Middle East and Asia and has a customer base that includes multinational blue-chip customers such as:- BHP Billiton, Rio Tinto, Vale, South 32, Glencore, Alcoa, Lafarge, Holcim, ArcelorMittal, CSIRO, Intertek, Bureau Veritas, SGS and ALS.

XRF's technology is used to measure the composition and purity of materials and is mainly applied in industrial quality control and in process control for manufacturing processes in industries such as metals and mining, construction materials, chemicals and petrochemicals.

XRF's products help customers to improve product quality and performance, increase productivity and yield and reduce downtime and waste. Its businesses have established positions in their specialised markets.

Read more about XRF Scientific at: <https://www.xrfscientific.com/general-overview/>

Schedule
Call Option and Earnout – Summary of Key Terms

Call Option over remaining 50% shares in Orbis

- **Consideration for Call Option grant:** Nil
- **Exercise Period:** 1 July 2024 to 31 October 2024 (subject to provisions extending that period to 31 October 2025 as set out below)
- **Settlement Date:** prior to 31 December 2024 (subject to the option Exercise Period being extended)
- **Exercise Price:** The average of Orbis EBIT for the 2023 and 2024 financial years times by a 5x multiple and then divided by the % shares held in Orbis
- **Minimum Aggregate Consideration:** the following items should when totalled together be no less than \$4,000,000:
 1. Initial purchase consideration \$800,000;
 2. Gross dividends paid to Brad Hunting and Darrin Hunting (including franking credits); and
 3. Exercise Price of the Call Option.

If the above three items do not exceed \$4,000,000 then the Exercise Period is automatically extended by one (1) year to 1 July 2025 to 31 October 2025, with Settlement prior to 31 December 2025. The Exercise Price under this scenario would then be based on the 2024 and 2025 financial years average EBIT of Orbis. If the periods become extended by one (1) year under this scenario, there is no Minimum Aggregate Consideration.

- Up to 50% of the Exercise Price can be paid in XRF shares (at XRF's election), at the 10-day Volume Weighted Average Price prior to issue of the XRF shares. 70% of any shares issued would be subject to a one-year escrow period.

Earnout if Call Option exercised

On the condition that the Call Option is exercised by XRF and XRF then owns 100% of Orbis: An earn-out will be payable, equivalent to 50% of the profits after tax for the 2025 financial year (or the 2026 financial year if the Call Option Exercise Period becomes extended). Up to 50% of the earn-out can be paid in XRF shares (at XRF's election), at the 10-day Volume Weighted Average Price prior to issue of the shares. The cash and/or shares should be paid by 31 October 2025 (or 31 October 2026 if the Call Option periods become extended).