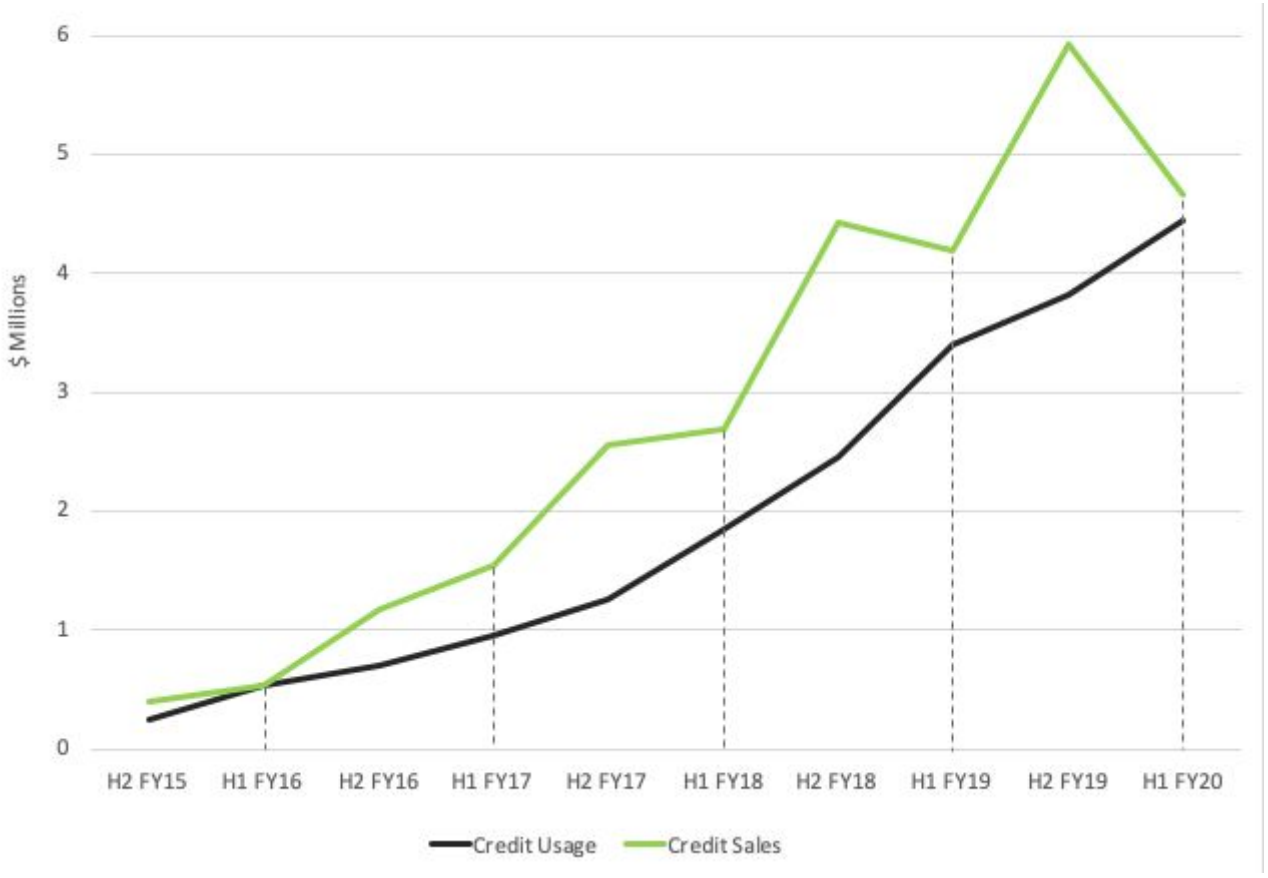
30th January 2019

Xref moving towards cash flow break even

- Half yearly record revenue of $4.4 million, representing growth of 31%
- Record first half credit sales of $4.7 million, up 12% year-on-year
- 80 new enterprise and 235 new Xref Lite clients introduced globally

Xref Limited (ASX:XF1), the human resources technology company, today reported its most successful first half-year to date. Unaudited results for H1 FY20 show credit sales reached $4.7 million, up 12% from $4.2 million in H1 FY19; and credit usage reached $4.4 million, up 31% from $3.3 million in H1 FY19. Cash receipts totalled $6.0 million, a 25% increase on the $4.8 million achieved during the previous corresponding half.

While softer market conditions in Australia slowed growth during December, stronger sales in January point to a rebound in Xref's growth rate during H2.



New Clients

There were 80 new clients introduced to Xref during the second quarter, including: Tennis Australia, Cricket Australia, Knox Grammar School, and Sigma Healthcare in Australia; the Ministry of Housing and Urban Development in New Zealand; Universal Music in Singapore; the University of Alberta, and Teach for America in the United States; EY in Norway; and Kelly Services and Lenovo in the United Kingdom.

Further information about these new clients follows as an appendix to this announcement.

235 new customers on Xref Lite

There have been 235 new customers registered to use Xref Lite since the service was launched in October 2019. Xref Lite is an on-demand reference checking solution powered by Xref's enterprise platform. It opens up a significantly wider market of potential customers seeking a reference checking solution for lower recruitment volumes. The successful launch of Xref Lite has allowed Xref to realise its 'One Day' customer acquisition goal (set in FY19). After discovering Xref, a prospective client can create an account and complete a reference check within 24 hours and on a fully self-service basis.

The go-to-market strategy for Xref Lite includes:

- Integration partners - the Lite product can be used to introduce Xref to their customers;
- Viral and digital marketing - the Lite product provides a low-risk, low-friction introduction to Xref. The fast set-up and low upfront cost are attractive to new prospects and it will encourage those who interact with Xref as referees and applicants to try the Xref service in their own business.

Xref CEO and Co-founder, Lee-Martin Seymour, said, "Xref Lite allows potential customers to experience our market leading reference checking service quickly and inexpensively. For smaller companies (which were not historically Xref's target market) the Lite product may remain their primary reference checking service. For larger companies, Lite provides a quick and effective means to trial our services before moving to our enterprise solution."

55% Growth in Channel Integrations

Credit usage by integrated customers was $1 million for the first half, representing a 55% increase on H1 FY19. The number of companies using Xref through an integration increased to 215. Xref currently has 23 live integrations and will be adding another five by the end of Q3 FY20.

Notable integration announcements for the last quarter included partnerships with PageUp and CVCheck.

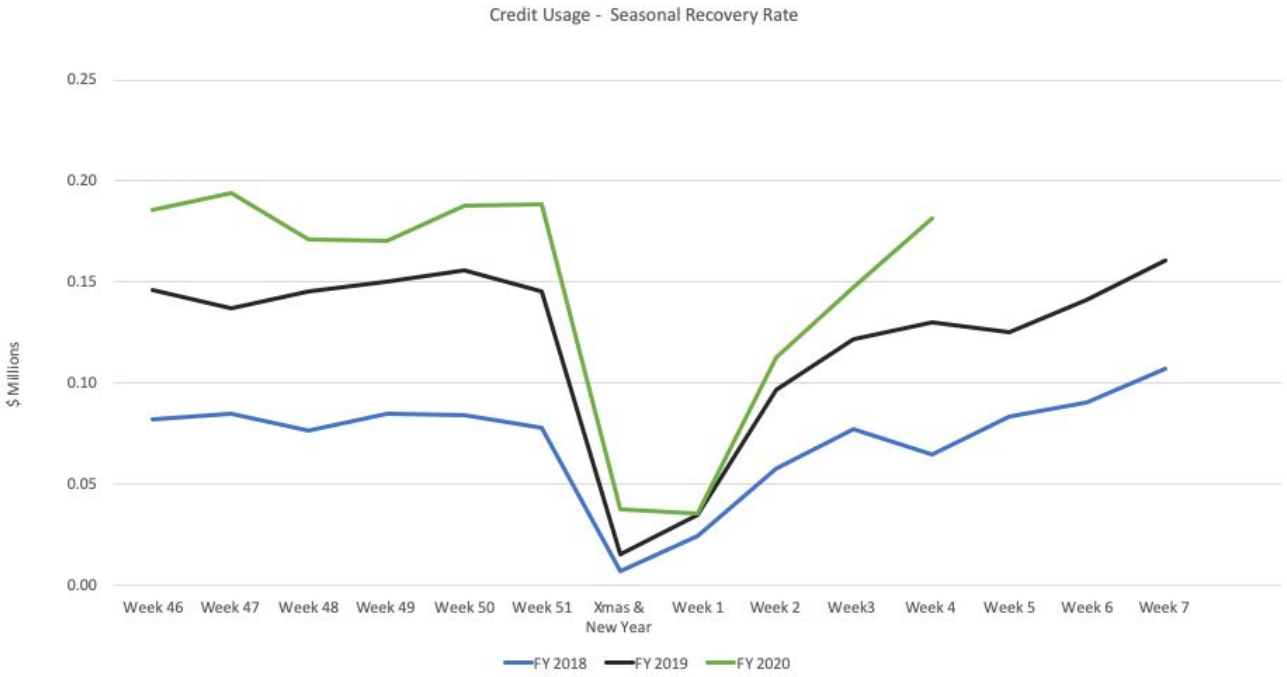
Xref's integration with talent management platform, PageUp (PageUp release - 9th October 2019), has been completed and is now in the testing phase of development. Once live, PageUp users will be able to use Xref through their existing PageUp dashboard, and the reference checking tool will become available via the company's online marketplace. At launch, more than 50 mutual clients will have access to the benefits of the integration.

The integration with CVCheck's platform (CVCheck release - 19th November 2019) is nearing completion and will be launched, with a joint go-to-market strategy, in February 2020. This partnership comes as a result of demand for a best-of-breed solution to all candidate verification requirements, across the ANZ region. Both businesses are dominant in the market and the partnership creates a powerful platform that builds on the strengths of each company and offers both greater reach across a region they are already performing exceptionally well in.

Christmas Period Recovery Rate

Xref monitors hiring recovery rates and hiring trends to predict the resilience of the industry and forecast activity. Australian clients usually take six weeks to return to peak credit usage levels due to the impact of the Australia Day holiday at the end of January. However, by week four of 2020, credit usage had already achieved 93% recovery, representing a very promising start to the year in Australia.

In the Northern Hemisphere, Christmas and New Year holidays are shorter and, over time, the Group expects its geographic expansion will result in less seasonality in overall usage.



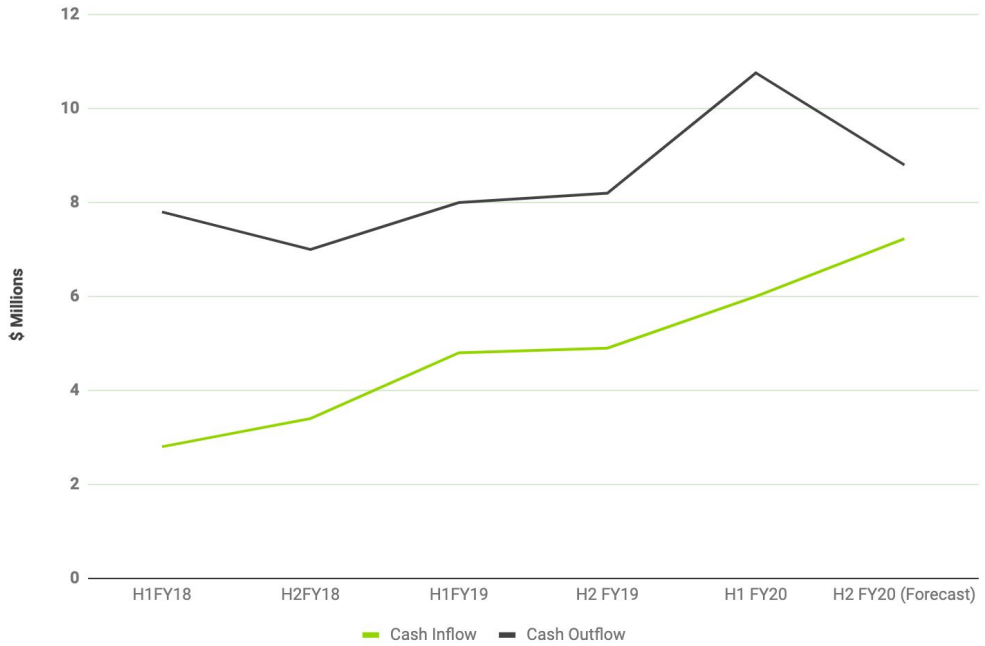
Cash Outflow trend

Cash Outflows for Q2 FY20 were $5.3 million, in line with Management's expectations and the estimate provided in the September 2019 Appendix 4C. Estimated Cash Outflows for Q3 are $4.8 million and Cash Inflows are expected to continue to grow during the remainder of FY20.

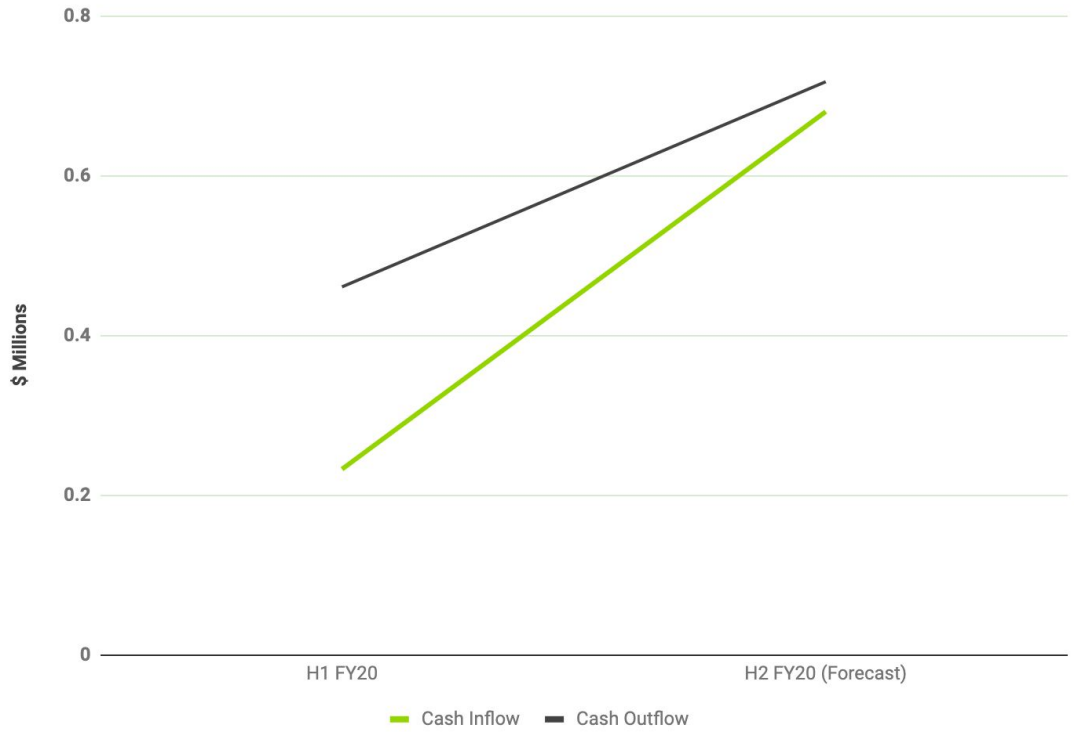
Cash Outflows are expected to remain flat for Q4, at $4.6 million

With revenue continuing to grow and costs expected to remain flat, Xref is moving towards its goal of achieving cash flow break even in Q4 2020

Xref Cash Flow Forecast to June 30 2020



RapidID Cash Flow Forecast to June 30 2020. (Xref acquired the RapidID business in July 2019.)



Cash on hand at the end of December was $5.74 million and the Company remains debt-free.

Management Comments

Executive director / CEO Lee-Martin Seymour said: "Despite H1 FY20 being our slowest half, August, October and November 2019 produced $3 million in credit sales. Unfortunately, a lower than expected result in December left us short of our credit sales target for Q2. The rebound in both Sales and Usage seen in January has confirmed this was a seasonal lull. We are seeing strong growth in leads from all regions, coming from our 23 channel partners, the recently released Xref Lite and Template Builder products as well as the wonderful advocacy shown by our clients globally. We have built a strong sales team, great leadership and outstanding support teams that work together to position us as a best-in-breed solution globally. We are fast becoming a marketing-led business, fuelled by automation, that has started to shift the needle on growth at the same time as focusing on reaching break even."

Executive director / CSO Tim Griffiths said: "We are at an extremely important junction in our journey and we're proud to say that every Xref employee is focused on driving revenue growth, whatever role they hold. All business decisions are being made and actions taken with growth and profitability at the top of the agenda. Individual productivity, partner performance, system efficiency, lead flow and customer success are all under constant analysis as we maintain an unwavering focus on the opportunity ahead."

Investor and media enquiries:
Presentation: xf1.com
Investor Centre: xref.com/en/investor-centre
Twitter: @xf1
Email: investors@xf1.com

Key points about Xref	
First mover advantage	Xref provided the first automated solution for the candidate referencing process and it is capitalising on its first-mover advantage by focusing on and investing for international growth.
Business model	Under Xref's business model, when clients purchase credits (credit sales) to use the candidate referencing platform, the value of their purchases is recognised as unearned income. When they pay for the credits, the cash is recognised as cash receipts. Once the credits are used by the client (usage), Xref recognises the value of the credits used as revenue (recognised revenue).
Global addressable market	Xref's addressable market includes more than 180 million employees in North America, 120 million employees in Europe and 15 million employees in Australia and New Zealand.

Appendix – New clients

APAC

Tennis Australia - As well as promoting and encouraging participation in tennis, Tennis Australia facilitates player development, stages local and international events and invests in tennis facilities around Australia. The organisation employs experts in the fields of sports administration, coaching, media, legal, financial, IT, marketing, sponsorship, HR, broadcast, events, ticketing, and hospitality.

Cricket Australia - Australian cricket is administered by one national body and its members, the six state and two territory associations. Cricket Australia is the national governing body for the game in Australia.

Knox Grammar School - Knox Grammar School is an independent Uniting Church day and boarding school for 3000+ boys.

Sigma Healthcare - Sigma Healthcare is the largest pharmacy network in Australia, with over 1,200 branded and independent stores. Sigma also has an expanding presence in the hospital pharmacy services and other healthcare service adjacencies.

Ministry of Housing and Urban Development New Zealand - The Ministry of Housing and Urban Development (HUD) is responsible for the strategy, policy, funding, monitoring and regulation of New Zealand's housing and urban development system.

Universal Music Singapore - Universal Music Singapore is the regional branch of the world's leading music company.

EMEA

EY Norway - EY Norway is part of the global group providing advisory, assurance, tax and transaction services.

Kelly Services UK & EMEA - Kelly Services is a global recruitment company that finds 500.000 people jobs annually, has 7,000 staff across 40 countries and boasts over $5 billion in revenue.

Lenovo UK - Lenovo has operations in more than 60 countries and sells its products in around 160 countries.

North America

University of Alberta -The University of Alberta (also known as U of A and UAlberta) is a public research university located in Edmonton, Alberta, Canada. It has 40,000 students and 6,000 staff.

Teach For America - Teach For America (TFA) is a nonprofit organization that recruits and selects college graduates from top universities around the United States to serve as teachers.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

Xref Limited

ACN	Quarter ended ("current quarter")
122 404 666	**31 December 19**

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (6 months) $A'000
1	**Cash flows from operating activities**		
1.1	Receipts from customers	2,443	5,977
1.2	Payments for		
	(a) research and development	(112)	(211)
	(b) product manufacturing and operating costs	(314)	(725)
	(c) advertising and marketing	(493)	(837)
	(d) leased assets	(291)	(541)
	(e) staff costs	(3,377)	(7,152)
	(f) administration and corporate costs	(742)	(1,295)
1.3	Dividends received		
1.4	Interest received	10	32
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
	- GST for the period	(51)	(105)
	- Net foreign exchange gain	(40)	(55)
1.9	**Net cash from / (used in) operating activities**	**(2,967)**	**(4,912)**
2	**Cash flows from investing activities**		
2.1	Payments to acquire		
	(a) property, plant and equipment	(19)	(61)
	(b) businesses (item 10)	(19)	(809)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) -	1	(11)
2.6	**Net cash from / (used in) investing activities**	**(37)**	**(881)**

		Current quarter	Year to date (6 months)
3	**Cash flows from financing activities**	**$A'000**	**$A'000**
3.1	Proceeds from issues of shares	3,496	3,496
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**3,496**	**3,496**

		Current quarter $A'000	Year to date (6 months) $A'000
4	**Net increase (decrease) in cash and cash equivalents for the period held**		
4.1	Cash and cash equivalents at beginning of quarter /year to date	5,246	8,035
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,967)	(4,912)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(37)	(881)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,496	3,496
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of quarter**	**5,738**	**5,738**

		Current quarter $A'000	Previous quarter $A'000
5	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	5,663	5,170
5.2	Call deposits	75	75
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**5,738**	**5,245**

		Current quarter $A'000
6	**Payments to directors of the entity and associates of the directors**	
6.1	Aggregate amount of payments to these parties included in item 1.2	226
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7	Payments to related entities of the entity and associates of the related entities	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in 7.1 and 7.2	

8	Financing facilities available Add notes as necessary for an understanding of the position.	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9	Estimated cash outflows for next quarter	$A'000
9.1	Research and Development	75
9.2	Product manufacturing and operating costs	380
9.3	Advertising and marketing	385
9.4	Leased assets	255
9.5	Staff costs	3,100
9.6	Administration and corporate costs	605
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	**4,800**

10	Acquisitions and disposals of business	Acquisitions	Disposals
10.1	Name of entity	n/a	n/a
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: 

Print name **James Solomons, CFO**

Date: **30 January 2020**