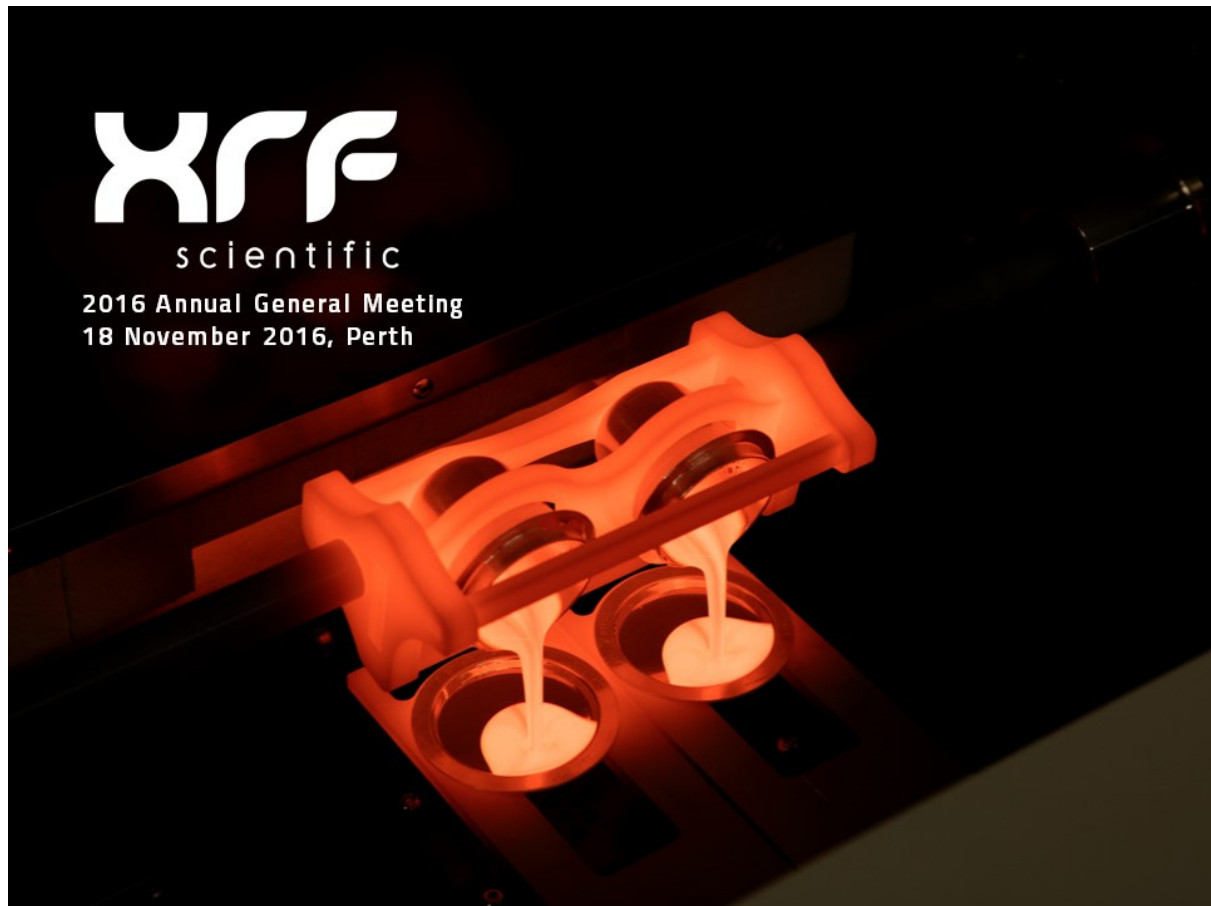


2016 Annual General Meeting, 18 November 2016, Perth:



Full Year Results – Overview



(\$m)	2016	2015	Change %
Sales revenue	21.0	20.5	3%
EBITDA	3.0	4.1	(25%)
Profit before tax	2.4	3.6	(35%)
Acquisition costs	0.2	0.3	3%
Platinum Division expansion costs expensed	0.5	-	100%
Underlying profit before tax	3.0	3.9	(22%)
Net profit after tax	1.5	2.6	(42%)
Earnings per share (cents)	1.2	2.0	(42%)
Weighted average no. of shares	133,126,318	132,157,097	1%
Number of employees	68	61	11%
Dividends (cents per share)	0.5	1.2	(58%)
Dividend payout ratio	43%	60%	

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Good morning ladies and gentlemen, I'm pleased to report to you our 2016 financial year.

During the year \$21m in revenue was generated, which resulted in statutory profit after tax of \$1.5m. Underlying profits before tax were \$3m, after adding back costs that have been expensed for acquisitions, R & D and expansion of the Precious Metals Division.

Whilst the result is lower than we had hoped, we are proud to be a company exposed to the mining sector that continues to deliver profits throughout the cycle. Credit for the result is due to the Management team at XRF, who have also ensured the Company remains as a leader in its field, and at all times our costs are kept in check.

Contributing positively towards the result was the Socachim acquisition, which was completed in December 2015. The new European division contributed revenue of \$2.6m and Profits Before Tax of \$222k during the year. This result was well above our expectations and assisted by a few large capital equipment orders. Given our long history with Socachim of over 15 years, the business was quickly integrated into XRF in a short space of time. The acquisition provided XRF with its second international office and first in Europe.

The Board declared a final fully franked dividend of 0.3 cents per share, which complemented the interim dividend previously paid of 0.2 cents per share. This represents a payout ratio of 43% of profits. It was carefully decided to drop the payout ratio, to assist with the investments in the new Melbourne platinum factory, and start-up costs of the new office in Germany.

Consumables



(\$m)	FY16	FY15
Sales revenue	6.3	6.0
Change in %	4%	(6%)
NPBT	1.8	1.9
Change in %	(5%)	(18%)
Margin %	29%	32%



Overview for FY16:

- Revenue up 4% on FY15
- NPBT down 5% on FY15
- Impact on COGS from lithium price increases

Outlook for FY17:

- Total sales to 31 October 2016 YTD up 19% on the PCP to \$2.2m (2016: \$1.8m)
- Increased but stabilised pressure on COGS from lithium price increases

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Looking at the fist of our Divisions, Consumables, where revenue was up 4% for the year, however profits before tax were slightly down to \$1.8m. The majority of this impact is from the rising cost of production, mainly from lithium costs, which is used in the production of some of our products. This also caused a \$0.7m reduction in operating cash flow for the year due to inventory requirements. A higher level of stock is also being carried, to ensure there are no supply issues to customers.

FY17 is where the majority of the impact of increased lithium prices is expected to take effect. For the moment, lithium raw chemical prices have stabilised, providing stability to our customers and working capital requirements. Although revenue for the year to date is up 19% to \$2.2m, profits are not expected to increase this year.

Capital Equipment



(\$m)	FY16	FY15
Sales revenue	6.1	5.7
Change in %	6%	3%
NPBT	0.2	0.6
Change in %	(73%)	79%
Margin %	3%	11%

Overview for FY16:

- Revenue up 6% on FY15
- NPBT down 73% on FY15
- Launch of XRWeigh Carousel flux weigher

Outlook for FY17:

- Total sales to 31 October 2016 YTD up 53% on the PCP to \$1.8m (2016: \$1.1m)
- Addition of distribution revenue via Belgium office
- Launch of additional new products



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The Capital Equipment division finished the year with revenue 6% higher than FY15 and Profits Before Tax of \$170k. The first half of the year was difficult, with a loss before tax of \$112k being delivered. Improved sales from Australia as well as the Socachim acquisition provided the \$282k turn around in the second half. Margins declined due to the lower level of Australian based manufacturing revenue, which is higher margin, and ultimately replaced with lower margin distribution revenue from our overseas divisions.

During the year we also released a significant new product, the XRWeigh Carousel automatic flux weighing machine. The product automatically weighs out our flux chemicals to the precise measurements required by our lab customers. The launch of the machine has been successful and a number of units have already been sold and delivered.

We are planning for additional new product releases this year, and have a full pipeline of future opportunities for the next few years.

In line with last year, the division has experienced a difficult first quarter. Although revenue has increased significantly by 53% to \$1.8m, the majority of this is from incremental revenue earned by our distribution divisions in Europe. Profitability has however improved and the division has generated a small profit, as opposed to the loss position it was in during the PCP.

Precious Metals



(\$m)	FY16	FY15
Sales revenue	9.5	10.0
Change in %	(4%)	(4%)
NPBT	0.6	1.5
Change in %	(63%)	11%
Margin %	6%	15%



Overview for FY16:

- Revenue down 4% on FY15
- NPBT down 63% on FY15
- \$491k expansion costs expensed to P&L
- \$3.3m factory expansion CAPEX program
- Setup of new office in Germany

Outlook for FY17:

- Total sales to 31 October 2016 YTD down 6% on the PCP to \$3.0m (2016: \$3.2m)
- New Melbourne factory commences
- New Germany office to expand sales network
- Enhanced product quality and expanded range into new industries

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The Precious Metals Division delivered a statutory profit before tax of \$551k, after expensing costs associated with expansion, relocation of the factory and R & D. Adjusting for these costs the underlying profit before tax was \$1.04m.

2016 was the beginning of a transformation of the division. In November 2015 we announced an investment in a new Melbourne factory, as well as new equipment, for a budget of \$3.3m. \$1.1m of the investment has been funded by loans from our bank, with the balance coming from our strong cash reserves. The capital investment budget is expected to be expanded in FY17, as we require additional production equipment, to fabricate precious metals using different techniques, to expand our range and move into more sophisticated products.

The move of the factory occurred in early November, with minimal disruption to production of less than a week. The manager of our Precious Metals division, Gino Manfredi and his team should be commended for this massive effort. It is only through their careful planning and consideration that such an operation has been successful. Precious metals manufacturing is unique, and as such the new factory had special considerations.

We are implementing changes in our production processes that will deliver enhancements to the final product quality. Our new team in Germany is providing assistance in this area, who have extensive knowledge in the precious metals industry. Along with our traditional labware products, we have also been able to fast track the development of some new customised platinum products. Such products are highly interesting, given that they expand our sales geographically and into new industries outside of mining.

The new office in Germany started full operations at the beginning of August. We have already found our new colleagues to be highly knowledgeable in the precious metal field, hardworking, ambitious and in general a perfect fit into our group. Within a short space of time sales have already commenced, with the first orders delivered in September. Although some of the new highly technical products will take some time to develop, we expect an immediate impact on the sale of our existing products. The new office provides a local contact and support point for new markets in Europe, in particular Germany.

Expanding our international sales remains a key priority. Since the last AGM we have appointed new distribution partners in Spain, the Netherlands, Poland and India. Management of such relationships is significantly more effective with our two new offices in Europe. We expect to continue to grow our distribution network throughout the year, in particular in Asia, Europe and Latin America.

Whilst overall revenue for the group is up on the PCP, we expect profits to remain under pressure in FY17. Additional costs will be expensed in relation to relocation and expansion of the new factory in Melbourne. There will also be the start-up costs associated with the new office in Germany such as wages, rent and other operating costs. Although there will be the negative impact on cash flows and profits in FY17, we see this as a transition into what we are planning as a company-making investment for the group.

So far we have done well to diversify exposure away from the mining industry, however the investment in the precious metals expansion was required to take it a step further. Meanwhile, we remain ideally positioned should a significant turn-around in the mining industry present itself. Our core team is intact and as is our production capacity.