

Manager,
Company Announcements Office
Australian Securities Exchange
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY, NSW 2000

29 February 2012

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF HALF YEAR FINANCIAL REPORT

In accordance with the Listing Rules, please find attached the Half Year Financial Report (Appendix 4D) for XTEK Ltd (XTE) for the financial period ended 31 December 2011. The information contained in this report should be read in conjunction with the most recent Annual Report.

Should you require any further information in respect to this matter please contact the Chairman, Mr. Uwe Boettcher by email on Uwe.Boettcher@xtek.net or telephone 02 62320601 in the first instance.

Yours sincerely,



Lawrence A. Gardiner
Company Secretary

Attachment: XTEK Ltd Half Year Financial Report (Appendix 4D) 31 December 2011.

XTEK LTD

ABN 90 103 629 107

**HALF-YEAR FINANCIAL REPORT
APPENDIX 4D
31 DECEMBER 2011**

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Results for Announcement to the Market

Name of the Company: XTEK Ltd

ABN 90 103 629 107

31 December 2011

Total Revenue	down	-7.20%	to	\$2,475,210
Loss after tax	up	Note [1]	to a loss of	(\$592,525)
Loss for the period attributable to members	up	Note [1]	to a loss of	(\$592,525)

Note [1] XTEK Ltd recorded a loss of \$592,525 in the current period to 31 December 2011 and a loss off \$805,143 in the comparative period to 31 December 2010.

Dividends

	Amount per security	Franked amount per security	Record date for determining entitlements to dividends
Current year – 2011:			
- Interim dividend	n/a	n/a	n/a
- Final dividend	n/a	n/a	n/a
Previous year – 2010:			
- Interim dividend	n/a	n/a	n/a
- Final dividend	n/a	n/a	n/a
Net tangible assets		December 2011	December 2010
Net tangible assets per security		\$0.013	\$0.014

For further explanation of the above figures refer to the Directors' Report. Other financial information required by the Appendix 4D is contained in the Financial Statements.

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2011.

Directors

The names of the company's directors in office during the half-year ended 31 December 2011 and until the date of this report are as below. The Directors were in office for this entire period unless otherwise stated.

Mr. Uwe Boettcher	Non Executive Director
Brig. Greg Thomas	Non Executive Director
Mr. Lawrence Gardiner	Executive Director

Review and Results of Operations

Details of the first half revenue performance can be seen in the table below:

XTEK H1 Agency Sales Summary

Category	Half-Year ended 31 Dec 2011 \$'000	Half-Year ended 31 Dec 2010 \$'000
Sales		
EOD/IEDD General	207	406
Weapons and Ammunition	454	625
Logistics Engineering Services	390	622
Forensics	887	477
General Security	289	154
Active ES	182	137
Total Sales	2,409	2,421

Explosive Ordnance Disposal (EOD) sales were significantly lower compared with the corresponding period last year. This was due to unexpected importation delays experienced in December with a significant Defence order. This order was subsequently delivered in January 2012.

As expected the Company made a loss for the first half but the trend of decreasing losses in the first half is continuing.

Second Half Prospects

The Defence and Homeland Security business is subject to considerable fluctuations, with constraints in government expenditure having a major impact. XTEK has significantly and permanently reduced operating costs to adjust the agency business to a lower revenue operating environment. This allows the Company to be positioned to take full advantage of all opportunities that may arise within this market sector.

XTclave Composite Consolidation Technology

The Company is pleased to announce that the XTclave (hydroclave) Composite Consolidation Technology (CCT) is now ready for commercial upscaling. Until now we have used a pilot plant XTclave for small scale commercial production. We are now in the process of building the first commercial scale XTclave for use in the Joint Venture arrangement with Armor Australia.

Completion of the first large XTclave vessel at the XTEK engineering facility in Adelaide is expected in Q4. This large XTclave vessel will allow for the commercial scale processing of personal protective armour plates for use by Military and Police agencies under the Joint Venture with Armor Australia. Some orders are already in hand by the Joint Venture for the manufacture of personal protective plates. Even though manufacture of body armour plates is expected in the second half no significant revenue from the XTclave Joint Venture is expected in the second half.

Significant interest has been shown by a number of international manufacturers of composite materials in evaluating and licensing XTEK's XTclave technology. Non Disclosure agreements have been signed.

Discussions are also being undertaken with the United States Office of the Secretary of Defense, Comparative Testing Office (CTO) as reported to the market in October 2011. The discussions are positive and ongoing. The Company anticipates making further announcements in respect to this initiative in the near future.

Joint Venture Agreement with Armor Australia

The formal execution of the Joint Venture (JV) Agreement with Armor Australia in December 2011, facilitates the manufacture of XTclave armour products by the parties in accordance with the JV arrangement. An initial batch of product has already been processed under the JV arrangements by use of the pilot XTclave vessel owned by XTEK. Significant orders for the XTclave armour products manufactured by the large JV XTclave vessel are expected within the 4th Quarter of this financial year with resulting revenue in Q1 of FY 2012/13.

Weapon Ancillaries

The Company has successfully demonstrated that it is able to design and develop leading edge weapon systems for use by specialist military and police agencies. Recently the Company entered into licencing arrangements with Sig Sauer Inc. for the production of an advanced, lightweight, ambidextrous folding chassis on its Blaser Tactical 2 Precision Sniper Rifle platforms. Under these arrangements, XTEK will gain sales exclusivity for the total suite of Sig Sauer products in a significant proportion of the Oceania region. Considerable interest was generated in the XTEK designed and fabricated weapon system displayed at the United States Shooting, Hunting and Outdoor Trade (SHOT) Show, held from 16 to 20 January 2012.

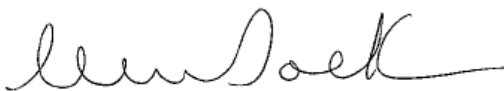


XTEK designed and fabricated folding chassis utilising XTclave technology on a Blaser Tactical 2 Precision Sniper Rifle as displayed at the 2012 US SHOT Show

Auditor's Independence Declaration

We have obtained an independence declaration from the auditors, Ernst & Young. The signed declaration is included on the following page.

Signed in accordance with a resolution of the Board of Directors.



Mr Uwe Boettcher
Chairman
29 February 2011

Statement of Comprehensive Income

For the half-year ended 31 December 2011

	Notes	2011 \$	2010 \$
Revenue from continuing operations	3	2,409,310	2,421,220
Other income	3	65,900	246,110
Changes in inventories of finished goods and work in progress		(1,544,054)	(1,577,758)
Employee benefits expense	3	(770,440)	(905,177)
Depreciation and impairment	3	(54,559)	(60,440)
Operational expenditure	3	(672,846)	(925,342)
Finance Costs	3	(25,836)	(3,756)
Loss from continuing operations before income tax		(592,525)	(805,143)
Income tax expense		-	-
Loss from continuing operations after income tax		(592,525)	(805,143)
Loss after tax attributable to members of XTEK Ltd		(592,525)	(805,143)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR PERIOD		(592,525)	(805,143)
Earnings per share for (loss) for period attributable to ordinary equity holders of the company:		\$	\$
Basic earnings per share		(0.005)	(0.008)
Diluted earnings per share		(0.005)	(0.008)
Earnings per share for (loss) from continued operations attributable to ordinary equity holders of the company:			
Basic earnings per share		(0.005)	(0.008)
Diluted earnings per share		(0.005)	(0.008)

Statement of Financial Position

For the half-year ended 31 December 2011

	Notes	As at 31 December 2011 \$	As at 30 June 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents		282,245	295,312
Trade and other receivables		596,496	770,573
Inventories		875,691	1,269,214
Other		145,412	206,389
Total Current Assets		1,899,844	2,541,488
Non-current Assets			
Property, plant and equipment		715,437	667,846
Total Non-current Assets		715,437	667,846
TOTAL ASSETS		2,615,281	3,209,334
LIABILITIES			
Current Liabilities			
Trade and other payables		482,690	1,013,498
Interest bearing liabilities		-	200,000
Provisions		72,248	95,314
Deferred income		208,523	162,537
Other		207,199	200,372
Total Current Liabilities		970,660	1,671,721
Non-current Liabilities			
Provisions		31,511	28,819
Total Non-current Liabilities		31,511	28,819
TOTAL LIABILITIES		1,002,171	1,700,540
NET ASSETS		1,613,110	1,508,794
EQUITY			
Contributed equity		18,596,748	17,899,907
Reserves		514,228	514,228
Accumulated losses		(17,497,866)	(16,905,341)
TOTAL EQUITY		1,613,110	1,508,794

Statement of Cashflows

For the half-year ended 31 December 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		2,613,185	2,529,381
Payments to suppliers and employees		(3,005,480)	(3,308,140)
Interest received		3,449	2,610
Borrowing costs		(13,298)	(3,756)
Net cash flows used in operating activities		(402,144)	(779,905)
Cash flows from investing activities			
Payments for property, plant and equipment		(102,308)	(250,331)
Proceeds from sale of property plant and equipment		158	550
Net cash flows used in investing activities		(102,150)	(249,781)
Cash flows from financing activities			
Proceeds from issues of ordinary shares and other equity securities	5	583,796	482,597
Proceeds from borrowings		50,000	-
Repayment of borrowings	5	(130,032)	-
Interest paid		(12,537)	-
Net cash flows from financing activities		491,227	482,597
Net (decrease)/increase in cash and cash equivalents		(13,067)	(547,089)
Cash and cash equivalents at beginning of period		295,312	683,063
Cash and cash equivalents at end of period	5	282,245	135,974

Statement of Changes in Equity

For the half-year ended 31 December 2011

	Attributable to equity holders				Total equity \$
	Issued Capital \$	Other Equity Securities \$	Equity-based payments reserve \$	Accumulated losses \$	
At 1 July 2010	17,344,244	73,067	514,228	(16,103,188)	1,828,351
Loss for the half-year	-	-	-	(805,143)	(805,143)
Total income and expense for the period	-	-	-	(805,143)	(805,143)
Issues of ordinary shares during the half-year:	-	-	-	-	-
Issue of share capital	525,077	-	-	-	525,077
Transaction costs	(42,481)	-	-	-	(42,481)
At 31 December 2010	17,826,840	73,067	514,228	(16,908,331)	1,505,804

For the half-year ended 31 December 2011

	Attributable to equity holders				Total equity \$
	Issued Capital \$	Other Equity Securities \$	Equity-based payments reserve \$	Accumulated losses \$	
At 1 July 2011	17,826,840	73,067	514,228	(16,905,341)	1,508,794
Loss for the half-year	-	-	-	(592,525)	(592,525)
Total income and expense for the period	-	-	-	(592,525)	(592,525)
Issues of ordinary shares during the half-year:	-	-	-	-	-
Issue of share capital	713,386	-	-	-	713,386
Transaction costs	(16,545)	-	-	-	(16,545)
At 31 December 2011	18,523,681	73,067	514,228	(17,497,866)	1,613,110

Notes to the Half-Year Financial Statements

The principal accounting policies adopted in the preparation of the half-year financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Corporate Information

The half-year financial report of XTEK Ltd for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 29 February 2012.

XTEK Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the company are described in the Directors' Report.

2 Accounting Policies

2.a Going Concern Basis of Accounting

The half-year financial report has been prepared on the going concern basis. The company has made a loss of \$592,525 for the half-year ended 31 December 2011 (half-year ended 31 December 2010: loss of \$805,143). Accumulated losses to 31 December 2011 total \$17,497,866 (accumulated losses to 31 December 2010: \$16,908,331). The balance of cash and cash equivalents was \$282,245 as at 31 December 2011 (as at 30 June 2011: \$295,312). The ability of the company to continue as a going concern is dependent on the company's ability to meet its debts as and when they fall due and payable. The company has prepared cash flow forecasts for the next twelve months which suggest that the company will be able to meet its debts as and when they fall due and payable. The cash flow forecasts are based on a number of assumptions in particular about the company's ability to meet projected revenue levels, timing of cash receipts, retention of overheads at budgeted levels and execution of a sale and leaseback transaction mutually agreed to with a related party subsequent to balance date as disclosed in note 14.

The directors also acknowledge no committed finance facility is presently in place to fund any unforeseen shortfall in forecast cash flows and are therefore monitoring cash flows on a weekly basis and tightly managing discretionary expenditure. The directors are however of the opinion that there are reasonable grounds to believe that the company will meet projected revenue, raise sufficient short term funds via a sale and leaseback transaction with a related party as disclosed in note 14; and establish an adequate working capital facility whilst retaining overheads at budget levels. On this basis the directors believe the adoption of the going concern basis of accounting is justified.

However, achievement of the assumptions underlying the cashflow forecasts is uncertain, and if actual cashflows are materially less than forecast, the company may not be able to pay its debts as and when they fall due and may be required to raise additional equity or debt or realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The preliminary report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that might be necessary should the company not continue as a going concern.

2.b Basis of Preparation and Accounting Policies

This general purpose condensed financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of the entity as the full financial report.

It is also recommended that the half-year financial report should be read in conjunction with the annual financial report of XTEK Ltd for the year ended 30 June 2011 and considered together with any public announcements made by XTEK Ltd during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year financial report is presented in Australian dollars.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report except for the adoption of the following additional accounting policy:

Interest in a jointly controlled asset

The Company has entered into a joint venture arrangement for a 50% interest in a jointly controlled asset that facilitates the manufacture of XTclave armour products. The Company is in the process of manufacturing the asset and once completed the 50% of it will be owned by the Joint Venture partner. Once completed the Company's interest in the asset will be included in the statement of financial position as plant and equipment.

3 Revenue, Income and Expenses

	2011	2010
	\$	\$
(i) Revenue		
Sale of goods	2,016,348	1,686,918
Revenue from repairs and sales of parts	355,197	606,161
Revenue from services	37,765	128,141
	<u>2,409,310</u>	<u>2,421,220</u>
(ii) Other Income		
Interest	3,449	2,610
Property and Storage rental	46,839	56,326
Proceeds from disposal of assets	158	-
Net foreign currency gains	-	30,187
Other	15,454	156,987
	<u>65,900</u>	<u>246,110</u>
(iii) Employee Benefits Expense		
Salaries and Wages	651,594	746,714
Superannuation	75,170	86,854
Payroll Tax	20,799	35,749
Redundancy payments	9,651	23,471
Workers Compensation	13,226	12,389
	<u>770,440</u>	<u>905,177</u>
(iv) Depreciation		
Plant and Equipment	15,900	16,309
Motor Vehicles	2,575	3,151
Office Furniture and Equipment	10,662	12,272
Demonstration Equipment	12,067	23,640
Property Improvements	5,086	5,068
Computer Software	8,269	-
	<u>54,559</u>	<u>60,440</u>

	2011	2010
	\$	\$
(v) Operational Expenditure		
Directors Fees	54,997	49,058
FBT	13,632	27,213
Consultancy fees	53,712	41,529
Accounting and audit fees	40,347	35,048
Advertising and conferences	49,192	118,646
Travel and related costs	52,304	75,286
Share Registry Fees	18,596	21,770
Insurance	68,506	72,859
Lease charges	34,046	46,973
Office administrative costs	224,437	311,785
Workshop/Project Materials	14,174	39,947
Foreign exchange losses attributable to derivative financial liability	-	41,774
Foreign exchange losses	9,516	-
Other expenses	39,387	43,454
	<hr/> 672,846	<hr/> 925,342
(iv) Finance Costs		
Interest Expense	25,836	3,756
	<hr/> 25,836	<hr/> 3,756

4 Operating Segments

For the half-year ended 31 December 2011, XTEK Ltd had one major reportable segment, the homeland security agency business. This segment is the company's strategic business unit and includes the supply of homeland security equipment and services to predominantly government customers in the Australasian region. The CEO reviews internal management reports for the strategic business unit on a monthly basis.

Major customers

The Company has a number of customers to which it provides both agency products and services. The Company supplies a number of Australian Government Agencies that combined account for 70% of external revenue (2010: 48%). The next most significant client accounts for 7% (2010: 17%) and this revenue relates mainly to sub-contracted services for Australian Government Agencies.

Approximately 98% (2010: 95%) of external revenue was from clients in Australia with more than half the balance of 2% (2010: 5%) from clients in New Zealand.

5 Cash and Cash Equivalents

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	December 2011 \$	June 2011 \$
Cash at bank and in hand	265,508	278,545
Short term deposits	16,737	16,737
	282,245	295,312

Net cash flows from financing activities

\$119,968 from the capital raised during the half-year was offset against the loan repayment otherwise due to UDB Pty Ltd resulting in cash repaid to UDB Pty Ltd of \$80,032 which extinguished the loan outstanding.

6 Dividends Paid and Proposed

No dividends have been declared or proposed in the half-year to 31 December 2011 or in the corresponding period in FY10.

7 Inventories

During the half-year ended 31 December 2011 there were no inventory write downs (2010: \$0.00).

8 Property, plant and equipment

During the half-year ended 31 December 2011, the company acquired assets with a cost of \$102,308 (2010: \$250,331), including \$102,142 of work in progress associated with the construction of a commercial scale XTclave vessel (2010: \$168,670 for XTclave vessel construction).

9 Share Based Payments

Share options and share performance rights

There were no new options or share performance rights issued in the half-year to 31 December 2011 and no options or share performance rights were exercised in this period.

Expired Options

There were no options expired at 31 December 2011

10 Contributed Equity

10a Share Capital

Movement in ordinary share capital on issue	No of shares	\$
At 1 July 2011	113,492,556	17,826,840
	32,426,640	713,386
Transaction costs on share issue	-	(16,545)
	<u>145,919,196</u>	<u>18,523,681</u>

Ordinary Shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

10b Other Equity Securities

Equity component of convertible notes	<u>73,067</u>
Total Contributed Equity	<u>18,596,748</u>

11 Related Party Disclosures

There were no related party transactions for the half-year ended 31 December 2010.

As disclosed in the 2011 annual report, in February 2011 an unsecured loan of \$200,000 was provided to the company by a related party (UDB Pty Ltd) with an interest rate of 14.5% to fund a short term cash flow deficit. There were no covenants associated with this loan and full repayment was made in November 2011.

In July 2011 an unsecured loan of \$50,000 was provided to the company by a related party (Integrated Solutions Consultancy Group Pty Ltd) with an interest rate of 14.5% to fund a short term cash flow deficit. There are no covenants associated with this loan and full repayment was made in November 2011.

During the half-year there was \$2,752 (\$2,710 in December 2010) in legal fees invoiced to XTEK by a related party, Boettcher Law the Chairman's legal firm. These fees were in relation to legal matters. These transactions were on normal terms and conditions.

In February 2012, the Company agreed to sell a Remote Positioning Vehicle (RPV) to a related party (UDB Pty Ltd) as described in Note 14.

12 Contingent Liabilities

There are no contingent liabilities as at 31 December 2011.

No changes have been reported in contingent liabilities since the last annual reporting date of 30 June 2011.

13 Joint Venture Arrangement

As disclosed to the market on 1 December 2011, the Company signed a JV agreement with Armor Australia to commercialise the XTclave production plant. The JV arrangement involves a profit share arrangement for the production of future XTclave products.

14 Events after the Balance Sheet Date

On 17th February 2012, the Company agreed to sell a Remote Positioning Vehicle (RPV) to a related party (UDB Pty Ltd) for the sum of \$200,000 plus GST. This sale was agreed on the basis of the Company being able to lease back the RPV from the related party at an agreed commercial rate, the terms of which have been negotiated and will form part of a lease agreement to be executed in early March 2012. The sale has also assisted the Company to fund short term cash flow needs.

Directors' Declaration

In accordance with a resolution of the directors of XTEK Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of XTEK Ltd are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the entity; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr. Uwe Boettcher
Chairman
Canberra
29 February 2012



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To the members of XTEK Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of XTEK Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

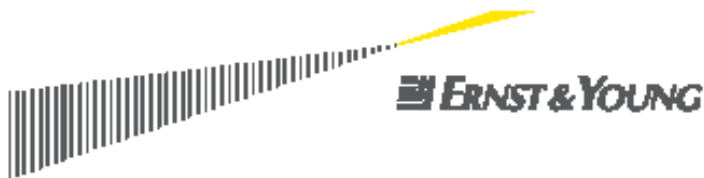
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of XTEK Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Liability limited by a scheme approved
under Professional Standards Legislation



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of XTEK Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2.a.: "Going concern basis of accounting" to the financial statements there is material uncertainty whether the company will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "Ben Tansley".

Ben Tansley
Partner
Canberra

29 February 2012