

XRF SCIENTIFIC LIMITED

ANTI-FRAUD POLICY

PURPOSE

The Employer and its subsidiaries (collectively referred to as “XRF”) are committed to protecting their reputation, revenues, assets and information from any attempts of fraud, deceit or other improper conduct by employees or third parties. The Company has adopted a Code of Conduct which embodies XRF’s commitment to conduct its business in accordance with all applicable laws, rules and regulations and the highest ethical standards.

This Policy sets out the Employer’s expectations and requirements relating to the prohibition, recognition, reporting and investigation of suspected fraud, corruption, misappropriation and other similar irregularities.

SCOPE

This Policy is applicable to every employee, including senior management and the Board of Directors. This Policy is intended to supplement all applicable laws, rules, and other corporate policies. It is not intended to supplant any local laws.

DEFINITION OF FRAUD

The term “fraud”, as used in this Policy, refers generally to any intentional act committed to secure an unfair or unlawful gain including, but not limited to, fraud, corruption, misappropriation, theft and other similar irregularities that reflect actual or potential:

- misrepresentation of the Employer’s publicly released financial statements or other public disclosures
- misappropriation or theft of the Employer’s assets such as precious metals, money, equipment or supplies
- unlawfully obtained revenue and assets, or unlawful avoidance of costs and expenses
- commercial bribery or bribery of a government official or other violation of anticorruption laws
- improper payment schemes such as employees or directors of XRF seeking or accepting from, paying or offering to, suppliers or business partners, kickbacks or gifts intended to, or which may appear to influence business judgement.

REPORTING OF FRAUD

The Employer expects all employees to take all reasonable steps to prevent the occurrence of fraud and to identify and report instances of known or suspected fraud (“Fraud Concerns”) committed by or against the business, whether by employees or third parties.

All fraud concerns must be reported. This document provides a framework to ensure that suspected violations of the policy are reported to appropriate levels of management or to the Audit & Governance Committee of the Employer.

As a general guideline, Fraud Concerns should be promptly reported by an employee to designated management in the first instance, unless the employee believes that it is inappropriate to do so under the circumstances. Reporting concerns to management in this manner is often the most effective way to promote an open and positive work environment.

If reporting a Fraud Concern to designated management is not possible or advisable for some reason, or if raising a Fraud Concern with management may/does not resolve the matter, an employee should promptly contact a member of the Audit & Governance Committee.

FORMAL REPORTING CHANNELS

The Employer has established the following Formal Reporting Channels for employees to report Fraud Concerns. Fraud Concerns may be reported:

- to the Chief Executive Officer or Chief Financial Officer, in person or by telephone
- in the case of matters regarding accounting, internal accounting controls and other auditing matters, to the Audit & Governance Committee; and
- in the case of matters involving a senior executive or financial officer of XRF to a member of the Audit & Governance Committee.

MANDATORY USE OF FORMAL REPORTING CHANNELS

Fraud Concerns that involve any of the following matters must be reported through one of the Formal Reporting Channels described above:

- an alleged misstatement in the Employer’s publicly released financial statements
- an alleged misrepresentation in XRF’s other public disclosure
- any other matter that could reasonably be expected to result in a restatement of the Employer’s publicly released financial statements
- alleged bribery of a government official or other alleged violation of anti-corruption laws
- known or suspected fraud that involves a potential cost or loss to the Employer
- known or suspected fraud, regardless of amount, that involves an officer of the Employer

- known or suspected fraud, regardless of amount, that involves an employee who has a significant role in XRF's internal controls or financial reporting; and
- an event or series of events indicative of a deterioration in the overall internal control environment at an XRF location or office, including a known or suspected incident or repeated incidents which indicate significant or systemic noncompliance with applicable regulatory requirements.

If there is any doubt as to whether a matter falls within a category set out above, one of the Formal Reporting Channels must be used.

HANDLING OF FRAUD CONCERNS

The Chief Executive Officer and Chief Financial Officer are responsible for all Fraud Concerns received through a Formal Reporting Channel and will ensure that prompt and appropriate action is taken in respect of such Fraud Concerns. They will report to the Audit Committee of the Board of Directors on Fraud Concerns.

Prompt and appropriate action will be taken to remediate the circumstances giving rise to occurrences of fraud.

If appropriate, following consultation with legal advisors, the Employer may report information regarding the reported Fraud Concern and the results of any investigation carried out to law enforcement, regulatory authorities or insurers.

CONFIDENTIALITY AND NON-RETALIATION

Every reasonable effort will be made to ensure the confidentiality of the reported Fraud Concern and the identity of those providing information to the extent consistent with the need to conduct an appropriate, fair and thorough investigation. Fraud Concerns may be reported anonymously by mail. If you prefer to report a Fraud Concern anonymously, you must provide enough information about the incident or situation to allow the Employer to investigate properly.

The Employer will not tolerate retaliatory action against any individual for reporting, in good faith, concerns regarding known or suspected fraud.

DISCIPLINARY ACTION

The Employer expects all employees and directors to act in full compliance with this Policy, and in a manner consistent with the highest ethical standards. An employee or director found to have been involved in fraudulent activity or other misconduct or to have failed to report a known or suspected instance of fraud will be subject to disciplinary action up to and including termination. Furthermore, such conduct may also be a violation of the law and may result in civil or criminal penalties for the employee, director and/or the Employer.

WHISTLEBLOWERS

If you believe that the Employer or any of its officers or employees is involved in any form of wrongdoing such as:

- committing a criminal offence
- failing to comply with a legal obligation
- endangering the health and safety of an individual
- environmental damage or
- concealing any information relating to the above,

you should, in the first instance, report your concerns to management who will treat the matter with complete confidence. If you are not satisfied with the explanation or reason given to you, you should raise the matter with the appropriate organisation or body, e.g. the police, the Environment Protection Agency or the health and safety regulator.

You will not suffer any detriment as a result of any genuine attempt to bring to light matters of concern. However, if this procedure has not been invoked in good faith (e.g. for malicious reasons or in pursuit of a personal grudge), then you may be subject to disciplinary action up to and including termination.