

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

27 February 2014

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 2013. 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 6232 0601 in the first instance.

Yours sincerely,



Lawrence A. Gardiner
Company Secretary

Attachment: XTEK Ltd Half Year Financial Report (Appendix 4D) 31 December 2013.



XTEK LTD

ABN 90 103 629 107

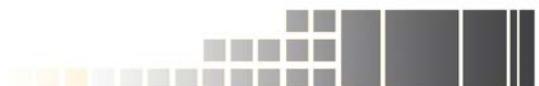
HALF-YEAR FINANCIAL REPORT APPENDIX 4D 31 DECEMBER 2013

This interim financial report incorporating Appendix 4D is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

The information contained in this report is to be read in conjunction with XTEK Limited's 2013 annual report and any announcements to the market by XTEK Limited during the period ending 31 December 2013

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XTEK Limited ABN 90 103 629 107

Appendix 4D – Interim Financial Report for the Half-Year Ended 31 December 2013

Results for Announcement to the Market

Name of the Company: XTEK Ltd
 ABN 90 103 629 107 **31 December 2013**

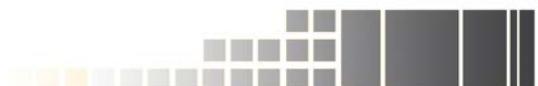
| | | | | |
|--|------|----------|--------------|-------------|
| Total Revenue | down | 17% | to | \$1,541,326 |
| Loss after tax | up | Note [1] | to a loss of | (\$609,401) |
| Loss for the period attributable to members | up | Note [1] | to a loss of | (\$609,401) |

Note [1] XTEK Ltd recorded a loss of \$609,401 in the current period to 31 December 2013 and a loss off \$513,543 in the comparative period to 31 December 2012.

| Dividends | Amount per security | Franked amount per security | Record date for determining entitlements to dividends |
|-----------------------|---------------------|-----------------------------|---|
| Current year – 2013: | | | |
| - Interim dividend | n/a | n/a | n/a |
| - Final dividend | n/a | n/a | n/a |
| Previous year – 2012: | | | |
| - Interim dividend | n/a | n/a | n/a |
| - Final dividend | n/a | n/a | n/a |

| Net tangible assets | December 2013 | December 2012 |
|----------------------------------|---------------|---------------|
| Net tangible assets per security | \$0.005 | \$0.007 |

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 2013.

Directors

The names of the Company's Directors in office during the half-year ended 31 December 2013 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 (Chairman) |
| Mr. Lawrence Broadbent | Non Executive Director (Retired on 21 November 2013) |
| Mr. Robert Quodling | Non Executive Director |
| Mr. Ivan Slavich | Non Executive Director (Appointed on 24 September 2013) |
| Mr. Lawrence Gardiner | Executive Director |

First Half Results

Revenue in the first half was weak resulting in a loss. However, our good sales effort has resulted in a significantly higher than usual order book moving into H2. It is positive to note that over \$3m worth of orders have already been secured for the remainder of the financial year. This is considerably up on last year and lays the foundation for a successful second half and improved end of year results.

Cash as at 31 December 2013 was \$1,248,092 with zero finance. This puts the Company in a comfortable cash position.

Agency Business

During the H1 reporting period, the Company continued to build on its strategy of reinvigorating core agency business portfolios by entering into new commercial partnerships with a range of global equipment manufacturers/providers. As a result, we have been able to consolidate our sales capability whilst providing our clients with the latest state of the art technical equipment, advice, support and assistance.

The Company was successful in a number of competitive tender submissions with regional Defence and law enforcement clients. Of significance, was a sizable order to supply the New Zealand Defence Force with a range of specialist EOD diagnostic equipment and an opportunity to provide the Australian Federal Police with a range of equipment to meet its ongoing operational requirements.

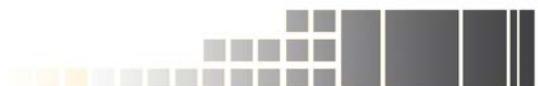


The XTEK Tactical portfolio enjoyed considerable success during the reporting period, resulting in a further increase in booked orders. With regional exclusivity for such market leading brands as SIG SAUER Inc, RUAG, UTM and Blaser weapon systems, the XTEK Tactical Portfolio has developed into a world-class range of products. This combined, with its ability to back its Tactical sales with a highly specialized engineering development capability, is firmly establishing XTEK as a Tactical supplier of choice throughout the regional Defence, law enforcement and commercial sectors.

XTclave™ Composite Consolidation Technology



In October 2012, XTEK announced that our XTclave™ Composite Consolidation Technology (CCT) had been selected by the US Department of Defense for hard armour testing and evaluation in financial years





2014 and 2015. US Department of Defense funding to the Company for this project commenced during the reporting period, thus enabling the testing and evaluation process to begin. XTEK's participation in the project will focus on the evaluation of personal body armour plates that are fabricated using XTclave™ CCT. Aside from armour technology applications, the Company has continued to investigate the use of XTclave™ CCT for other composite manufacturing applications. This has resulted in the successful development and manufacture of further specialist military-related components utilising XTclave™ CCT.

Second Half Prospects

Given the significant orders that are already booked for delivery in H2 and a number of new agency product lines that will come on-line during the second half, the Company anticipates that traditional agency sales will perform strongly in H2.

XTEK Products

Weapons & Ancillaries



Following successful sales in H1, the Company is hopeful of further sales of its Tactical 2 Sniper Rifle folding chassis and associated weapon ancillaries (magazines etc) to regional law enforcement agencies in H2. In addition to regional sales, there are also prospects that further sales could be secured through international agreements.

UAV Training & Services



The Company's efforts to develop an in-house UAV Services capability are now at an advanced stage. This capability will be of a non-military/law enforcement nature, focusing on the provision of UAV mapping, photography, training and related maintenance services to the mining, agricultural, environmental and emergency service sectors. This will be a new business activity, predominantly undertaken by the Logistic Engineering Division.

Auditor's Independence Declaration

We have obtained an independence declaration from the auditors, Hardwickes Chartered Accountants. The signed declaration is included on the following pages.

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



Mr Uwe Boettcher
Chairman
27 February 2014





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Hardwickes
ABN 35 973 938 183
Hardwickes Partners Pty Ltd
ABN 21 008 401 536
Liability limited by a scheme
approved under Professional
Standards Legislation

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2013, there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

Hardwickes

Hardwickes
Chartered Accountants



Robert Johnson
Partner

27 February 2014

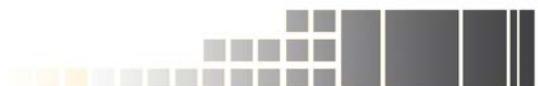
Canberra, Australian Capital Territory

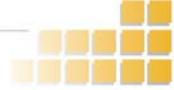




Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2013

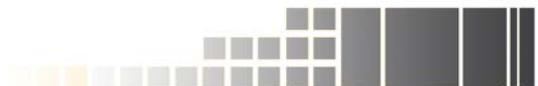
| | Notes | 2013 \$ | 2012 \$ |
|--|-------|------------------|------------------|
| Revenue from continuing operations | 3 | 1,155,173 | 1,607,807 |
| Other income | 3 | 386,154 | 251,450 |
| Changes in inventories of finished goods and work in progress | | (651,550) | (824,992) |
| Employee benefits expense | 3 | (797,160) | (821,228) |
| Depreciation and impairment | 3 | (77,264) | (55,470) |
| Operational expenditure | 3 | (583,303) | (665,348) |
| Finance costs | 3 | (41,451) | (5,672) |
| Loss from continuing operations before income tax | | (609,401) | (513,453) |
| Income tax expense | | - | - |
| Loss from continuing operations after income tax | | (609,401) | (513,453) |
| Loss after tax attributable to members of XTEK Ltd | | (609,401) | (513,453) |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR PERIOD | | (609,401) | (513,453) |
| Earnings per share for loss for period attributable to ordinary equity holders of the Company: | | \$ | \$ |
| Basic earnings per share | | (0.003) | (0.003) |
| Diluted earnings per share | | (0.003) | (0.003) |
| Earnings per share for loss from continued operations attributable to ordinary equity holders of the Company: | | | |
| Basic earnings per share | | (0.003) | (0.003) |
| Diluted earnings per share | | (0.003) | (0.003) |





Statement of Financial Position as at 31 December 2013

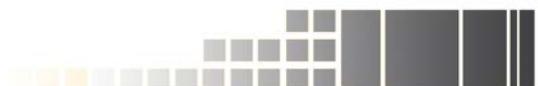
| | As at 31 December 2013 \$ | As at 30 June 2013 \$ |
|--------------------------------------|------------------------------------|--------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 1,248,092 | 450,911 |
| Trade and other receivables | 373,898 | 978,243 |
| Inventories | 679,672 | 579,692 |
| Other assets | 177,846 | 79,967 |
| Total current assets | 2,479,508 | 2,088,813 |
| Non-current assets | | |
| Property, plant and equipment | 680,509 | 689,859 |
| Total non-current assets | 680,509 | 689,859 |
| TOTAL ASSETS | 3,160,017 | 2,778,672 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 404,859 | 1,225,369 |
| Provisions | 103,831 | 87,209 |
| Deferred income | 1,457,741 | 90,247 |
| Other current liabilities | - | 200,000 |
| Total current liabilities | 1,966,431 | 1,602,825 |
| Non-current liabilities | | |
| Provisions | 22,233 | 29,382 |
| Deferred income | 83,313 | 72,153 |
| Total non-current liabilities | 105,546 | 101,535 |
| TOTAL LIABILITIES | 2,071,977 | 1,704,360 |
| NET ASSETS | 1,088,040 | 1,074,312 |
| EQUITY | | |
| Issued capital | 19,948,859 | 19,325,728 |
| Reserves | 514,228 | 514,228 |
| Accumulated losses | (19,375,047) | (18,765,644) |
| TOTAL EQUITY | 1,088,040 | 1,074,312 |





Statement of Cash Flows for the half-year ended 31 December 2013

| | Notes | 2013 \$ | 2012 \$ |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 3,619,289 | 1,613,023 |
| Payments to suppliers and employees | | (3,381,586) | (2,363,494) |
| Receipt of grants | 7 | 264,995 | 281,589 |
| Interest received | | 4,219 | 1,570 |
| Borrowing costs | | (26,436) | (2,528) |
| Net cash flows from /(used in) operating activities | | 480,481 | (469,840) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (67,414) | (85,102) |
| Net cash flows used in investing activities | | (67,414) | (85,102) |
| Cash flows from financing activities | | | |
| Proceeds from issues of ordinary shares and other equity securities | | 599,129 | 664,430 |
| Proceeds from borrowings | 5 | 450,000 | 125,000 |
| Repayment of borrowings | 5 | (450,000) | (147,240) |
| Payment of sale and leaseback | 5 | (200,000) | - |
| Interest paid | | (15,015) | (3,144) |
| Net cash flows from financing activities | | 384,114 | 639,046 |
| Net (decrease)/increase in cash and cash equivalents | | 797,181 | 84,104 |
| Cash and cash equivalents at beginning of period | | 450,911 | 206,704 |
| Cash and cash equivalents at end of period | 5 | 1,248,092 | 290,808 |





Statement of Changes in Equity

For the half-year ended 31 December 2012

| | Attributable to equity holders | | | | Total equity \$ |
|---|--------------------------------|----------------------------------|--|-----------------------------|--------------------|
| | Issued Capital \$ | Other Equity Securities \$ | Equity-based payments reserve \$ | Accumulated losses \$ | |
| At 1 July 2012 | 18,523,681 | 73,067 | 514,228 | (17,992,711) | 1,118,265 |
| Loss for the half-year | - | - | - | (513,453) | (513,453) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | (513,453) | (513,453) |
| Issues of ordinary shares during the half-year: | | | | | |
| Issue of share capital | 743,723 | - | - | - | 743,723 |
| Transaction costs | (51,533) | - | - | - | (51,533) |
| At 31 December 2012 | 19,215,871 | 73,067 | 514,228 | (18,506,164) | 1,297,002 |

For the half-year ended 31 December 2013

| | Attributable to equity holders | | | | Total equity \$ |
|---|--------------------------------|----------------------------------|--|-----------------------------|--------------------|
| | Issued Capital \$ | Other Equity Securities \$ | Equity-based payments reserve \$ | Accumulated losses \$ | |
| At 1 July 2013 | 19,325,728 | - | 514,228 | (18,765,644) | 1,074,312 |
| Loss for the half-year | - | - | - | (609,401) | (609,401) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | (609,401) | (609,401) |
| Issues of ordinary shares during the half-year: | | | | | |
| Issue of share capital | 679,296 | - | - | - | 679,296 |
| Transaction costs | (56,167) | - | - | - | (56,167) |
| At 31 December 2013 | 19,948,857 | - | 514,228 | (19,375,045) | 1,088,040 |



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 2013 was authorised for issue in accordance with a resolution of the directors on 27 February 2014.

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

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company has incurred a loss of \$609,401 for the half-year ended 31 December 2013 (full year ended 30 June 2013: loss of \$772,993 and half-year ended 31 December 2012: loss of \$513,453). Accumulated losses to 31 December 2013 total \$19,375,047 (accumulated losses to 30 June 2013: \$18,765,644). The balance of cash and cash equivalents was \$1,248,092 as at 31 December 2013 (as at 30 June 2013: \$450,911 and as at 31 December 2012: \$290,808).

The ability of the Company to continue as a going concern is dependent on:

- (i) the ability to meet projected revenue levels;
- (ii) timing of cash receipts; and
- (iii) retention of overheads at budgeted levels.

The Directors have reviewed the Company's financial position and the next 12 months cash flow forecasts, supported by strong sales deposits held in current deferred income, show that the Company will be able to meet its debts as and when they fall due and payable and are, therefore, of the opinion that the use of the going concern basis of accounting is appropriate. This is based on the belief that the Company will meet its projected revenue levels. The Directors also believe that, based on current expenditure trends, the Company will be able to retain overheads at budgeted levels.

Should the Company not achieve the matters set out above, there is 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 half year financial report. The half year financial report does not include any adjustments to assets and liabilities that may be necessary if the Company is unable to 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 2013 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 2013 and considered together with any public announcements made by XTEK Ltd during the half-year ended 31 December 2013 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.

3 Revenue, Income and Expenses

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

| | 2013 | 2012 |
|---|------------------|------------------|
| | \$ | \$ |
| (i) Revenue | | |
| Sale of goods | 834,834 | 842,035 |
| Revenue from repairs and sales of parts | 290,409 | 750,923 |
| Revenue from services | 29,930 | 14,849 |
| | <u>1,155,173</u> | <u>1,607,807</u> |
| (ii) Other Income | | |
| Interest | 4,219 | 1,570 |
| Property and Storage rental | 1,795 | 48,564 |
| US Defense Dept (FCT) funding | 339,360 | - |
| R&D tax incentive (refer Note 9) | 27,519 | 191,747 |
| Other grants | 11,906 | 4,477 |
| Other | 1,355 | 5,092 |
| | <u>386,154</u> | <u>251,450</u> |
| (iii) Employee Benefits Expense | | |
| Salaries and Wages | 689,568 | 713,067 |
| Superannuation | 78,407 | 70,988 |
| Payroll Tax | 18,723 | 13,611 |
| Redundancy payments | - | 11,638 |
| Workers Compensation | 10,462 | 11,924 |
| | <u>797,160</u> | <u>821,228</u> |
| (iv) Depreciation | | |
| Plant and Equipment | 9,941 | 7,977 |
| Motor Vehicles | 665 | 818 |
| Office Furniture and Equipment | 7,826 | 9,544 |
| Demonstration Equipment | 22,543 | 8,199 |
| Property Improvements | 4,157 | 4,778 |
| Computer Software | 8,458 | 8,458 |
| XTclave | 23,674 | 15,696 |
| | <u>77,264</u> | <u>55,470</u> |

| | 2013 | 2012 |
|------------------------------------|-------------|-------------|
| | \$ | \$ |
| (v) Operational Expenditure | | |
| Directors fees | 61,290 | 30,000 |
| FBT | 5,895 | 13,160 |
| Consultancy fees | 32,527 | 43,655 |
| Accounting and audit fees | 31,212 | 37,326 |
| Advertising and conferences | 27,789 | 100,263 |
| Travel and related costs | 52,649 | 46,266 |
| Share registry fees | 16,520 | 16,737 |
| Insurance | 52,675 | 55,856 |
| Lease charges | 27,120 | 41,964 |
| Office administrative costs | 218,935 | 214,867 |
| Workshop/project materials | 14,276 | 11,743 |
| Foreign exchange losses | 13,132 | 569 |
| Other expenses | 29,283 | 52,942 |
| | 583,303 | 665,348 |
| (iv) Finance Costs | | |
| Interest expense | 17,551 | 5,672 |
| Borrowing Costs | 23,900 | - |
| | 41,451 | 5,672 |

4 Operating Segments

For the half-year ended 31 December 2013, 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 51% of external revenue (2012: 30%). The most significant client accounts for 27% (2012: 37%) and this revenue relates to the provision of products and services for the Australian Defence Force.

Approximately 61% (2012: 93%) of external revenue was from clients in Australia with 31% of the balance from clients in the United States of America (2012: 0%) and the final 8% (2012: 7%) 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 2013 | June 2013 |
|--------------------------|--------------------------|----------------------|
| | \$ | \$ |
| Cash at bank and in hand | 1,231,356 | 189,967 |
| Short term deposits | 16,737 | 16,737 |
| | 1,248,092 | 206,704 |

Net cash flows from financing activities

On 11 April 2013, a secured loan facility of \$300,000 was made available to the Company by a related party (UDB Pty Ltd) for a twelve month period with an interest rate of 12.5%. This loan facility is to fund any short term cash flow deficit and has been structured to allow for partial or full draw down by the Company during the term of the loan. In August 2013 \$250,000 of this loan was drawn upon and in September 2013 the balance of \$50,000 was drawn upon. The full amount drawn upon was repaid in November 2013, \$276,000 was repaid in cash and the remainder \$24,000 was offset from the capital raised.

On 26 September 2013, a short term unsecured loan of \$150,000 was provided to the company by a related party (Mr. Lawrence Gardiner) 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 2013.

In financial year 2012, the Company entered into a contractual arrangement that is in the legal form of a sale and operating leaseback arrangement with a related party (UDB Pty Ltd) associated with a Remote Positioning Vehicle. However, the substance of the arrangement and the relationship between the parties meant that revenue from the transaction was not recognised, but rather deferred within other current liabilities, to the amount of \$200,000. During the half-year the Remote Positioning Vehicle was purchased by the Company from UDB Pty Ltd and the liability has been extinguished.

6 Dividends Paid and Proposed

No dividends have been declared or proposed in the half-year to 31 December 2013 or in the corresponding period in FY12.

7 Government Grants

During the half-year, \$264,995 of funds were received for government grants. Of these funds \$253,089 were from AusIndustry's R&D Tax Incentive Regime which related to financial year 2013. In financial year 2013 income of \$212,424 was recognised for these funds. Of the balance received \$23,067 was recognised as income during the half-year 31 December 2013 and \$17,598 has been recognised as deferred income consistent with the accounting policies of the Company. There were no unfulfilled conditions or contingencies attached to this grant at the reporting date.



8 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 2013 and no options or share performance rights were exercised in this period.

Expired Options

There were no options expired at 31 December 2013.

9 Contributed Equity

9a Share Capital

| Movement in ordinary share capital on issue | No of shares | \$ |
|---|--------------------|-------------------|
| At 1 July 2013 | 176,112,537 | 19,325,728 |
| Ordinary shares issued | 25,159,115 | 679,296 |
| Transaction costs on share issue | - | (56,167) |
| | <u>201,271,652</u> | <u>19,948,857</u> |

Ordinary Shares

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

10 Related Party Disclosures

On 11 April 2013, a secured loan facility of \$300,000 was made available to the Company by a related party (UDB Pty Ltd) for a twelve month period with an interest rate of 12.5%. This loan facility is to fund any short term cash flow deficit and has been structured to allow for partial or full draw down by the Company during the term of the loan. There was an establishment fee for this loan of \$23,900 which was recognised as an expense during the half-year. In August 2013 \$250,000 of this loan was drawn upon and in September 2013 the balance of \$50,000 was drawn upon. The full amount drawn upon was repaid in November 2013, \$276,000 was repaid in cash and the remainder \$24,000 was offset from the capital raised.

On 26 September 2013, a short term unsecured loan of \$150,000 was provided to the company by a related party (Mr. Lawrence Gardiner) 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 2013.

In financial year 2012, the Company entered into a contractual arrangement that is in the legal form of a sale and operating leaseback arrangement with a related party (UDB Pty Ltd) associated with a Remote Positioning Vehicle. However, the substance of the arrangement and the relationship between the parties meant that revenue from the transaction was not recognised, but rather deferred within other current liabilities, to the amount of \$200,000. During the half-year the Remote Positioning Vehicle was purchased by the Company from UDB Pty Ltd and the liability has been extinguished.

In December 2013 travel costs of \$2,091 were reimbursed to Kord Defence for overseas travel incurred by Uwe Boettcher.

11 Contingent Liabilities

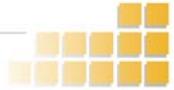
There are no contingent liabilities as at 31 December 2013.

No changes have been reported in contingent liabilities since the last annual reporting date of 30 June 2013.

12 Events After the Reporting Period

There have been no significant events occurring after 31 December 2013.





Directors' Declaration

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

In the opinion of the directors:

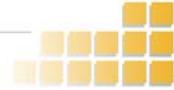
- (a) the financial statements and notes of XTEK Ltd are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the entity; and
 - ii. complying with Accounting 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
27 February 201





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Independent Auditor's Review Report to the members of XTEK LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of XTEK LTD, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

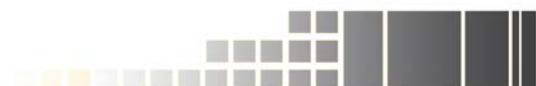
Auditor's Responsibility

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 2013 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 LTD, 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of XTEK LTD, would be in the same terms if given to the directors as at the time of this auditor's report.





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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 LTD 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 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

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 matter described in Note 2.a.: "Going Concern Basis of Accounting" to the financial statements there is 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 amount and classification of liabilities that might be necessary should the company not continue as a going concern.

Hardwickes

Hardwickes
Chartered Accountants



Robert Johnson
Partner

Canberra, Australian Capital Territory
27 February 2014

