

XRF SCIENTIFIC LIMITED

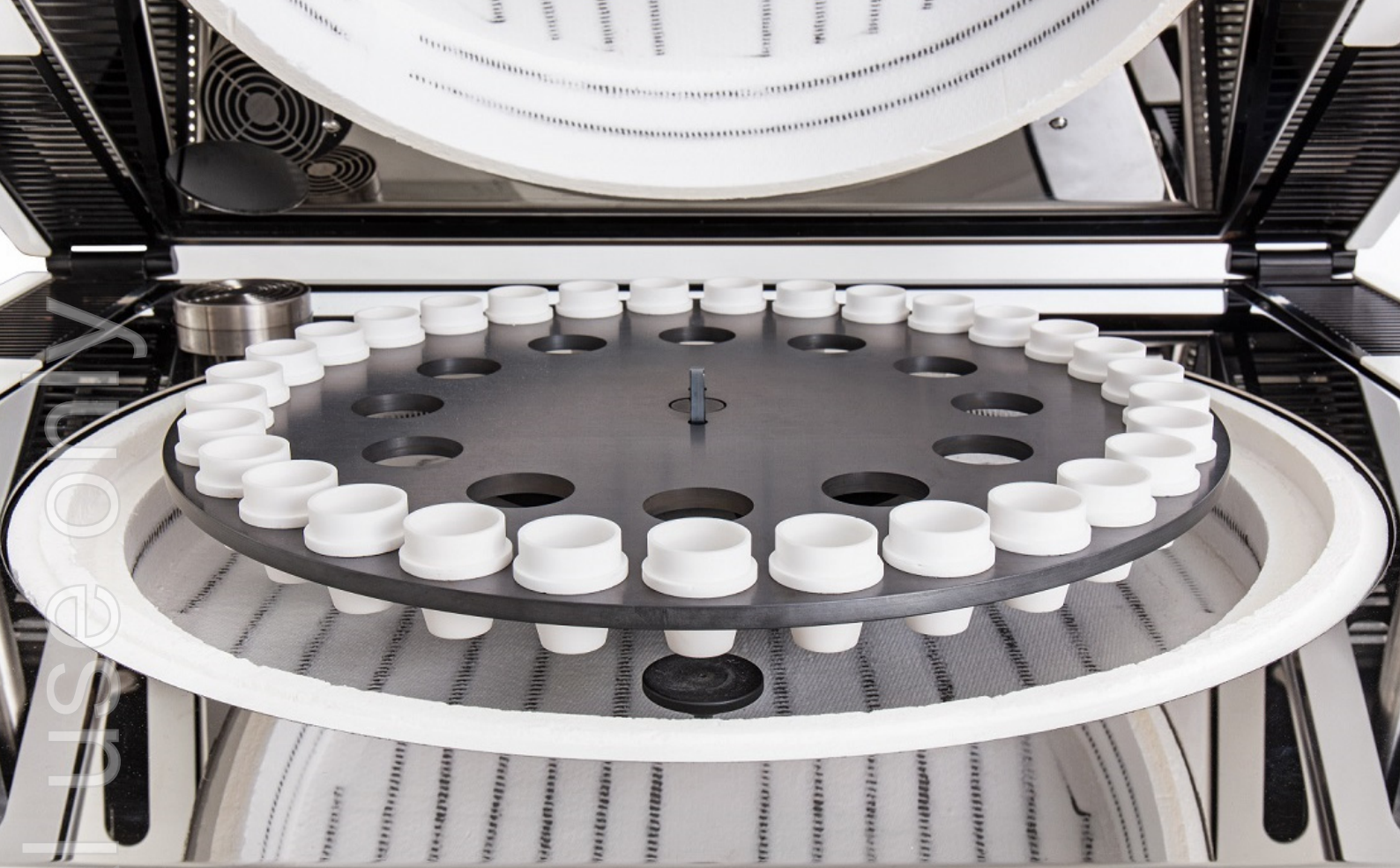
ABN 80 107 908 314

# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023



For personal use only

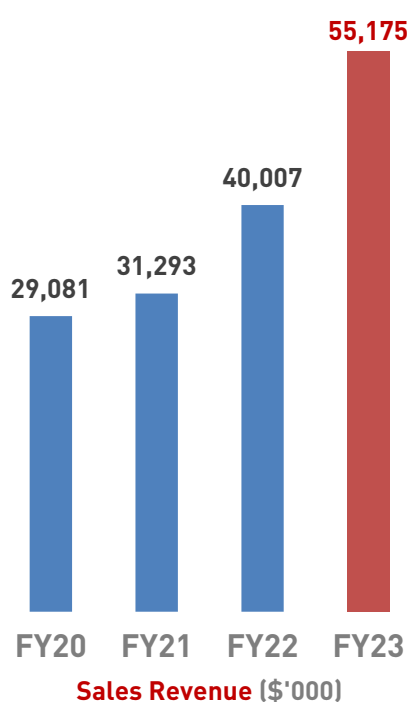


## CONTENTS

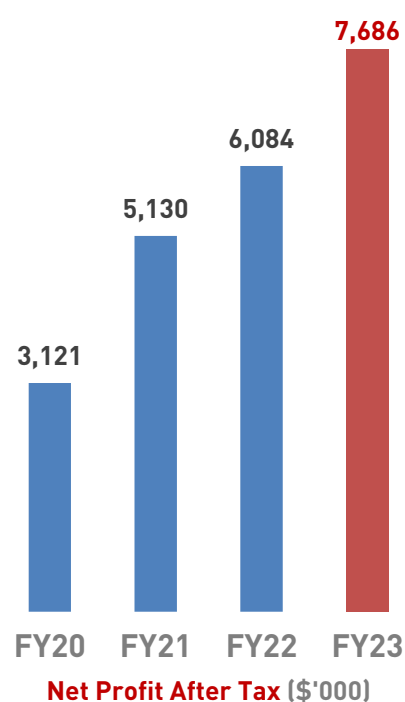
CHAIRMAN'S LETTER	3
DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	18
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	19
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	20
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	21
CONSOLIDATED STATEMENT OF CASH FLOWS	22
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	23
DIRECTORS' DECLARATION	57
AUDITOR'S REPORT	58
SHAREHOLDER INFORMATION	62
CORPORATE DIRECTORY	64

# FINANCIAL RESULTS SUMMARY

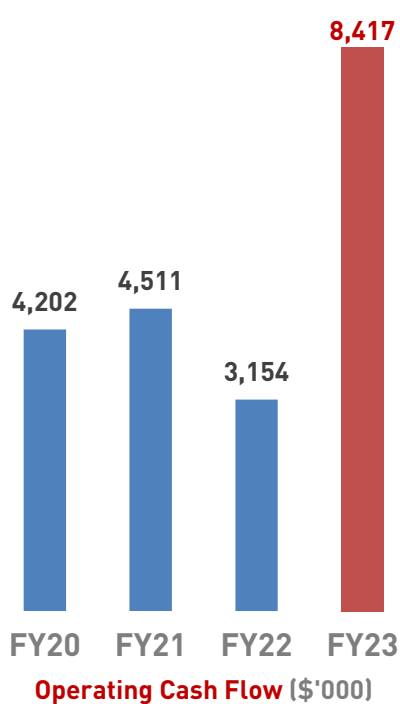
Sales Revenue up 38%



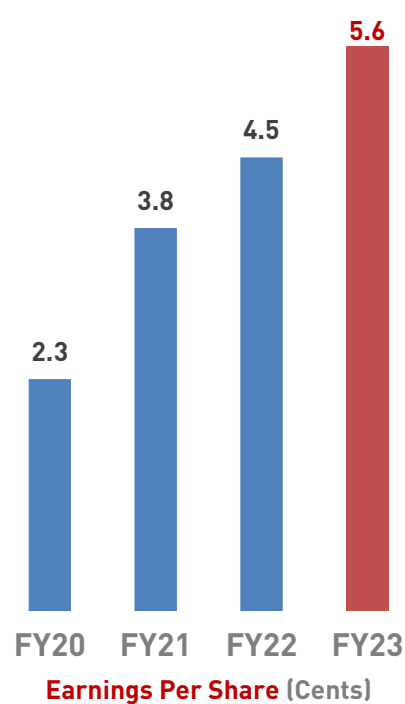
Net Profit After Tax up 26%



Operating Cash Flow up 167%



Earnings Per Share up 25%







## CHAIRMAN'S LETTER

Dear Fellow XRF Shareholder,

Over the past year XRF has further built on its recent strong performance to deliver another outstanding financial result. Total revenue continued to grow strongly to a new record of \$55.2m with all businesses recording increased sales. Net profit after tax again grew significantly due to the higher sales, reflecting increased prices and record customer demand, and strong margins from continued cost management and productivity improvements. XRF's strong operating performance and improved financial returns reflect our ongoing focus on excellent customer service, high product quality, new product innovation and continued capital investment.

Despite a volatile lithium input price our Consumables business had an excellent year and welcomed some large new customers. The active management of lithium purchases, stock and flux sales prices supported our margins and ensured that the business performed well during the challenging lithium market conditions. Through its continued efforts on product quality, new product and production process initiatives and customer service this business has further strengthened its position as a global market leader.

Our Precious Metals fabrication business had a strong year recording increased sales through the delivery of a higher volume of platinum labware and metal. Our Melbourne plant continues to introduce and develop state of the art production technology that enables us to manufacture a broader range of customised products for our growing global client base at lower cost. Our foreign operations increased both sales and profit and many new customer relationships have been established alongside growing repeat business.

Our Capital Equipment business had a very good year with a strong increase in machine sales and almost tripled its operating profit. Even with an increase in our production capacity the forward order book remains very strong. Furthermore the recent launch of our TGA machine will potentially increase the scale and contribution from this business in a large adjacent market sector. A significant contributor to our growth in sales and profit has been our 50% owned Orbis Mining which more than doubled the sales of their industry leading crushers.

XRF's outstanding financial performance has enabled us to once again increase fully franked dividends paid to our shareholders while further strengthening our balance sheet. All of our businesses continue to have opportunities to deliver ongoing growth and improved shareholder returns. Furthermore we actively monitor acquisition opportunities in adjacent sectors that will be value accretive.

In closing I would like to thank all of XRF's talented and committed team of employees, ably led by our Managing Director, Vance Stazzonelli, and my fellow directors for their significant contribution and ongoing effort in delivering yet another outstanding financial result in an ever more demanding global environment.

**Fred S Grimwade**  
Chairman

## DIRECTORS' REPORT

Your directors present their report on the company XRF Scientific Limited and its controlled entities for the financial year ended 30 June 2023.

### DIRECTORS

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

Fred Grimwade  
Vance Stazonelli  
David Brown  
David Kiggins

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

### PRINCIPAL ACTIVITY

The principal activity of the economic entity during the financial year was the business of manufacturing and marketing precious metal products, specialised chemicals and instruments for the scientific, analytical and mining industries. No significant change in the nature of these activities occurred during the year.

### DIVIDENDS – XRF SCIENTIFIC LIMITED AND CONTROLLED ENTITIES

Dividends paid to members during the financial year were as follows:

	2023	2022
	\$	\$
Final dividend for the year	3,397,304	2,697,495

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a fully franked final dividend of 3.3 cents per share to be paid on 13 October 2023 out of retained earnings at 30 June 2023.

# DIRECTORS' REPORT

## REVIEW OF OPERATIONS

A review of operations during the financial year and the results of those operations found that the economic entity continued to engage in its principal activity. The results and financial position are disclosed in the attached financial statements.

The consolidated entity has produced a Net Profit After Tax (NPAT) of \$8,181,046 for the year ended 30 June 2023, compared with \$6,093,916 for the previous year.

Details of the results for the financial year ended 30 June 2023 are as follows:

	2023	2022	Increase over prior year
	\$	\$	%
Total revenue and other income	55,301,115	40,037,316	38
Net profit after tax	8,181,046	6,093,916	34
Net profit attributable to members	7,685,827	6,083,736	26
Basic earnings per share – (cents per share)	5.6	4.5	25
Diluted earnings per share – (cents per share)	5.6	4.5	25

## OPERATING RESULTS

XRF Scientific Ltd ("XRF" or "Company" or "Group") is pleased to report its June 2023 full-year results to shareholders. The Company has generated a record full-year result with revenue of \$55.2m and a 26% increase in Net Profit After Tax to \$7.7m.

During the year we saw strong levels of activity across the business, with the mining industry being the main driver of activity. There was positive growth in key international markets in Europe, Asia and the Americas. Capital equipment sales were a key highlight, with record levels of orders received.

The Board has declared a final fully franked dividend of 3.3 cents per share which is up by 32% on last year.

Our balance sheet remains robust with \$10.4m in cash and \$2.1m in debt at 30 June 2023. During the second half we reduced our platinum on loan balance to \$1.5m, through the purchase of an additional \$0.9m in platinum metal as an owned inventory asset. At 30 June 2023 our inventory balance included \$6.8m in precious metals at cost, of which \$1.5m is on loan and \$5.3m is owned.

As our revenue for the Group exceeded \$50m for FY23, our Australian income tax rate increases 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 strong year, generating a profit before tax of \$5.2m from revenue of \$16.9m. 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 year (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 year due to demand from the EV sector. Working capital requirements from the lithium price increases began to stabilise during the second half, which had a positive impact on operating cash flow.

# DIRECTORS' REPORT

## OPERATING RESULTS continued

The Capital Equipment division delivered a significantly increased profit before tax of \$3.4m from revenue of \$18.8m. Demand for our capital equipment products was robust, which continues into FY24. Our order book remains at record levels, with production for some products booked out past 1H24. We have been working towards a higher level of production capacity to deal with the increased level of orders, which includes leasing additional factory space in Perth and Melbourne. The demand is being driven by a mix of mining and industrial customers globally.

Included in the result, Orbis Mining generated revenue of \$6.1m and total profit before tax of \$1.4m (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.

In June 2023 we launched a new product, xrTGA, following an extensive product development process. xrTGA is a thermogravimetric analyser (TGA), which is a laboratory instrument used for heating samples to different temperature points and observing a change in weight. TGA's have applications in our existing markets such as mining of iron ore, bauxite and nickel and in the production of construction materials such as cement. In addition it provides access to new industries where they are used in production quality control, such as food, plastics, and agricultural products. xrTGA is available for first delivery in the December 2023 quarter and is manufactured in Melbourne.

The Precious Metals division delivered increased revenue of \$21.7m and a profit before tax of \$3.6m. We experienced 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, including some large sales scheduled for 1H24. We continued to grow our base of industrial product customers in Europe, where our office in Germany increased revenue to \$7.3m compared to \$5.5m in FY22.

Our next trading update will be provided via the September quarter report in October.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A final dividend of 3.3 cents per share fully franked (FY22: 2.5 cents per share fully franked) was declared on 18 August 2023, with a record date of 29 September 2023 and payment date of 13 October 2023.

There were no other events subsequent to the reporting date which have significantly affected or may significantly affect the XRF Scientific Limited operations, results or state of affairs in future years.

# DIRECTORS' REPORT

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely results in the operations of the economic entity and the expected results of those operations in the future financial year have not been included in this report, as the disclosure of such information may lead to commercial prejudice to the economic entity.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the affairs of the Group.

## ENVIRONMENTAL REGULATION

All companies within the Group continued to comply with all environmental requirements. Wherever possible, carbon emissions have been limited, and new production techniques adopted to reduce energy use. The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report greenhouse gas emissions and energy use. For the measurement period 1 July 2022 to 30 June 2023 the directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future. The economic entity is also subject to the environmental regulations under the laws of the Commonwealth or of a State or Territory in which it operates. The Directors are not aware of any breaches of these regulations.

## CORPORATE GOVERNANCE DISCLOSURE

The Group's Corporate Governance Statement for the year ended 30 June 2023 can be found at [www.xrfscientific.com/corporate-governance](http://www.xrfscientific.com/corporate-governance). The statement also summarises the extent to which the Group has complied with the Corporate Governance Council's recommendations.



# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS

### **Fred Grimwade**

*Date of appointment:*

*Qualifications:*

*Experience:*

*Other current directorships:*

*Former directorships in last 3 years:*

*Special responsibilities:*

*No. of shares:*

### **Chairman (Non-Executive)**

1 May 2012 (11 years); Chairman since 29 October 2018 (5 years)

Bachelor of Commerce and Law, Master of Business Administration, Fellow of the Governance Institute of Australia, Fellow of the Australian Institute of Company Directors, and Life Member of the Financial Services Institute of Australasia

Has held general management positions at Colonial Agricultural Company, the Colonial Group, Western Mining Corporation and Goldman, Sachs & Co. Currently a Principal and Director of Fawkner Capital.

Chairman of CPT Global Ltd; Non-Executive Director of Australian United Investment Company Ltd and other private companies

Non-Executive Director of Select Harvests Ltd and other private companies

Chairman of the Remuneration Committee, member of the Audit & Governance Committee

518,939 fully paid ordinary shares

### **David Brown**

*Date of appointment:*

*Qualifications:*

*Experience:*

*Other current directorships:*

*Former directorships in last 3 years:*

*Special responsibilities:*

*No. of shares:*

### **Director (Non-Executive)**

7 June 2004 (19 years)

Bachelor of Science, Bachelor of Economics

Has over four decades of experience in research and development and manufacturing of X-Ray Flux chemicals; formerly Chief Chemist for Swan Brewery Co. Ltd and Chairman of Scientific Industries Council of WA

Private companies only

Private companies only

Technical consultant to XRF Chemicals Pty Ltd

10,172,000 fully paid ordinary shares

### **David Kiggins**

*Date of appointment:*

*Qualifications:*

*Experience:*

*Other current directorships:*

*Former directorships in last 3 years:*

*Special responsibilities:*

*No. of shares:*

### **Director (Non-Executive)**

1 May 2012 (11 years)

Bachelor of Science (Hons), Fellow of the Institute of Chartered Accountants of England and Wales, Fellow of the Institute of Chartered Secretaries and Administrators, and member of Australian Institute of Company Directors

Formerly at Arthur Andersen, working in audit and business consulting; GM Business Development and Company Secretary at Automotive Holdings Group Ltd; Finance Director and Company Secretary at Global Construction Services Ltd; Chief Financial Officer at Heliwest and Stealth Global Holdings Ltd. Currently Chief Financial Officer of Sadleirs.

Private companies only

Private companies only

Chairman of the Audit & Governance Committee, member of the Remuneration Committee

212,900 fully paid ordinary shares

### **Vance Stazzonelli**

*Date of appointment:*

*Qualifications:*

*Experience:*

*Other current directorships:*

*Former directorships in last 3 years:*

*Special responsibilities:*

*No. of shares:*

*No. of performance rights:*

### **Managing Director (Executive)**

22 February 2018 (5 years)

Bachelor of Commerce (Professional Accounting)

Vance joined XRF Scientific as Chief Financial Officer in October 2009. He was subsequently appointed to Chief Operating Officer in January 2011 and then Chief Executive Officer in August 2012. On 22 February 2018, he was appointed as Managing Director.

Private companies only

Private companies only

N/A

740,000 fully paid ordinary shares

402,503 performance rights

# DIRECTORS' REPORT

## COMPANY SECRETARIES

**Vance Stazzonelli, B.Comm, CPA** – Vance has held the role of Company Secretary since June 2008.

**Andrew Watson, B.Comm, CA** – Andrew was appointed Joint Company Secretary in August 2013.

## OTHER KEY MANAGEMENT

### Andrew Watson (Chief Financial Officer – XRF Scientific Limited)

Andrew joined XRF Scientific in August 2012. He is a member of the Chartered Accountants Australia and New Zealand and holds a Graduate Diploma of Applied Corporate Governance.

## MEETINGS OF DIRECTORS

The number of meetings held by the Board of Directors including meetings of the committees of the Board and the number of meetings attended by each of the Directors during the financial year ended 30 June 2023 were as follows:

	Full meetings of Directors		Meetings of committees - Audit & Governance, Remuneration	
	A	B	A	B
Fred Grimwade	11	11	3	3
David Brown	11	11	*	*
David Kiggins	11	11	3	3
Vance Stazzonelli	11	11	*	*

**A** = Meetings held during the time the director held office or was a member of the Committee during the year.

**B** = Meetings attended.

**\*** = Not a member of the relevant Committee.

## REMUNERATION REPORT (Audited)

### (a) Principles used to determine the nature and amount of remuneration.

#### Remuneration governance

The Remuneration Committee is a committee of the Board. Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles
- remuneration levels of executive directors and other key management personnel, and
- non-executive director fees

#### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed periodically by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. The Chairman's remuneration is inclusive of committee fees. Non-executive directors may receive share options.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) continued

### Managing director

No additional remuneration is paid to Mr Stazonelli as part of his appointment as Managing Director and his contracted terms of employment remain unchanged.

### Directors' fees

Directors' remuneration was last reviewed in July 2023 and it was decided that fees would be increased to the following amounts:

Chairman	\$111,672
Non-Executive Directors	\$67,473
Committee Chairman	\$9,752

The maximum amount payable is capped at \$400,000 per annum and was approved by shareholders at the Annual General Meeting in November 2012.

### Executive pay

The executive pay and reward framework has three components:

1. Base pay and benefits, including superannuation
2. Short-term performance incentives, and
3. Long-term incentives.

It is Board policy to review key management annually, and adjust such compensation taking into account the manager's performance, the performance of the entity which they manage, and the performance of the Group of companies.

Where appropriate, there is a direct link between financial performance (profit or growth) to key managers' compensation by way of bonus, which is assessed under a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year. This method is accepted by the Board as being an appropriate incentive for encouraging key management personnel to reach targets that are in excess of budgeted growth.

#### *(i) Base Pay*

Executives are offered a competitive base pay that forms the fixed component of pay. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is reviewed on promotion.

#### *(ii) Benefits*

Executives may receive benefits including car and mileage allowances.

#### *(iii) Superannuation*

Effective from 1 July 2023, retirement benefits of 11% (2022: 10.5%) of the base pay are delivered to the individual super fund of the executive's choice.

#### *(iv) Short-term performance incentives*

Bonuses may be paid on the performance of the individual entity based on full year performance for the financial year. In most instances bonus payments are based on the achievement of a percentage of that year's budget and targets/objectives being met. A short-term incentive (STI) pool is available for executives during the annual review, which is subject to caps that are in place. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan.

#### *(v) Long-term incentives*

The Board is cognisant of general shareholder opinion that long-term equity-based rewards for executives should be linked to the success of the Company. To achieve this, performance rights may be awarded as a percentage of fixed remuneration. The performance rights vest upon the satisfaction of performance criteria, following which the Company will allocate to the executive the number of shares to which they are entitled.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) continued

*(vi) Assessing performance and clawback of remuneration*

The Company's current Executive Performance Reward Policy does not currently include any clawback provisions.

### (b) Details of remuneration

*(i) Non-Executive*

Fred Grimwade	Chairman
David Brown	Director
David Kiggins	Director

*(ii) Executive*

Vance Stazzonelli	Managing Director
Andrew Watson	Chief Financial Officer

### Fixed Remuneration

The level of fixed remuneration is set as to provide base level of remuneration which is both appropriate to the position and its competitive market. Fixed remuneration is reviewed annually by the Remuneration Committee based on market rates, as well as having regard to the Company and individual performance. The fixed remuneration of other key management personnel is contained in information that follows.

### Variable Remuneration (Short-Term Incentive)

To assist in achieving the objective of retaining a high-quality executive team, the Remuneration Committee links the nature and amount of the executive emoluments to the Company's financial and operating performance. For the Managing Director, variable remuneration is calculated based on an assessment of key performance indicators using a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year. The maximum amount payable to the Managing Director for 2023 is \$150,000. There were five categories of STI performance measure (plus a discretionary component) for the year ended 30 June 2023. Those measures were chosen to provide a balance between corporate, individual, operational, strategic, financial and behavioural aspects of performance. The weighting assigned to each of the performance measures was as follows:

- Group financial performance (30%)
- Leadership (10%)
- Stakeholder & associated business relations (7.5%)
- Execution of business growth strategy (27.5%)
- Compliance and risk management (5%)
- Discretionary (20%)

The Remuneration Committee considered the performance of the Managing Director against the performance measures outlined above. A range of financial, strategic and operational targets were met and internal expansion plans are on schedule. All compliance obligations were met throughout the year with no reported issues and relationships with internal and external stakeholders were well managed. It was decided that \$120,000 (including superannuation) would be paid, which is 80% of the maximum amount payable. Bonus payments to other key management personnel were 100% discretionary, based on a range of financial, strategic and operational factors. These amounts were accrued at 30 June 2023 and paid in July and August 2023. In March 2023, shares valued at \$1,000 were issued to employees eligible to participate in the Company's employee share scheme, which included the Chief Financial Officer. The issue of these shares was 100% at the Board's discretion.



# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) continued

### Variable Remuneration (Long-Term Incentive)

In November 2022, the Board awarded 402,503 performance rights to the Managing Director (based on 60% of his fixed salary) and 149,215 to the Chief Financial Officer (based on 35% of his fixed salary). The performance rights are subject to two performance conditions:

*(i) Indexed Total Shareholder Returns (fair value of \$0.524 per performance right)*

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 (%)
<b>Less than index TSR</b> Below 100% of the proportionate change in the ASOAI index over the relevant performance period	Nil
<b>Equal to index TSR</b> At 100% of the proportionate change in the ASOAI index over the relevant performance period	50%
<b>Greater than index TSR</b> 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.

*(ii) Earnings Per Share Compound Annual Growth Rate (fair value of \$0.72 per performance right)*

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

These performance conditions must be satisfied in order for the performance rights to vest. The two performance conditions are equally weighted and operate independently of each other. The Board currently expects that it will determine whether or not the performance conditions have been satisfied by late August 2025, after the release of the Company's audited financial statements.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) continued

### Amounts of remuneration

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of XRF Scientific Limited are set out in the following:

	Short-term				Post-employment	Long-term			Total \$
	Cash Salary \$	Cash Bonuses \$	Share-Based Payments \$	Other \$	Super-annuation \$	Long-Service Leave \$	Share-Based Payments \$	Termination Benefits \$	
<b>2023</b>									
<b>Non-executive directors</b>									
Fred Grimwade	93,575	-	-	-	9,825	-	-	-	103,400
David Brown	56,538	-	-	*217,697	5,937	-	-	-	280,172
David Kiggins	64,710	-	-	-	6,795	-	-	-	71,505
<b>Total non-executive directors</b>	<b>214,823</b>	<b>-</b>	<b>-</b>	<b>217,697</b>	<b>22,557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>455,077</b>
<b>Executive directors</b>									
Vance Stazonelli	362,017	120,000	-	-	23,982	18,029	250,357	-	774,385
<b>Total executive directors</b>	<b>362,017</b>	<b>120,000</b>	<b>-</b>	<b>-</b>	<b>23,982</b>	<b>18,029</b>	<b>250,357</b>	<b>-</b>	<b>774,385</b>
<b>Other key management personnel</b>									
Andrew Watson	222,000	49,550	1,000	-	28,760	9,821	92,812	-	403,943
<b>Total key management personnel</b>	<b>222,000</b>	<b>49,550</b>	<b>1,000</b>	<b>-</b>	<b>28,760</b>	<b>9,821</b>	<b>92,812</b>	<b>-</b>	<b>403,943</b>
	<b>798,840</b>	<b>169,550</b>	<b>1,000</b>	<b>217,697</b>	<b>75,299</b>	<b>27,850</b>	<b>343,169</b>	<b>-</b>	<b>1,633,405</b>

	Short-term				Post-employment	Long-term			Total \$
	Cash Salary \$	Cash Bonuses \$	Share-Based Payments \$	Other \$	Super-annuation \$	Long-Service Leave \$	Share-Based Payments \$	Termination Benefits \$	
<b>2022</b>									
<b>Non-executive directors</b>									
Fred Grimwade	85,454	-	-	-	8,545	-	-	-	93,999
David Brown	54,090	-	-	*181,414	5,409	-	-	-	240,913
David Kiggins	61,909	-	-	-	6,191	-	-	-	68,100
<b>Total non-executive directors</b>	<b>201,453</b>	<b>-</b>	<b>-</b>	<b>181,414</b>	<b>20,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403,012</b>
<b>Executive directors</b>									
Vance Stazonelli	292,000	72,398	-	-	36,802	7,500	-	-	408,700
<b>Total executive directors</b>	<b>292,000</b>	<b>72,398</b>	<b>-</b>	<b>-</b>	<b>36,802</b>	<b>7,500</b>	<b>-</b>	<b>-</b>	<b>408,700</b>
<b>Other key management personnel</b>									
Andrew Watson	185,000	36,199	1,000	-	22,301	4,496	-	-	248,996
<b>Total key management personnel</b>	<b>185,000</b>	<b>36,199</b>	<b>1,000</b>	<b>-</b>	<b>22,301</b>	<b>4,496</b>	<b>-</b>	<b>-</b>	<b>248,996</b>
	<b>678,453</b>	<b>108,597</b>	<b>1,000</b>	<b>181,414</b>	<b>79,248</b>	<b>11,996</b>	<b>-</b>	<b>-</b>	<b>1,060,708</b>

\* Technical services provided by consultancy (such as technical sales and support, analytical method development).

### Percentage of performance related compensation of total remuneration

Certain executive personnel are paid performance bonuses and receive performance rights in addition to set remuneration amounts. The Board of Directors have set these incentives to encourage growth and profitability and they are paid as per the conditions set out on pages 11 and 12. The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
Vance Stazonelli	50%	80%	20%	20%	30%	-
Andrew Watson	62%	84%	16%	16%	22%	-

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) continued

### Options issued as part of total remuneration

No options have been issued in 2022 or 2023 as part of total remuneration.

### Voting and comments made at the Company's 2022 Annual General Meeting

The Company received validly appointed proxies of 99.7% of "yes" votes on its Remuneration Report for the 2022 financial year. The remuneration resolution was carried on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### (c) Shareholder Wealth

The following is a summary of key shareholder wealth statistics for the Company over the past 5 years (listed since 2006).

	EBIT	Earnings Per Share	Dividends Declared Per Share	Share Price	Market Cap (at 30 June)
	\$	Cents	Cents	Cents	\$
2018/19	3,249,762	1.6	1.0	20	26,765,160
2019/20	4,602,319	2.3	1.4	24	32,118,193
2020/21	6,818,111	3.8	2.0	47.5	63,916,519
2021/22	8,259,768	4.5	2.5	57	77,458,468
2022/23	11,924,806	5.6	3.3	117	160,348,237

### (d) Bonuses

Each individual Key Management Personnel performance bonus was discussed and reviewed against the requirements set out on page 10. It was agreed that the proposed performance bonuses met these conditions, specifically individual performance against agreed Key Performance Indicators.

### (e) Shares held by key management personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Name	Balance at 1 July 2022	On-market trades	Issued via DRP	Issued via ESS	Balance at 30 June 2023
<i>Directors</i>					
Fred Grimwade	500,000	-	18,939	-	518,939
David Brown	9,904,524	172,980	94,696	-	10,172,200
David Kiggins	212,900	-	-	-	212,900
Vance Stazonelli	700,000	13,484	26,516	-	740,000
<i>Key Management Personnel</i>					
Andrew Watson	47,921	11,789	1,815	1,000	62,525

### Securities Trading Policy

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the *Corporations Act 2001*.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) continued

### Option holdings

There were no options over ordinary shares in the Company held during the financial year by directors of XRF Scientific Limited or other key management personnel of the Group.

### Dividends received by key management personnel

Details of dividends received directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Name	2023 \$	2022 \$
<i>Directors</i>		
Fred Grimwade	12,500	10,000
David Brown	247,613	192,000
David Kiggins	5,323	4,258
Vance Stazzonelli	17,500	12,600
<i>Key Management Personnel</i>		
Andrew Watson	1,198	900

### (f) Service Agreements

Remuneration for the Managing Director and Chief Financial Officer is set out in service agreements, which are detailed below. No other key management personnel are currently employed under service contracts.

#### Vance Stazzonelli, Managing Director of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 1 July 2012. Base salary is \$440,000 per annum (effective 1 July 2023 and ongoing), including superannuation benefits (2022: \$386,000 including superannuation benefits). Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to six months full pay. Notice period by the employee of six months. Payment of bonuses is based on a range of strategic, financial, operational, personnel, and Board-related key performance indicators.

#### Andrew Watson, Chief Financial Officer of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 24 July 2014. Base salary is \$266,400 per annum (effective 1 July 2023 and ongoing), plus superannuation benefits of 11% (2022: \$222,000 plus superannuation benefits of 10.5%). Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months full pay. Notice period by the employee of three months. Payment of bonuses is based on a range of strategic, financial, operational, personnel, and Board-related key performance indicators.

### (g) Share-based compensation

Details of performance rights held by key management personnel are as follows:

Name	Balance at 1 July 2022	Issued via Performance Rights Plan	Balance at 30 June 2023
Vance Stazzonelli	-	402,503	402,503
Andrew Watson	-	149,215	149,215

Details of active performance rights are as follows:

Grant date	Vesting conditions	Performance period	Participating KMP
11 November 2022	<ul style="list-style-type: none"><li>Indexed Total Shareholder Returns</li><li>Earnings Per Share Compound Annual Growth Rate</li></ul>	1 July 2022 to 30 June 2025	Vance Stazzonelli Andrew Watson



# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) continued

During the year ended 30 June 2023, shares valued at \$1,000 were also issued to the Chief Financial Officer under the XRF Scientific Exempt Employee Share Plan (2022: \$1,000). There was no share-based compensation to any other Director or Key Management Personnel for the years ended 30 June 2023 and 2022. The Company has not adopted an employee share option scheme.

### (h) Remuneration consultants

No remuneration consultants were used in the years ended 30 June 2023 and 30 June 2022.

### (i) Other transactions with key management personnel

Premises were rented from a related entity of Director David Brown during the financial year. These properties were rented on normal commercial terms and conditions, totalling \$107,835 (2022: \$107,535). No amounts were outstanding at the end of the year.

### (j) Loans to directors and executives

No loans were made to directors and executives during the financial years ended 30 June 2023 and 30 June 2022.

### End of Remuneration Report (Audited).

## NON-AUDIT SERVICES

Details of the non-audit services provided by the Company's external auditor BDO Audit (WA) Pty Ltd and its related practices during the year ended 30 June 2023 are outlined in the following table. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit & Governance Committee to ensure that they do not impact the impartiality and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2023	2022
	\$	\$
<i>BDO - Australia</i>		
Audit and review of financial reports	143,535	138,536
Taxation services	28,914	43,042
Other services	11,947	4,323
<i>BDO - Belgium</i>		
Audit and review of financial reports	15,154	18,257
Taxation services	9,895	9,874
Other services	2,298	2,257
<i>BDO - Canada</i>		
Taxation services	8,530	8,624
Other services	-	3,569
<i>BDO - UK</i>		
Audit and review of financial reports	-	13,283
<b>Total remuneration for audit and other services</b>	<b>220,273</b>	<b>241,765</b>

The Board is satisfied that the auditors of the Company, BDO Audit (WA) Pty Ltd remain independent.

# DIRECTORS' REPORT

## OPTIONS

No unissued ordinary shares of XRF Scientific Limited remain under option at the date of this report.

## INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid insurance premiums to insure the directors and officers of the Company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or some criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## PROCEEDINGS ON BEHALF OF OR INVOLVING THE ECONOMIC ENTITY

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## 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 18.

## AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors and signed for and on behalf of the Board by:



**Fred S Grimwade**  
Chairman

18 August 2023



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
[www.bdo.com.au](http://www.bdo.com.au)

Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth, WA 6000  
PO Box 700 West Perth WA 6872  
Australia

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

As lead auditor of XRF Scientific limited for the year ended 30 June 2023, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of XRF Scientific limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light grey horizontal line.

**Jarrad Prue**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth

18 August 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated	
		2023	2022
		\$	\$
Revenue from continuing operations	5	55,260,722	40,008,658
Cost of sales		(32,278,092)	(22,686,113)
Gross profit		22,982,630	17,322,545
Other income	5	40,393	28,658
Administration expenses		(9,168,504)	(7,762,930)
Occupancy expenses		(967,860)	(770,573)
Other expenses		(875,719)	(556,082)
Finance costs		(221,618)	(68,260)
<b>Profit before income tax</b>		11,789,322	8,193,358
Income tax expense	7	(3,608,276)	(2,099,442)
<b>Profit after income tax</b>		8,181,046	6,093,916
(Profit) / loss attributable to NCI		(495,219)	(10,180)
<b>Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited</b>		7,685,827	6,083,736
<b>Other comprehensive income</b>			
<b>Items that will be classified to profit or loss</b>			
Foreign currency translation differences	22(a)	441,141	160,741
<b>Total comprehensive income for the year</b>		8,126,968	6,244,477
<b>Total comprehensive income attributable to equity holders of XRF Scientific Limited</b>		8,126,968	6,244,477
<b>Earnings per share for the year attributable to equity holders of XRF Scientific Limited</b>			
Basic earnings per share (cents per share)	31	5.6	4.5
Diluted earnings per share (cents per share)	31	5.6	4.5

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 30 JUNE 2023

	Note	Consolidated	
		2023	2022
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	10,401,407	6,649,539
Trade and other receivables	9	8,628,914	6,228,337
Inventories	10	16,879,191	15,521,407
Other assets	11	621,647	515,212
<b>Total Current Assets</b>		<b>36,531,159</b>	<b>28,914,495</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	10,414,766	8,663,193
Intangible assets	13	16,866,428	16,949,853
Deferred tax asset	14	1,735,265	1,030,898
<b>Total Non-Current Assets</b>		<b>29,016,459</b>	<b>26,643,944</b>
<b>Total Assets</b>		<b>65,547,618</b>	<b>55,558,439</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	4,005,753	3,077,458
Provisions	16	2,459,833	3,312,412
Short-term borrowings	17	781,413	1,303,602
Current lease liabilities	18	603,701	368,464
Other current liabilities		2,403,061	887,972
Current income tax liability		1,364,714	708,294
<b>Total Current Liabilities</b>		<b>11,618,475</b>	<b>9,658,202</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	17	1,290,500	1,464,500
Non-current lease liabilities	18	1,638,531	377,358
Deferred tax liability	19	1,303,998	615,224
Provisions	20	118,447	95,126
<b>Total Non-Current Liabilities</b>		<b>4,351,476</b>	<b>2,552,208</b>
<b>Total Liabilities</b>		<b>15,969,951</b>	<b>12,210,410</b>
<b>Net Assets</b>		<b>49,577,667</b>	<b>43,348,029</b>
<b>EQUITY</b>			
Issued capital	21	20,414,399	19,632,304
Non-controlling interest		323,566	(131,653)
Reserves	22(a)	2,186,165	1,482,364
Retained profits	22(b)	26,653,537	22,365,014
<b>Total Equity</b>		<b>49,577,667</b>	<b>43,348,029</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

30 JUNE 2023 – CONSOLIDATED	Issued Share Capital	Non- Controlling Interest	Share Option Reserve	Share-Based Payment Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>	19,632,304	(131,653)	759,243	-	723,121	22,365,014	43,348,029
Profit for the year	-	495,219	-	-	-	7,685,827	8,181,046
Other comprehensive income	-	-	-	-	441,141	-	441,141
<b>Total comprehensive income for the year</b>	-	495,219	-	-	441,141	7,685,827	8,622,187
<b>Transactions with Equity Holders in their capacity as Equity Holders</b>							
Ordinary shares issued, net of transaction costs	782,095	-	-	-	-	-	782,095
Employee performance rights plan	-	-	-	262,660	-	-	262,660
Dividends paid / payable to members	-	-	-	-	-	(3,397,304)	(3,397,304)
Dividends paid / payable to NCI	-	(40,000)	-	-	-	-	(40,000)
	782,095	(40,000)	-	262,660	-	(3,397,304)	(2,392,549)
<b>Balance at 30 June 2023</b>	20,414,399	323,566	759,243	262,660	1,164,262	26,653,537	49,577,667

30 JUNE 2022 – CONSOLIDATED	Issued Share Capital	Non- Controlling Interest	Share Option Reserve	Share-Based Payment Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$		\$	\$	\$
<b>Balance at 1 July 2021</b>	18,802,517	-	759,243	-	562,380	18,978,773	39,102,913
Profit for the year	-	10,180	-	-	-	6,083,736	6,093,916
Other comprehensive income	-	-	-	-	160,741	-	160,741
<b>Total comprehensive income for the year</b>	-	10,180	-	-	160,741	6,083,736	6,254,657
<b>Transactions with Equity Holders in their capacity as Equity Holders</b>							
Ordinary shares issued, net of transaction costs	829,787	-	-	-	-	-	829,787
Dividends paid / payable	-	-	-	-	-	(2,697,495)	(2,697,495)
Amount recognised on 50% acquisition of Orbis	-	(141,833)	-	-	-	-	(141,833)
	829,787	(141,833)	-	-	-	(2,697,495)	(2,009,541)
<b>Balance at 30 June 2022</b>	19,632,304	(131,653)	759,243	-	723,121	22,365,014	43,348,029

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 30 JUNE 2023

	Note	Consolidated	
		2023	2022
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		54,418,414	39,553,438
Payments to suppliers and employees (inclusive of GST)		(42,898,964)	(34,489,225)
Finance costs		(221,618)	(68,260)
Income taxes paid		(2,967,449)	(1,843,905)
Interest received		86,135	1,849
<b>Net cash inflow (outflow) from operating activities</b>	29	8,416,518	3,153,897
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(757,684)	(372,498)
Proceeds from sale of PPE		-	9,091
Payments for business acquisitions (net of cash acquired)		-	(601,382)
Payments for research and development		(24,748)	(146,999)
<b>Net cash inflow (outflow) from investing activities</b>		(782,432)	(1,111,788)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	17	2,711,497	2,081,912
Repayment of borrowings	17	(3,407,686)	(138,564)
Payment of lease liabilities		(507,337)	(467,265)
Dividends paid		(2,678,692)	(2,125,031)
<b>Net cash inflow (outflow) from financing activities</b>		(3,882,218)	(648,948)
Cash and cash equivalents at the beginning of the financial year		6,649,539	5,256,378
Net increase (decrease) in cash and cash equivalents		3,751,868	1,393,161
<b>Cash and cash equivalents at the end of the financial year</b>	8	10,401,407	6,649,539

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

#### (a) Basis of preparation

The financial report of XRF Scientific Limited for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 18 August 2023 and covers XRF Scientific Limited as an individual entity as well as the consolidated entity consisting of XRF Scientific Limited and its subsidiaries.

These financial statements are presented in the Australian currency.

XRF Scientific Limited is a company limited by shares incorporated in Australia and is a for-profit entity whose shares are publicly traded on the Australian Stock Exchange.

These general purpose financial statements have been prepared in accordance with Australian Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

##### *Compliance with IFRS*

The financial statements of XRF Scientific Limited also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention.

##### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

##### *Financial statement presentation*

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

#### (b) Principles of consolidation

##### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of XRF Scientific Limited ("Company" or "Parent Company") as at 30 June 2023 and the results of all subsidiaries for the year then ended.

XRF Scientific Limited and its subsidiaries together are referred to in this report as the Group or the consolidated entity.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

All controlled entities have a 30 June financial year end.

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being the Company (the Parent Company) and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the benefit is credited to profit or loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entities. All intercompany balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### *(ii) Investments in associates and joint-ventures*

Investment in associates is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

The Group's share of the associate post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

#### *(iii) Changes in ownership interests*

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### **(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

#### **(d) Foreign currency translation**

##### *Functional and presentation currency*

The functional currency of each Group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge. The differences taken to equity are recognised in profit or loss on disposal of the net investment.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are recognised in the profit or loss.

##### *Group Companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary currency economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows.

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. Income and expenses for each profit or loss item are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised as follows:

##### *(i) Revenue from contracts with customers*

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price should be allocated (e.g. warranties). In determining the transaction price to be used in the recognition of revenue for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

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

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

Maintenance and repair services fall into two main categories:

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

##### *(ii) Contract balances*

*Contract assets* - A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Trade receivables* - Trade receivables represent the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

*Contract liabilities* - A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when payment is made or is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

##### *(iii) Interest income*

Interest revenue is recognised on a proportional basis, considering the interest rates applicable to the financial assets.

#### (f) Income tax

The income tax expense or revenue for the period is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

XRF Scientific Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, XRF Scientific Limited, and the controlled entities in the tax consolidated group account for their own deferred tax amounts. Current tax is accounted for by each subsidiary entity, which is then consolidated up into the tax consolidated group, as per the tax sharing agreement. In addition to its own share of current and deferred tax amounts, XRF Scientific Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Income tax is allocated under the separate taxpayer within group approach. Details about the tax funding agreement are disclosed in note 7.

#### (g) Leases

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 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.

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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

#### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss. All purchase consideration is recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently re-measured through profit or loss. Acquisition-related costs are expensed as incurred.

Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

#### (k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses.

Trade receivables are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off to the Statement of Profit or Loss and Other Comprehensive Income. A provision for impairment of receivables is established based on the expected credit loss approach. For trade receivables the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Another indicator that determines the trade receivable is impaired is if the party is deemed to be bankrupt.

The amount of the provision is the difference between the present value of cash flows due under the contract and the present value of the future cash flows an entity expects to receive, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The movement in the provision is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### (l) Inventories

*Raw materials, spare parts, work in progress and finished goods*

Raw materials, spare parts, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (m) Investments and other financial assets

*(i) Classification*

The Group classifies its financial assets in the following measurement categories:

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

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in trade and other financial assets, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### *(ii) Initial measurement*

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

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

#### *(iii) Subsequent measurement*

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on trade and other financial assets that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- *Fair value through other comprehensive income (FVOCI):* Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a financial asset that is subsequently measured at FVOCI is recognised in other comprehensive income.
- *Fair value through profit or loss (FVPL):* Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. All equity investments are measured at FVPL unless the Group makes an irrevocable election to classify as FVOCI.

#### *(iv) Impairment*

The Group assesses, on a forward-looking basis, the expected credit losses associated with its trade and other financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### **(n) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

#### **(o) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using a mixture of the straight line and diminishing value methods to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and Equipment	2%-40%
Property Improvements	4%-25%
Motor Vehicles	15%-25%
Office Equipment	5%-66.67%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

#### (p) Intangible assets

##### *(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate/business at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to the consolidated entity's cash generating units identified according to business and geographical segments (note 13(a)).

##### *(ii) Patents, trademarks and licences*

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents, trademarks and licences over their estimated useful lives, which vary from 3 to 20 years.

##### *(iii) Research and development*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 1 to 8 years.

##### *(iv) Customer lists*

The customer lists were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and subsequently amortised on a straight-line basis over the estimated useful lives, between 3 to 8 years.

#### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

#### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

#### (t) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

#### (u) Employee benefits

##### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### *(ii) Other long-term employee benefit obligations*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experiences of employee departures and periods of service. These amounts are not expected to be settled wholly within 12 months of the reporting date.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *(iii) Retirement benefit obligations*

The amount charged to profit or loss in respect of superannuation represents the contributions made by the Group to superannuation funds as nominated by the individual employee. Contributions made by the Company to employee superannuation funds are charged as expenses when incurred.

##### *(iv) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

#### (v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

#### (x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

#### (y) Earnings per share

##### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (z) New accounting standards and interpretations

The accounting standards and interpretations relevant to the operations of the Group are consistent with those of the previous financial year. There were some amendments and interpretations effective for the first time from 1 July 2022, but they did not have any significant impact on the current year or any prior year and are not likely to affect future years.

A number of new standards, amendments to standards and interpretations issued by AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements and none are expected to be relevant to the Group. The Group does not plan to adopt these standards early.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, price risk, cash flow risk, fair value risk and interest rate risk); credit risk; and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides guidance for overall risk management and other specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of financial instruments and investing excess liquidity.

#### (a) Market risk

##### *(i) Foreign exchange risk*

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Australian Dollar. The currencies giving rise to this risk are predominantly Euros, the US Dollar, and the Canadian Dollar.

Foreign currency risk arises where settlement of a trade receivable, payable or borrowings is denominated in a currency that is not the entity's functional currency, which may result in a foreign currency gain or loss. The Group seeks to mitigate this risk by engaging in a majority of commercial transactions that are generally in AUD. The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2023			30 June 2022		
	CAD	EUR	USD	CAD	EUR	USD
Trade receivables	134,777	872,023	618,705	260,492	814,238	552,948
Trade payables	6,575	72,364	62,268	5,690	48,764	79,814

##### *Group sensitivity*

Based on the financial instruments held at 30 June 2023, had the Australian dollar strengthened / weakened by 10% (based on historical reasonableness movements) against the exchange rates in the above tables, with all other variables held constant, the Group's post-tax profit for the year would have been \$210,601 lower / \$257,401 higher (2022: \$192,726 lower / \$235,555 higher), mainly as a result of foreign currency exchange gains/losses on translation of foreign currency denominated financial instruments as detailed in the table above.

##### *(ii) Price risk*

As the Group does not have any investments in equities or commodities, its exposure to equities price risk and commodity price risk is minimal. The majority of precious metals held in stock (Note 10) are hedged against customer orders, therefore no price risk exists.

While the Group uses commodities in its operations, customer commitments to market rates purchased result in the Group's exposure to commodities price risk being immaterial.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 2: FINANCIAL RISK MANAGEMENT continued

#### (iii) Cash flow, fair value and interest rate risk

At 30 June 2023, if interest rates had changed by +/- 100 basis points (based upon forward treasury rates) from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$6,822 higher / lower (2022: \$4,981 higher / lower), mainly as a result of higher/lower interest income from cash and cash equivalents. Cash and cash equivalent balances at 30 June 2023 would have been higher/lower by the same amount.

#### (b) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk arises from cash and cash equivalents, trade receivables and other receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Counterparties without external credit ratings are in majority existing customers (<6months) with no history of defaults (Group 2).

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, and trade and other receivables, the Group's exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets.

There are no significant concentrations of credit risk within the Group at the reporting date.

The following table represents the Group's exposure to credit risk:

	Consolidated	
	2023	2022
	\$	\$
Cash and cash equivalents (A+ rated)	10,401,407	6,649,539
Trade receivables, net of impairment provision (note 9) (Group 2)	8,618,299	6,216,378
Other receivables (external parties)	10,615	11,959
	<u>19,030,321</u>	<u>12,877,876</u>

Credit risk exposure is not significantly different for any of the segments of the Group.

Details of impaired trade receivables, and trade receivables overdue but not impaired can be found at note 9. An analysis of the Group's consolidated trade receivables is as follows:

	Current	Over 30 days	Over 60 days	Over 90 Days	Total
2023	7,483,726	611,808	220,460	302,305	8,618,299
2022	5,075,832	846,807	189,310	104,429	6,216,378

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 2: FINANCIAL RISK MANAGEMENT continued

#### (c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts. The below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. There have been no breaches or defaults on the repayment of debt.

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 contractual cash flows	Carrying Amount (assets)/ liabilities
As at 30 June 2023	\$	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>							
Trade and other payables	3,177,143	-	-	-	-	3,177,143	3,177,143
Property loan	131,286	128,560	1,316,693	-	-	1,576,539	1,464,500
Import loans	624,024	-	-	-	-	624,024	607,413
<b>Total non-derivatives</b>	<b>3,932,453</b>	<b>128,560</b>	<b>1,316,693</b>	<b>-</b>	<b>-</b>	<b>5,377,706</b>	<b>5,249,056</b>
<b>As at 30 June 2022</b>							
<b>Non-derivatives</b>							
Trade and other payables	2,415,622	-	-	-	-	2,415,622	2,415,622
Property loan	116,373	114,764	224,699	1,305,969	-	1,761,805	1,638,500
Import loans	1,143,545	-	-	-	-	1,143,545	1,129,602
<b>Total non-derivatives</b>	<b>3,675,540</b>	<b>114,764</b>	<b>224,699</b>	<b>1,305,969</b>	<b>-</b>	<b>5,320,972</b>	<b>5,183,724</b>

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2023	2022
	\$	\$
Bank overdraft facility	500,000	500,000
Bank guarantee facility (AUD denominated)	2,015	73,958
Import facility (facility limit increased from \$1.5m to \$3.5m during the period)	2,892,587	370,398
	<b>3,394,602</b>	<b>944,356</b>

#### (d) Fair value estimation

The fair value bases of financial assets and financial liabilities are outlined in note 1(n).

All financial assets and liabilities have carrying values that are reasonable approximates of their fair values, for the Consolidated Entity.

The fair values of current and non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Carrying value	\$2,071,913
Fair value	\$2,122,936

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- (a) Estimated recoverable amount of goodwill** – The Group tests whether goodwill has suffered any impairment, by comparing the carrying value to the recoverable amount, in accordance with the accounting policy stated in note 1(p). Please refer to note 13 for the details on impairment tests performed on goodwill.
- (b) Capitalisation of development expenditures** – The Group capitalises development costs where management considers it probable that the related projects will be commercially and technically feasible and successful, in accordance with the accounting policy stated in note 1(p)(iii).
- (c) Tax** – The determination of the Group's provision for income tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from the Group's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Group has recognised a deferred tax asset relating to the start-up losses incurred during FY17 and FY18 by the new German division. A portion of these tax losses were recovered after the German division recorded profits in FY21 and FY22. The Group concludes that the remaining losses will be recovered in future periods, based on approved business plans and budgets.
- (d) Allowance for expected credit losses** – The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.
- (d) Determining lease terms** – 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). 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.

### NOTE 4: SEGMENT INFORMATION

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used in previous periods. 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.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including those 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 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.

#### **(a) Description of 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 4: SEGMENT INFORMATION continued

#### (b) Primary reporting format – business segments

Segment information provided to the Managing Director for the full-year ended 30 June 2023 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Full-year ended 30 June 2023	\$	\$	\$	\$
Total segment revenue	18,829,453	21,665,597	16,938,375	57,433,425
Inter segment sales	(1,282,491)	(976,087)	-	(2,258,578)
Revenue from external customers	17,546,962	20,689,510	16,938,375	55,174,847
<b>Profit before income tax expense</b>	<b>3,415,340</b>	<b>3,581,576</b>	<b>5,244,727</b>	<b>12,241,643</b>
Full-year ended 30 June 2022				
Total segment revenue	10,781,817	18,330,077	12,104,145	41,216,039
Inter segment sales	(572,160)	(637,053)	-	(1,209,213)
Revenue from external customers	10,209,657	17,693,024	12,104,145	40,006,826
<b>Profit before income tax expense</b>	<b>1,144,696</b>	<b>2,831,119</b>	<b>4,124,967</b>	<b>8,100,782</b>
Segment assets				
At 30 June 2023	14,981,826	21,490,073	20,040,839	56,512,738
At 30 June 2022	10,314,469	19,310,616	19,312,665	48,937,750
Segment liabilities				
At 30 June 2023	4,026,625	6,379,729	1,564,374	11,970,728
At 30 June 2022	2,275,109	5,556,279	1,690,791	9,522,179
Depreciation & amortisation expense				
For the year ended 30 June 2023	456,936	370,845	241,353	1,069,134
For the year ended 30 June 2022	406,672	390,704	232,820	1,030,196
Capital expenditure				
For the year ended 30 June 2023	178,162	282,323	299,694	760,179
For the year ended 30 June 2022	161,315	85,486	127,206	374,007

	2023 (\$)	2022 (\$)
<b>Revenue from external customers – segments</b>	<b>55,174,847</b>	<b>40,006,826</b>
Unallocated revenue	85,875	1,832
<b>Revenue from external customers – total</b>	<b>55,260,722</b>	<b>40,008,658</b>
<b>Profit before income tax expense – segments</b>	<b>12,241,643</b>	<b>8,100,782</b>
Profit/(Loss) incurred by parent entity	[452,321]	92,576
<b>Profit before income tax expense from continuing operations</b>	<b>11,789,322</b>	<b>8,193,358</b>
<b>Total segment assets</b>	<b>56,512,738</b>	<b>48,937,750</b>
Cash and cash equivalents	7,203,957	5,323,578
Deferred tax asset	1,735,265	1,030,898
Other corporate assets & eliminations	95,658	266,213
<b>Total assets</b>	<b>65,547,618</b>	<b>55,558,439</b>
<b>Segment non-current assets by geographical region</b>		
Australia	24,049,450	22,485,014
Canada	2,111,869	2,101,348
Europe	765,394	677,579
<b>Total segment non-current assets</b>	<b>26,926,713</b>	<b>25,263,941</b>
<b>Total segment liabilities</b>	<b>11,970,728</b>	<b>9,522,179</b>
Deferred tax liability	1,303,998	615,224
Income tax provision	1,364,714	708,294
Trade & other payables	1,462,890	1,035,133
Other corporate liabilities	[132,379]	329,580
<b>Total liabilities</b>	<b>15,969,951</b>	<b>12,210,410</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 5: REVENUE AND OTHER INCOME

	Consolidated	
	2023	2022
	\$	\$
<i>Revenue from continuing operations</i>		
<i>Revenue from external customers</i>		
Sale of goods	54,290,513	39,289,454
Service revenue (recognised at point in time)	590,241	456,204
Service revenue (recognised over time)	293,833	261,151
<i>Total revenue from external customers</i>	<i>55,174,587</i>	<i>40,006,809</i>
Interest income	86,135	1,849
<b>Total revenue from continuing operations</b>	<b>55,260,722</b>	<b>40,008,658</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
Full-year ended 30 June 2023	\$	\$	\$	\$
Australia	13,918,302	9,316,290	14,084,379	37,318,971
Canada	773,166	3,150,736	1,141,223	5,065,125
Europe	2,855,494	8,222,484	1,712,773	12,790,751
<b>Revenue from external customers (note 4)</b>	<b>17,546,962</b>	<b>20,689,510</b>	<b>16,938,375</b>	<b>55,174,847</b>

Full-year ended 30 June 2022				
Australia	7,123,415	8,149,669	10,309,232	25,582,316
Canada	392,324	3,097,712	710,925	4,200,961
Europe	2,693,918	6,445,643	1,083,988	10,223,549
<b>Revenue from external customers (note 4)</b>	<b>10,209,657</b>	<b>17,693,024</b>	<b>12,104,145</b>	<b>40,006,826</b>

Other income includes the following amounts:

	Consolidated	
	2023	2022
	\$	\$
Miscellaneous	40,393	28,658
	40,393	28,658

## NOTE 6: EXPENSES

	Consolidated	
	2023	2022
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<b>Depreciation</b>		
Depreciation (included in administration expenses)	206,223	199,801
Depreciation (included in cost of goods sold)	310,586	319,414
Amortisation of right to use assets (included in occupancy expenses)	511,190	469,421
<b>Total depreciation</b>	<b>1,027,999</b>	<b>988,636</b>
<b>Amortisation</b>		
Patents, trademarks and acquired customer lists (included in administration expenses)	82,547	76,937
Research and development (included in administration expenses)	94,096	111,789
<b>Total amortisation</b>	<b>176,643</b>	<b>188,726</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 6: EXPENSES continued

	Consolidated	
	2023	2022
	\$	\$
<b>Other specific expenses</b>		
Employee benefits expenses (included in administration expenses)	7,104,075	5,844,094
Rental expense relating to operating leases (included in occupancy expenses)	118,157	117,848

### NOTE 7: INCOME TAX EXPENSE

	Consolidated	
	2023	2022
	\$	\$
<b>(a) Income tax expense</b>		
Current tax	3,634,575	1,995,058
Deferred tax	(15,592)	108,880
Adjustments for current tax of prior periods	(10,707)	(4,496)
	<u>3,608,276</u>	<u>2,099,442</u>
Income tax expense is attributed to:		
Profit from continuing operations	<u>3,608,276</u>	<u>2,099,442</u>
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 14)	(704,366)	24,269
(Decrease) increase in deferred tax liabilities (note 19)	688,774	84,611
	<u>(15,592)</u>	<u>108,880</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) from continuing operations before income tax expense	11,789,322	8,193,358
	<u>11,789,322</u>	<u>8,193,358</u>
Tax at the Australian rate of 30% (2022: 25%)	3,536,797	2,048,339
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments expense	99,499	-
Differences arising from tax rates applicable to foreign entities	(44,158)	31,705
Sundry items	26,845	23,894
	<u>3,618,983</u>	<u>2,103,938</u>
Adjustments for current tax of prior periods	(10,707)	(4,496)
Income tax expense	<u>3,608,276</u>	<u>2,099,442</u>

#### (c) Tax consolidation legislation

XRF Scientific Limited and its wholly owned Australian controlled entities elected to enter into the tax consolidation regime from 1 July 2005. The accounting policy in relation to this legislation is set out in note 1(f). The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate XRF Scientific Limited for any current tax payable assumed and are compensated by XRF Scientific Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to XRF Scientific Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 8: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2023	2022
	\$	\$
Cash at bank and on hand	5,401,407	6,649,539
Deposits at call	5,000,000	-
	<u>10,401,407</u>	<u>6,649,539</u>
<b>Reconciliation to cash at the end of the year</b>		
Balances as above	10,401,407	6,649,539
Balance per statements of cash flows	<u>10,401,407</u>	<u>6,649,539</u>

### (a) Cash at bank and on hand

Cash at bank earns interest at floating rates based on daily bank deposit rates of between 0% to 0.05% pa (2022: 0% to 0.05% pa). Cash available for use is as reported above, with no restrictions applicable.

### (b) Deposits at call

Short-term deposits are made for varying periods of between no set term and 4 months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

### (c) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

## NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2023	2022
	\$	\$
Trade receivables	8,645,736	6,282,146
Allowance for impairment of receivables	(27,437)	(65,768)
Other receivables – From external parties	10,615	11,959
Total trade and other receivables	<u>8,628,914</u>	<u>6,228,337</u>
Past due but not impaired		
Up to 3 months	832,268	1,036,117
Up to 6 months	302,306	104,428
	<u>1,134,574</u>	<u>1,140,545</u>
Allowance for impairment of receivables		
Balance at 1 July	(65,768)	-
(Increase)/Decrease in allowance during the year	38,331	(65,768)
Balance at 30 June	<u>(27,437)</u>	<u>(65,768)</u>

### (a) Impaired trade receivables

During the 2023 financial year, the allowance for impaired receivables was decreased to \$27,437 (2022: allowance was \$65,768).

### (b) Past due but not impaired

As at 30 June 2023, trade receivables of the Group of \$1,134,574 (2022: \$1,140,545) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is in note 2. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES continued

#### (c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. All other receivables are subject to the same terms as trade receivables. Those terms have been described in note 1(k).

#### (d) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 2.

#### (e) Non-current receivables

There are no non-current receivables in the current year (2022: Nil).

### NOTE 10: CURRENT ASSETS – INVENTORIES

	Consolidated	
	2023	2022
	\$	\$
Raw materials and spare parts	6,447,950	7,016,501
Finished goods	3,609,800	2,536,331
Precious metals (general)	5,304,365	3,328,853
Platinum on loan (refer to note 16)	1,517,076	2,639,722
	<u>16,879,191</u>	<u>15,521,407</u>

Stock was valued at lower of cost and net realisable value on 30 June 2023 and 30 June 2022.

#### Inventory expense

Inventories recognised as expense during the year ended 30 June 2023 amounted to \$23,904,716 (2022: \$15,791,827). The cost of writing down inventories to net realisable value during the year ended 30 June 2023 was \$111,004 (2022: \$132,910).

### NOTE 11: OTHER CURRENT ASSETS

	Consolidated	
	2023	2022
	\$	\$
Prepayments (insurance policies, rates and other fees)	508,099	469,412
Other assets	113,548	45,800
	<u>621,647</u>	<u>515,212</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant & Equipment	Motor Vehicles	Property Improvements	Office Equipment	Land & Buildings	Right of Use Assets: Leased Properties	Total
	\$	\$	\$	\$	\$	\$	\$
At 30 June 2021							
Cost or fair value	7,625,895	221,417	1,433,531	451,512	1,823,217	1,479,798	13,035,370
Accumulated depreciation	(2,470,399)	(143,290)	(473,989)	(315,702)	-	(879,252)	(4,282,632)
Net book amount	5,155,496	78,127	959,542	135,810	1,823,217	600,546	8,752,738
Year ended 30 June 2022							
Opening net book amount	5,155,496	78,127	959,542	135,810	1,823,217	600,546	8,752,738
Additions	173,848	139,940	14,894	43,817	-	-	372,499
Changes to lease terms	-	-	-	-	-	596,878	596,878
Foreign currency adjustment	(4,465)	12	649	(4,313)	-	-	(8,117)
Disposals	(30,241)	(7,522)	-	(24,406)	-	-	(62,169)
Depreciation charge	(350,087)	(35,445)	(84,901)	(48,782)	-	(469,421)	(988,636)
Closing net book amount	4,944,551	175,112	890,184	102,126	1,823,217	728,003	8,663,193
At 30 June 2022							
Cost or fair value	7,524,448	303,409	1,420,349	348,531	1,823,217	2,076,676	13,496,630
Accumulated depreciation	(2,579,897)	(128,297)	(530,165)	(246,405)	-	(1,348,673)	(4,833,437)
Net book amount	4,944,551	175,112	890,184	102,126	1,823,217	728,003	8,663,193
Year ended 30 June 2023							
Opening net book amount	4,944,551	175,112	890,184	102,126	1,823,217	728,003	8,663,193
Additions	555,336	150,692	4,915	46,740	-	1,378,435	2,136,118
Changes to lease terms	-	-	-	-	-	625,312	625,312
Foreign currency adjustment	22,410	7,484	903	5,945	-	-	36,742
Disposals	(11,051)	(7,549)	-	-	-	-	(18,600)
Depreciation charge	(340,821)	(52,714)	(78,311)	(44,963)	-	(511,190)	(1,027,999)
Closing net book amount	5,170,425	273,025	817,691	109,848	1,823,217	2,220,560	10,414,766
At 30 June 2023							
Cost or fair value	7,783,580	419,084	1,414,743	347,844	1,823,217	4,080,423	15,868,891
Accumulated depreciation	(2,613,155)	(146,059)	(597,052)	(237,996)	-	(1,859,863)	(5,454,125)
Net book amount	5,170,425	273,025	817,691	109,848	1,823,217	2,220,560	10,414,766

All items of property, plant and equipment were recorded at cost as at 30 June 2023 and 30 June 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Research & Development	Goodwill	Patents, Trademarks & Other Rights	Total
	\$	\$	\$	\$
At 30 June 2021				
Cost or fair value	1,421,721	14,629,236	884,142	16,935,099
Accumulated amortisation and impairment	(553,772)	-	(466,662)	(1,020,434)
Net book amount	867,949	14,629,236	417,480	15,914,665
Year ended 30 June 2022				
Opening net book amount	867,949	14,629,236	417,480	15,914,665
Additions	172,763	741,832	200,000	1,114,595
Foreign currency adjustment	-	92,008	17,311	109,319
Amortisation charge	(111,789)	-	(76,937)	(188,726)
Closing net book amount	928,923	15,463,076	557,854	16,949,853
At 30 June 2022				
Cost or fair value	1,449,263	15,463,076	979,864	17,892,203
Accumulated amortisation and impairment	(520,340)	-	(422,010)	(942,350)
Net book amount	928,923	15,463,076	557,854	16,949,853
Year ended 30 June 2023				
Opening net book amount	928,923	15,463,076	557,854	16,949,853
Additions	24,748	-	-	24,748
Foreign currency adjustment	-	55,391	13,079	68,470
Amortisation charge	(94,096)	-	(82,547)	(176,643)
Closing net book amount	859,575	15,518,467	488,386	16,866,428
At 30 June 2023				
Cost or fair value	1,148,505	15,518,467	983,218	17,650,190
Accumulated amortisation and impairment	(288,930)	-	(494,832)	(783,762)
Net book amount	859,575	15,518,467	488,386	16,866,428

All intangible assets were recorded at cost as at 30 June 2023 and 30 June 2022. Patents, trademarks and other rights are amortised over their estimated useful lives, which vary from 3 to 20 years. Capitalised development costs are amortised over their useful lives, which vary from 1 to 8 years.

### (a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash generating units (CGUs) identified according to business and geographical segments.

	Consolidated	
	2023	2022
	\$	\$
Consumables CGU	8,657,596	8,653,670
Precious Metals CGU	4,055,275	4,034,688
Capital Equipment CGU	2,392,003	2,392,003
European Sales Office CGU	413,593	382,715
	15,518,467	15,463,076

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS continued

#### (b) Significant estimate: key assumptions used for value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The forecast cash flows for 2024 are based on the Board-approved budget. The cash flows for 2025 to 2028 have been based on extrapolating the 2024 forecast by using average growth rates of 3.2%. Growth rates are based on past experience and future expectations. The Company is not aware of any significant variations from external market data. Terminal values of 4x to 5x were used in calculating the value-in-use for each CGU, which equates to a long-term growth rate of the Company. The pre-tax discount rate of 14.06% reflects specific risks relating to each CGU.

#### (c) Sensitivity to change in assumptions

The recoverable amount of the CGUs exceeds the carrying amount based on impairment testing performed at 30 June 2023. A decrease of 40% in the projected annual cash flows or an increase of 2% in the pre-tax discount rate of 14.06% does not result in an impairment of the goodwill. These changes would be considered reasonably possible changes to the key assumptions.

#### (d) Impairment charge

No impairment charges have been deemed necessary for the current period.

### NOTE 14: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated	
	2023	2022
	\$	\$
Amounts recognised directly in equity:		
Share issue expenses	2,607	1,468
Amounts recognised in profit or loss:		
Employee benefits	717,066	461,065
Deferred tax asset recognised on prior year losses by German subsidiary	53,836	246,997
Deferred tax asset recognised on AASB 16 lease liabilities	672,670	186,455
Business acquisition expenses	-	-
Depreciation of tangible assets	-	-
Accruals	140,781	54,463
Provisions	148,305	80,450
	<u>1,732,658</u>	<u>1,029,430</u>
Net deferred tax assets	<u>1,735,265</u>	<u>1,030,898</u>
<b>Movements:</b>		
Opening balance at 1 July	1,030,898	1,055,167
(Charged)/credited to profit or loss (note 7)	704,367	(24,269)
Closing balance at 30 June	<u>1,735,265</u>	<u>1,030,898</u>
Deferred tax assets expected to be recovered within 12 months	506,034	285,491
Deferred tax assets expected to be recovered after more than 12 months	1,229,231	745,407
	<u>1,735,265</u>	<u>1,030,898</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 15: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2023	2022
	\$	\$
Trade payables	955,007	1,069,228
Sundry creditors and accruals	2,222,136	1,346,394
Employee benefits – annual leave (a)	828,610	661,836
	<u>4,005,753</u>	<u>3,077,458</u>

Terms and conditions of trade payables vary between suppliers; however, terms of trade are generally 30 days.

#### (a) Amounts not expected to be settled within the next 12 months

The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2023	2022
	\$	\$
Annual leave obligations expected to be settled after 12 months	546,883	436,812

#### (b) Foreign exchange risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

### NOTE 16: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2023	2022
	\$	\$
Provision for platinum loan (a)	1,517,076	2,639,722
Long service leave (b)	522,558	451,257
Dividends payable to ordinary shareholders	193,285	145,403
Making good of leases	217,500	15,000
Other provisions	9,414	61,030
	<u>2,459,833</u>	<u>3,312,412</u>

#### (a) Provision for platinum loan

XRF has borrowed (and has title to under a master contract) \$1,517,076 of platinum metal, which is inventoried to facilitate manufacturing processes and reduce lead times. This is funded by a loan facility, with a term of 3 months. Interest is calculated at market rates and payable at maturity. At maturity, the facility will be renewed for an additional term or the platinum will be returned. These liabilities are offset by an inventory asset of \$1,517,076.

#### (b) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. Based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be paid within the next 12 months:

	Consolidated	
	2023	2022
	\$	\$
Long service leave obligations expected to be settled after 12 months	391,919	338,443

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 17: CURRENT & NON-CURRENT LIABILITIES – LONG-TERM BORROWINGS

	Consolidated			
	2023		2022	
	Current \$	Non-Current \$	Current \$	Non-Current \$
Property loan <sup>1</sup>	174,000	1,290,500	174,000	1,464,500
Import loan <sup>2</sup>	607,413	-	1,129,602	-
	781,413	1,290,500	1,303,602	1,464,500

<sup>1</sup> Consists of a three-year, interest-bearing loan, initially used to fund the purchase of a property in Melbourne. The facility was refinanced in 2021, extending the maturity date to November 2024. Instalments are paid monthly (including principal and interest), at a rate of 6.27% per annum (2022: 3.7%). 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, Germany and Orbis Mining Pty Ltd). The fair value of the loan is estimated to be \$1,576,539, calculated using current market interest rates. The carrying value of the loan is \$1,464,500. Covenants applicable to the loan include: the loan to property value ratio must not exceed 65%; the interest cover ratio must not be less than 3.5x; the debt to tangible net worth ratio must not exceed 55%. The Group has met all covenant requirements to date.

<sup>2</sup> Consists of a short-term loan (less than 180 days) used to finance the importation of certain raw materials used to produce finished goods. Interest is payable on maturity, at a rate of 6.4%.

	2023 \$	2022 \$
<b>Net debt reconciliation</b>		
Total borrowings at 1 July	2,768,102	824,754
Proceeds from borrowings	2,711,497	2,081,912
Repayment of borrowings	(3,407,686)	(138,564)
<b>Total borrowings at 30 June</b>	<b>2,071,913</b>	<b>2,768,102</b>

### NOTE 18: LEASES - RIGHT OF USE ASSETS AND LIABILITIES

The following right-of-use assets have been recognised on the balance sheet at 30 June 2023:

	2023 \$	2022 \$
Leased properties (refer to note 12)	2,220,560	728,003
<b>Total right-of-use assets</b>	<b>2,220,560</b>	<b>728,003</b>

The following liabilities have been recognised on the balance sheet at 30 June 2023:

	2023 \$	2022 \$
Current lease liabilities	603,701	368,464
Non-current lease liabilities	1,638,531	377,358
<b>Total lease liabilities</b>	<b>2,242,232</b>	<b>745,822</b>

#### (a) 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 91% of the total lease payments made during the year relate to optional lease extension periods.

#### (b) Critical judgements in determining the lease term

Potential future cash outflows of \$1,650,000 have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 19: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2023	2022
	\$	\$
<b>Amounts recognised in profit or loss</b>		
Research and development	257,872	232,231
Deferred tax liability recognised on AASB 16 lease right of use assets	666,168	182,001
Depreciation	357,675	188,590
Other	22,283	12,402
<b>Net deferred tax liabilities</b>	<b>1,303,998</b>	<b>615,224</b>
<b>Movements:</b>		
Opening balance at 1 July	615,224	530,613
Charged/(credited) to profit or loss (note 7)	688,774	84,611
<b>Closing balance 30 June</b>	<b>1,303,998</b>	<b>615,224</b>

## NOTE 20: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2023	2022
	\$	\$
Employee benefit – long service leave	118,447	95,126

## NOTE 21: ISSUED CAPITAL

	Consolidated		Consolidated	
	2023	2022	2023	2022
	Shares	Shares	\$	\$
<b>Issued capital</b>				
Ordinary shares fully paid	137,049,775	135,892,049	20,414,399	19,632,304
<b>Total issued capital</b>	<b>137,049,775</b>	<b>135,892,049</b>	<b>20,414,399</b>	<b>19,632,304</b>

### Movements in ordinary share capital:

Date	Details	Number of shares	Issue Price (\$)	\$
<b>1 July 2021</b>	<b>Opening balance</b>	<b>134,561,093</b>		<b>18,802,517</b>
30 September 2021	Shares issued as part consideration for Orbis acquisition	313,676	0.6376	200,000
30 September 2021	Less: transaction costs			(1,667)
15 October 2021	Shares issued under dividend reinvestment plan	923,200	0.6200	572,384
15 October 2021	Less: transaction costs			(3,654)
22 April 2022	Shares issued under employee share scheme	94,080	0.6800	63,974
22 April 2022	Less: transaction costs			(1,250)
<b>30 June 2022</b>	<b>Closing balance</b>	<b>135,892,049</b>		<b>19,632,304</b>
<b>1 July 2022</b>	<b>Opening balance</b>	<b>135,892,049</b>		<b>19,632,304</b>
14 October 2022	Shares issued under dividend reinvestment plan	1,088,726	0.6600	718,559
14 October 2022	Less: transaction costs			(4,214)
17 March 2023	Shares issued under employee share scheme	69,000	1.0000	69,000
17 March 2023	Less: transaction costs			(1,250)
<b>30 June 2023</b>	<b>Closing balance</b>	<b>137,049,775</b>		<b>20,414,399</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 21: ISSUED CAPITAL continued

#### (a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amount paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### (b) Dividend reinvestment plan

The parent entity has a dividend reinvestment plan in place and shares were issued to participants in October 2022.

#### (c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	Consolidated	
	2023	2022
	\$	\$
<i>The gearing ratios at 30 June 2023 and 30 June 2022 were as follows:</i>		
Total borrowings	2,071,913	2,768,102
Less: cash and cash equivalents	(10,401,407)	(6,649,539)
Net debt / (positive cash position)	(8,329,494)	(3,881,437)
Total equity	49,577,667	43,348,029
Total equity plus net debt	41,248,173	39,466,592
<b>Gearing ratio</b>	<b>Net debt</b>	<b>Net debt</b>
	<b>-20.19%</b>	<b>-9.83%</b>

### NOTE 22: RESERVES AND RETAINED PROFITS

	Consolidated	
	2023	2022
	\$	\$
<b>(a) Reserves</b>		
Foreign currency translation reserve	1,164,262	723,121
Options reserve	759,243	759,243
Share-based payments reserve	262,660	-
<b>Balance 30 June</b>	<b>2,186,165</b>	<b>1,482,364</b>
<b>(b) Retained Profits</b>		
Movements in retained profits were as follows:		
Balance 1 July	22,365,014	18,978,773
Net profit for the year	7,685,827	6,083,736
Dividends paid or provided for	(3,397,304)	(2,697,495)
<b>Balance 30 June</b>	<b>26,653,537</b>	<b>22,365,014</b>

#### (c) Nature and purpose of reserves

##### *Foreign currency translation reserve*

The foreign currency translation reserve is used to recognise the unrealised gains and losses arising from the consolidation of subsidiaries denominated in currencies other than Australian dollars.

##### *Share-based payment reserve*

The share-based payments reserve is used to recognise the value of equity-settled share-based payments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 23: DIVIDENDS

	Consolidated	
	2023	2022
	\$	\$
Final dividend for the prior financial year, paid in the current financial year	3,397,304	2,697,495
<b>Total dividends provided for or paid</b>	<b>3,397,304</b>	<b>2,697,495</b>

A fully franked dividend of 3.3 cents per share has been declared on ordinary shares post 30 June 2023.

#### Franked Dividends

	Consolidated	
	2023	2022
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2022:25%)	9,120,005	7,561,821

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The franked portions of the final dividends recommended after 30 June 2023 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2023. The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$1,938,275 (2022: \$1,132,434).

### NOTE 24: CONTINGENCIES

At 30 June 2023, the consolidated entity had no material contingent liabilities in respect of claims, contingent considerations, associates and joint ventures or any other matters.

### NOTE 25: COMMITMENTS

#### (a) Lease commitments

XRF Labware Pty Ltd has lease agreements with external suppliers for the provision of 56 kg of platinum, which is used for working capital purposes. These lease agreements are renewed either quarterly or annually and fees are paid on the current market price of platinum. The current agreements will expire on various dates between July 2023 and June 2024 and will be renewed accordingly.

#### (b) Financing arrangements

The Group's undrawn borrowing facilities were as follows as at 30 June 2023:

	Consolidated	
	2023	2022
	\$	\$
Bank overdraft facility	500,000	500,000
Bank guarantee facility (AUD denominated)	2,015	73,958
Import loan facilities (facility limit increased from \$1.5m to \$3.5m during the period)	2,892,587	370,398
	<b>3,394,603</b>	<b>944,356</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 26: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	Consolidated	
	2023	2022
	\$	\$
<i>BDO - Australia</i>		
Audit and review of financial reports	143,535	138,536
Taxation services	28,914	43,042
Other services	11,947	4,323
<i>BDO - Belgium</i>		
Audit and review of financial reports	15,154	18,257
Taxation services	9,895	9,874
Other services	2,298	2,257
<i>BDO - Canada</i>		
Taxation services	8,530	8,624
Other services	-	3,569
<i>BDO - UK</i>		
Audit and review of financial reports	-	13,283
	220,273	241,765

### NOTE 27: RELATED PARTY TRANSACTIONS

#### (a) Parent entity

The ultimate parent and controlling entity is XRF Scientific Limited which at 30 June 2023 owns 50% to 100% of all subsidiaries listed in note 28.

#### (b) Interests in subsidiaries

Interests in subsidiaries are set out in note 28.

#### (c) Directors and key management compensation

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	1,187,087	969,464
Post-employment benefits	75,299	79,248
Long-term benefits	371,019	11,996
	1,633,405	1,060,708

Long-term benefits include share-based payments valued at \$343,169. Refer to note 30 for further details.

No other post-employment or termination benefits have been provided. Detailed remuneration disclosures are available in the Remuneration Report from pages 9-16.

#### (d) Loans to key management personnel

There were no loans to any key management personnel during either of the years ended 30 June 2023 or 30 June 2022.

#### (e) Other transactions with key management personnel

Premises were rented from a related entity of Director David Brown during the financial year. These properties were rented on normal commercial terms and conditions, totalling \$107,835 (2022: \$107,536). No amounts were outstanding at the end of the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 28: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of Incorporation	Class of shares	Entity holding	
			2023 %	2022 %
XRF Chemicals Pty Ltd	Australia	Ordinary	100	100
XRF Labware Pty Ltd	Australia	Ordinary	100	100
XRF Technology (WA) Pty Ltd	Australia	Ordinary	100	100
XRF Technology (VIC) Pty Ltd	Australia	Ordinary	100	100
XRF Scientific Americas Inc	Canada	Ordinary	100	100
XRF Scientific Europe SPRL	Belgium	Ordinary	100	100
XRF Scientific Europe GmbH	Germany	Ordinary	100	100
XRF Scientific UK Ltd	United Kingdom	Ordinary	100	100
Precious Metals Engineering (WA) Pty Ltd	Australia	Ordinary	100	100
XFlux Pty Ltd	Australia	Ordinary	100	100
Gestion Scancia Inc	Canada	Ordinary	100	100
Orbis Mining Pty Ltd	Australia	Ordinary	50	50

The proportion of ownership interest is equal to the proportion of voting power held.

## NOTE 29: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

### (a) Reconciliation of profit after income tax to net cash flow provided by operating activities

	Consolidated	
	2023 \$	2022 \$
Profit for the year	7,685,828	6,083,736
Depreciation and amortisation	1,204,642	1,177,362
Profit attributable to NCI	495,218	-
Share based payments	331,660	-
Net exchange differences	309,014	147,389
Net assets of acquired businesses reclassified as investing activities	-	(308,047)
Net (gain) loss on sale of non-current assets	-	32,730
(Increase) decrease in trade and other debtors	(2,400,577)	(1,749,954)
(Increase) decrease in inventories	(1,357,784)	(3,005,247)
(Increase) decrease in other current assets	(106,435)	(115,523)
(Increase) decrease in deferred tax asset	(704,367)	24,269
(Decrease) increase in trade and other creditors	928,295	1,046,758
(Decrease) increase in provision for income taxes	656,420	146,657
(Decrease) increase in provision for deferred income tax	688,774	84,611
(Decrease) increase in other liabilities	1,515,088	677,720
(Decrease) increase in other provisions	(829,258)	(1,088,564)
<b>Net cash inflow from operating activities</b>	<b>8,416,518</b>	<b>3,153,897</b>

### (b) Non-cash investing and financing activities

	Consolidated	
	2023 \$	2022 \$
Additions to right-of-use assets (note 12)	2,003,747	596,878
Shares issued to acquire 50% of Orbis Mining	-	200,000
Shares issued under employee share scheme (note 30)	69,000	63,974



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 30: SHARE-BASED PAYMENTS

	Consolidated	
	2023	2022
	\$	\$
Performance rights issued to employees (a)	262,660	-
Shares issued to employees (b)	69,000	63,974
<b>Total share-based payments (included in administration expenses)</b>	<b>331,660</b>	<b>63,974</b>

### (a) Performance Rights Plan

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 year ended 30 June 2023 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:

### (i) 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 (%)
<b>Less than index TSR</b> Below 100% of the proportionate change in the ASOAI index over the relevant performance period	Nil
<b>Equal to index TSR</b> At 100% of the proportionate change in the ASOAI index over the relevant performance period	50%
<b>Greater than index TSR</b> Between 100% and 120% of the proportionate change in the ASOAI index over the relevant performance period	Pro-rata between 50% and 100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 30: SHARE-BASED PAYMENTS continued

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.

#### (ii) 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

#### (iii) 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.

#### (iv) Other information

At 30 June 2023, 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 year ended 30 June 2023, the Group has recognised \$331,660 of share-based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### (b) Employee Share Plan

	Consolidated	
	2023	2022
	\$	\$
Shares issued to employees (included in administration expenses)	69,000	63,974

The XRF Scientific Exempt Employee Share Plan was set up to provide eligible employees with an opportunity to acquire shares for no consideration, which will align their interests more closely with the Company's shareholders and provide greater incentive for them to focus on the Company's longer-term goals. Under the rules of the plan, a holding lock will be placed on the shares for a period of three years from the date of issue. On 17 March 2023, 69,000 shares were issued to employees, with a value of 1 dollar per share. This was the volume-weighted average price of XRF shares over the week up to the time of issue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 31: EARNINGS PER SHARE

	Consolidated	
	2023 Cents	2022 Cents
<b>(a) Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company	5.6	4.5
<b>(b) Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company	5.6	4.5
	\$	\$
<b>(c) Reconciliations of earnings used in calculation earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company	7,685,827	6,083,736
	Number	Number
<b>(d) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	136,687,618	135,469,700

### NOTE 32: PARENT ENTITY FINANCIAL INFORMATION

#### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2023 \$	2022 \$
<b>Statement of Financial Position</b>		
Current assets	14,705,482	14,600,397
Total assets	30,045,958	29,028,263
Current liabilities	28,255,110	25,697,280
Total liabilities	29,573,280	26,322,546
<i>Shareholder equity</i>		
Issued capital	20,414,399	19,632,304
Reserves	2,094,671	1,384,129
Retained earnings	(22,036,392)	(18,310,715)
	472,678	2,705,718
<b>Total comprehensive income / (loss) for the year before tax</b>	408,468	94,732
<b>Tax benefit / (expense)</b>	(80,095)	(27,198)
<b>Total comprehensive income / (loss) for the year after tax</b>	328,373	67,534

#### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022. Letters of financial support have been provided to certain foreign subsidiaries to ensure their business continuity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 33: EVENTS OCCURRING AFTER THE REPORTING DATE

A final dividend of 3.3 cents per share fully franked (FY22: 2.5 cents per share fully franked) was declared on 18 August 2023, with a record date of 29 September 2023 and payment date of 13 October 2023.

There were no other events subsequent to the reporting date which have significantly affected or may significantly affect the XRF Scientific Limited operations, results or state of affairs in future years.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

This page has been left blank intentionally.

# DIRECTORS' DECLARATION

## FOR THE YEAR ENDED 30 JUNE 2023

XRF Scientific Limited and its controlled entities

ACN 107 908 314

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flow, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - (a) Comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements after 2001; and
  - (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A.
4. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Fred S Grimwade**

Chairman

Dated this 18<sup>th</sup> day of August 2023

## INDEPENDENT AUDITOR'S REPORT

To the members of XRF Scientific Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of XRF Scientific Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Recoverability of Intangible Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 13 of the financial report, goodwill represents a significant asset which the Group has recorded in the statement of financial position. Under the Australian Accounting Standards, goodwill is required to be tested annually for impairment.</p> <p>As set out in Note 13, the directors' assessment of the recoverability of goodwill requires significant judgement, in particular in estimating future growth rates, discount rates and the expected cash flows of cash generating units ("CGU") to which the goodwill has been allocated.</p> <p>As a result this was determined to be a key audit matter due to the above noted judgements and the significance of goodwill to the group's financial position.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group's determination of CGU's and the allocation of assets to the carrying value of CGU's;</li> <li>• Obtaining the Group's value in use models and agreeing the first years forecast to board approved budgets;</li> <li>• Evaluating management's ability to achieve cash flows by comparing prior period forecasts against actual results;</li> <li>• Assessing the key inputs in the value in use models including the forecast net profit after tax, discount rates, terminal value determination and growth rates for each CGU;</li> <li>• Using our internal valuation specialist to assess the reasonableness of the discount rate;</li> <li>• Performing a sensitivity analysis on the key financial assumptions in the models. These included budgeted net profit after tax, multipliers used in the terminal year of cash flows, and the discount rates applied; and</li> <li>• Evaluating the adequacy of the related disclosures in the financial report.</li> </ul>



### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 26 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of XRF Scientific Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO  


**Jarrad Prue**

**Director**

Perth,

18 August 2023

# SHAREHOLDER INFORMATION

Additional information (as at 31 July 2023) required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is set out below:

## SUBSTANTIAL SHAREHOLDINGS

The number of shares held by substantial shareholders and their associates is as follows:

Shareholder	Number of Ordinary Shares <sup>1</sup>
Michael Karl Korber	10,789,750
David Brown & Glenys Dawn Brown <sup>2</sup>	10,172,200

<sup>1</sup> Based on information available to the Company, including substantial holding announcements released to the market.

<sup>2</sup> David Brown is a director of XRF Scientific Limited.

## NUMBER OF OPTION HOLDERS

Class of Security	Number of Holders
Nil	-

## VOTING RIGHTS

In accordance with the Constitution of the Company and the *Corporations Act 2001*, every member present in person or by proxy at a general meeting of the members of the Company has:

- On a vote taken by a show of hands, one vote; and
- On a vote taken by a poll, one vote for every fully paid ordinary share held in the Company

A poll may be demanded at a general meeting of the members of the Company in the manner permitted by the *Corporations Act 2001*.

## DISTRIBUTION OF SHARE AND OPTION HOLDERS

Distribution of Shares & Options	Number of Holders of Ordinary Shares	Number of Holders of Options
1-1,000	425	-
1,000-5,000	951	-
5,001-10,000	490	-
10,001-100,000	885	-
100,001 and above	178	-
	2,929	-

# SHAREHOLDER INFORMATION

## TOP 20 SHAREHOLDERS

No.	Holder Name	Number of Ordinary Shares	Percentage of Ordinary Shares
1	MICHAEL KARL KORBER	10,789,750	7.87%
2	EVELIN INVESTMENTS PTY LIMITED	7,064,539	5.15%
3	D & GD BROWN NOMINEES PTY LTD	7,020,837	5.12%
4	DAVID BROWN & GLENYS DAWN BROWN <sup>1</sup>	3,151,363	2.30%
5	MANDEL PTY LTD	2,900,000	2.12%
6	GREAT WESTERN CAPITAL PTY LTD	2,838,648	2.07%
7	STEPHEN WILLIAM PROSSOR & FIONA CHRISTIAN PROSSOR	2,669,767	1.95%
8	NATIONAL NOMINEES LIMITED	2,501,764	1.83%
9	PEBADORE PTY LTD	2,450,000	1.79%
10	G & E PROPERTIES PTY LTD	2,206,275	1.61%
11	CITICORP NOMINEES PTY LIMITED	2,184,268	1.59%
12	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,963,213	1.43%
13	TZELEPIS NOMINEES PTY LTD	1,900,000	1.39%
14	BETA GAMMA PTY LTD	1,682,033	1.23%
15	FREDERIC DAVIDTS	1,671,176	1.22%
16	JEFFREY DAVID BROWN & PENNY NARELLE BROWN	1,643,693	1.20%
17	BNP PARIBAS NOMINEES PTY LTD	1,560,837	1.14%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,484,125	1.08%
19	WILLIAM ROBERT SIMSON	1,275,000	0.93%
20	CLAPSY PTY LTD	1,200,000	0.88%
		60,157,288	43.89%

<sup>1</sup> D & GD Brown Nom PL is a company owned by David Brown and his wife. David Brown is a director of XRF Scientific Limited.

## RESTRICTED SECURITIES

There are currently no restricted securities.

## NON-MARKETABLE PARCELS

Class of Security	Number of Securities	Number of Holders
Ordinary shares	4,831	81

## UNQUOTED SECURITIES

Class of Security	Number of Securities	Number of Holders
Performance rights	1,504,278	20

## ON-MARKET BUY BACK

The Company does not have a current on-market buy-back scheme.

# CORPORATE DIRECTORY

## 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

## KEY MANAGEMENT PERSONNEL

Andrew Watson (Chief Financial Officer)

## REGISTERED OFFICE

86 Guthrie Street  
Osborne Park WA 6017  
Tel: +61 8 9244 0600  
Fax: +61 8 9244 9611

## COMPANY AUDITOR

BDO  
Level 9, 5 Spring Street  
Perth WA 6000

## BANKERS

HSBC Bank Australia  
Level 33, 250 St Georges Terrace  
Perth WA 6000

## SOLICITORS

HWL Ebsworth  
Level 20, 240 St Georges Terrace  
Perth WA 6000

## SHARE REGISTRY

Automic  
Level 5, 191 St Georges Terrace  
Perth WA 6000  
Phone: 1300 288 664

## WEBSITE

[www.xrfscientific.com](http://www.xrfscientific.com)

## ASX

Company Code: XRF