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

31 August 2011

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF 2011 PRELIMINARY FINAL REPORT (APPENDIX 4E)

In accordance with the Listing Rules, please find attached the Preliminary Final Report (Appendix 4E) for XTEK Limited (XTE) for the financial year ended 30 June 2010.

Should you require any further information in respect to this matter please contact the Chairman, Mr Uwe Boettcher at Uwe.Boettcher@xtek.net or 02 6232 0601 in the first instance.

Yours sincerely,

Lawrence A. Gardiner
Company Secretary

Attachment: Appendix 4E – 2011 Preliminary Final Report for XTEK Limited.

Appendix 4E
<u>Preliminary Final Report</u>

Name of Entity

XTEK Limited

Australian Business Number	Financial year ended (current period)
90 103 629 107	**30 June 2011**

Results for announcement to the market

$A'000

Total Revenue	down	21%	to	$6,551
(Loss) after tax	down	46%	to	($802)
(Loss) for the period attributable to members	down	46%	To	($802)

Dividends	**Amount per security**	**Franked amount per security**
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend.		Not applicable.

Loss per share attributable to the ordinary equity holders of the company	2011 $	2010 $
(a) Basic loss per share	(0.007)	(0.017)
(b) Diluted loss per share	(0.007)	(0.017)

Net Tangible Asset Backing	2011 $	2010 $
	0.01	0.02

Appendix 4E
Preliminary Final Report – 30 June 2011

Comments by Directors

As forecast XTEK recorded a net profit of $3k for the half ending 30 June 2011. This is a significant turnaround from the loss of $805k for the first half of the financial year.

Discretionary expenditure by Defence and Law Enforcement Agencies is constrained in the current economic environment and XTEK sales have consequently been affected.

Even though gross sales are down, gross margins remained in line with the prior year and operational expenditure has decreased significantly.

Past losses led to a strategic review of XTEK's operations. The Company's restructuring of operations over the past 12 months, has transformed it into a lean, effective and dynamic business able to survive tough economic times. Specific initiatives undertaken include:

- enhancing the use of IT systems to track performance and identify potential vulnerabilities;
- developing a more robust and output focused organisational structure;
- obtaining new agency lines and products to allow XTEK to offer the best products to our customers; and
- promoting internally developed product lines to emerging and future markets.

These changes have not only put XTEK in a stronger position to succeed within the contemporary market environment but are expected to reduce recurring operational expenditure by the order of $1.3m p.a. and allow the Company to focus on initiatives that will reaffirm XTEK as the leading company in the Australian Homeland Security Market.

XTEK Business Analysis
Details of the agency sales of equipment and services are included in the business analysis table below

	1st Half Dec 10 $'000	1st Half Dec 09 $'000	%	2nd Half Jun 11 $'000	2nd Half Jun 10 $'000	%	Full Year Jun 11 $'000	Full Year Jun 10 $'000	%
Agency Sales									
EOD/IEDD General	406	1,141	(64%)	1,283	1,051	22%	1,689	2,192	(23%)
EOD Robots	-	1,486	(100%)	-	-	-	-	1,486	(100%)
High Risk Response	154	179	(14%)	149	414	(64%)	303	593	(49%)
Forensics	477	372	28%	1,166	595	96%	1,643	967	70%
Weapons and Ammunition	625	773	(19%)	928	575	61%	1,553	1,348	15%
Logistics Engineering Revenue	622	634	(2%)	389	672	(42%)	1,011	1,306	(23%)
Other Product/Service sales	145	-	-	59	110	(46%)	204	110	85%
Environmental products	-	-	-	-	136	(100%)	-	136	(100%)
Total Sales	**2,429**	**4,585**	**(47%)**	**3,974**	**3,553**	**12%**	**6,403**	**8,138**	**(21%)**
Gross Profit	**987**	**1,966**	**(50%)**	**1,535**	**1,204**	**27%**	**2,522**	**3,170**	**(20%)**
Gross Profit %	**41%**	**43%**		**39%**	**34%**		**39%**	**39%**	
Other Income	101	76	33%	47	68	(32%)	148	144	2%
Agency Expenses	(1,916)	(2,392)	(20%)	(1,570)	(2,275)	(31%)	(3,486)	(4,667)	(25%)
Agency (loss)/profit before tax and restructure costs	**(828)**	**(350)**		**12**	**(1,003)**		**(816)**	**(1,353)**	
Restructure costs	23	30		(9)	(149)		14	(119)	
(Loss)/Profit before Tax	**(805)**	**(320)**		**3**	**(1,152)**		**(802)**	**(1,472)**	
Income Tax									
Total (Loss)/Profit after Tax	**(805)**	**(320)**		**3**	**(1,152)**		**(802)**	**(1,472)**	

Agency Profit before tax

The agency loss before tax was $0.816m compared with a loss of $1.353m in 2010.

Commercialisation of Intellectual Property

The Company has successfully commercialised the ballistic armour manufacturing (Hydroclave) system. This novel process provides significant advantages over traditional ballistic armour manufacturing procedures. Benefits include: faster processing times, leading to lower production costs; equivalent ballistic protection at lower weights; and the ability to shape armour to meet specific military and law enforcement requirements. This technology has attracted considerable interest from armour manufacturers and Government agencies around the world.

The Company intends to capitalize on this interest by securing partnering and licensing agreements. Recently the Company signed a term sheet to enter into a joint venture agreement with a regional armour manufacturer. The joint venture involves the purchase of a commercial-size Hydroclave system and the payment of licence fees for a period of up to 9 years.

XTEK has spent many years developing the Hydroclave. A demonstration vessel was completed and approved for commercial production by government agencies in January 2011. That demonstration vessel has been used to make samples for a number of companies. The samples have been tested by potential customers and as far as XTEK is aware, has met and in many cases exceeded, expectations. On the basis of those successful tests, a much larger commercial vessel is currently being built. It should be completed in H1 FY11/12 and will form the basis for the joint venture with a regional manufacturer.

There is interest from other customers in either acquiring and/or jointly developing markets for the commercial Hydroclave. We are finally moving from expenditure on Hydroclave research and development to the marketing of a commercial product.

In addition to the Hydroclave, the Company has successfully developed and manufactured a range of custom made weapon ancillary products for Defence and other government agencies. Sales of these specialised products, which have been designed and manufactured in Adelaide, could be expected in FY11/12 if accepted into service by various government agencies.

Environmental Initiatives

The Company has continued to refine and complete engineering upgrades to its locally assembled sustainability products (Active ES) and these have now been optimised for the Australian market. This ongoing development, when coupled with successful external testing and evaluation, has resulted in acceptance by a leading Australian distributor. These unique products provide a solution for reducing the energy consumed for light fittings that utilise ballast and igniters such as fluorescent and HID lamps. The Company is currently developing an Active ES trial plan with Defence.

Significant changes in the state of affairs

(a) On 23 August 2010, Mr. Craig Higgins resigned as a non-executive director of the Company.

(b) On 25 August 2010, Mr. Robert Sykes was appointed as an Executive Director to the Board of Directors.

(c) On 1 September 2010, the company completed a rights issue of 20,195,287 new ordinary shares at a value of $0.026 per security to investors. The funds raised ($525k) by the rights issue process were used to support operational business improvements and to supplement working capital for the Company.

(d) On 2 December 2010, the sudden and unexpected death of Mr. Robert Sykes occurred.

(e) On 3 December 2010, Mr. Lawrence Gardiner was appointed as an Executive Director to the Board of Directors.

(f) On 17 January 2011, the South Australian Government granted approval for the operation of the Hydroclave for commercial production.

(g) On 4 February 2011, Mr. Brian Malcolm was appointed as Chief Executive Officer of the Company.

(h) On 21 April 2011, a new Sub Lease Agreement was signed with Yallourn Management providing for a lease back of storage and accommodation space within the Fyshwick property. This arrangement provides for a significant reduction ($100k) in annual rent payments by the Company.

(i) On 29 June 2011, a Letter of Confirmation for the supply of Active ES environmental lighting products was received from All Round Supplies Pty Ltd.

(j) On 30 June 2011, the Term Sheet Agreement for the sale and licence of a Hydroclave System was finalised and signed between the Company and a regional armour manufacturer.

Matters subsequent to the end of the financial year

(a) On 1 July 2011, Mr Adrien Baldwin was selected and appointed to the key position of Head of Sales and Marketing for the Company.

(b) On 27 July 2011, the final test and evaluation report was received from Haron Robson concerning the successful technical performance of the modified Active ES environmental lighting products.

(c) On 28 July 2011, an unsecured loan of $50,000 was provided to the Company by a related party (Integrated Solutions Consultancy Group Pty Ltd) for a period of 3 months to fund a short term cash flow deficit. There are no covenants associated with this loan and repayment is scheduled for October 2011.

Likely future developments

The Company is focussed on continuing to build on its profitable trading in FY11/12. CEO, Mr Brian Malcolm has implemented an aggressive strategy to introduce new and innovative products and services as part of the Company's core agency business. This strategy will be applied in a priority manner for the key sales portfolios of: Unmanned Aerial Vehicles (UAV); XTEK Intellectual Property; Explosive Ordnance Disposal (EOD); and technical training throughout FY 2012.

Unmanned Aerial Vehicles (UAV)
The Company has recently renewed its agreement to exclusively represent AeroVironment in Australia and New Zealand. AeroVironment is a world leader in the design and manufacture of UAV and their products are used extensively by the US Military and an increasing number of their allied partners across the world. The Company aims to develop this partnership with AeroVironment in order to contend for a number of projects including the Australian Defence Force JP129 Phase 4 tender. It is believed that this strong relationship with AeroVironment will put the Company in a prime position to become the supplier of choice for small and medium UAV across Australia and New Zealand.

Hydroclave Technology
The Company believes that its novel Hydroclave Technology has significant potential beyond the manufacture of ballistic armour systems and is currently investigating opportunities to diversify into further technical fields. The ability of Hydroclave Technology to consistently produce advanced technical composites, such as precision, void-free, structural carbon-fibre reinforced laminates, capable of withstanding extreme thermal loading is significant and it is believed that this could have considerable utility in arenas such as the aerospace and aviation industries, in which small numbers of high-value products are routinely manufactured to exacting standards.

XTEK Designed Precision Weapon Ancillaries
The Company has continued to develop a range of precision weapon ancillaries, including a suppressor, folding stock and sight mount for the Blaser Tactical 2 Sniper Rifle, which is currently in service with the Australian Defence Force and a number of Australian Law Enforcement Agencies. These ancillaries have already garnered significant interest and the XTEK suppressor is currently undergoing trials with the Australian Defence Force. It is planned to further develop this range of ancillaries for the international market and to capitalize on the Company's ability to design and develop bespoke security solutions.

Explosive Ordnance Disposal (EOD) Equipment
The Company has recently entered into new business relationships with a range of EOD equipment manufacturers and suppliers across the world in order to reinvigorate its current EOD portfolio. This will enable the Company to provide its customers with sought after, high quality products at competitive prices, leading to increased market share. It is believed that the development of the EOD portfolio will put the Company in a strong position to bid for a number of forthcoming Defence and Law Enforcement Agency tenders.

Specialist Training
As a Registered Training Organization, XTEK has considerable experience in the development and delivery of training to a range of Government clients. This extends from the provision of classroom-based, general security training, to on-site, highly specialist technical training. Having recently secured agreements to locally represent a number of specialist overseas training organizations, the Company believes that the development of its training arm has significant market potential that could result in sustained revenue over the coming years.

Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	**2011** **$**	2010 $
Revenue from operations	2	**6,402,950**	8,137,872
Other income	3	**148,495**	144,342
Changes in inventories of finished goods and work in progress		**(3,881,072)**	(4,967,541)
Employee benefits expense	4	**(1,720,977)**	(2,531,439)
Depreciation	4	**(128,842)**	(184,580)
Operational expenditure	4	**(1,603,491)**	(1,947,393)
Additional expenditure / income	4	**8,726**	(119,296)
Finance costs	4	**(27,942)**	(3,676)
(Loss) from operations before income tax		**(802,153)**	(1,471,711)
Income tax expense		**-**	-
(Loss) from operations after tax		**(802,153)**	(1,471,711)
(Loss) after tax attributable to members		**(802,153)**	(1,471,711)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD		**(802,153)**	(1,471,711)
Earnings per share for (loss) for the year attributable to the ordinary equity holders of the company:			
Basic loss per share	6	**(0.007)**	(0.017)
Diluted loss per share	6	**(0.007)**	(0.017)

Appendix 4E
Preliminary Final Report – 30 June 2011

Statement of Financial Position as at 30 June 2011

	Notes	2011 $	2010 $
ASSETS			
Current assets			
Cash and cash equivalents		**295,312**	683,063
Trade and other receivables		**770,573**	500,501
Inventories		**1,269,214**	1,199,188
Other		**206,389**	187,797
Total current assets		**2,541,488**	2,570,549
Non-current assets			
Property, plant and equipment	7	**667,846**	372,068
Total non-current assets		**667,846**	372,068
Total assets		**3,209,334**	2,942,617
LIABILITIES			
Current liabilities			
Trade and other payables		**1,013,498**	528,148
Interest bearing liabilities	9	**200,000**	-
Provisions		**95,314**	200,066
Deferred income		**162,537**	104,766
Other		**200,372**	267,080
Total current liabilities		**1,671,721**	1,100,060
Non-current liabilities			
Provisions		**28,819**	14,206
Total non-current liabilities		**28,819**	14,206
Total liabilities		**1,700,540**	1,114,266
Net assets		**1,508,794**	1,828,351
EQUITY			
Contributed equity	10	**17,899,907**	17,417,311
Reserves		**514,228**	514,228
Accumulated losses		**(16,905,341)**	(16,103,188)
Total equity		**1,508,794**	1,828,351

Statement of Cash Flows for the year ended 30 June 2011

	Notes	**2011 $**	2010 $
Cash flows used in operating activities			
Receipts from customers		**6,900,687**	10,399,231
Payments to suppliers and employees		**(7,523,636)**	(11,428,194)
		(622,949)	(1,028,963)
Interest received		**3,751**	22,146
Borrowing costs		**(27,942)**	(3,676)
Net cash flows used in operating activities	5	**(647,140)**	(1,010,493)
Cash flows (used in) investing activities			
Payments for property, plant and equipment		**(427,903)**	(81,714)
Proceeds from sale of property, plant and equipment classified as held for sale		**-**	13,818
Proceeds from sale of property, plant and equipment		**4,696**	54,714
Net cash outflow (used in) investing activities		**(423,207)**	(13,182)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**525,077**	389,415
Payment of transaction costs associated with the issue of share capital		**(42,481)**	(2,730)
Proceeds from short term loan	9	**200,000**	-
Payment of finance lease		**-**	(18,760)
Net cash inflow from financing activities		**682,596**	367,925
Net (decrease) in cash and cash equivalents		**(387,751)**	(655,750)
Cash and cash equivalents at the beginning of the financial year		**683,063**	1,338,813
Cash and cash equivalents at end of year		**295,312**	683,063

Appendix 4E
Preliminary Final Report – 30 June 2011

Statement of Changes in Equity

For the year ended 30 June 2011

	Issued Capital (Note 9) $	Other Equity Securities (Note 9) $	Equity-based payments reserve $	Accumulated losses $	Total equity $
At 1 July 2009	16,957,559	73,067	488,344	(14,631,477)	2,887,493
Loss for the year	-	-	-	(1,471,711)	(1,471,711)
Total income and expense for the period	-	-	-	(1,471,711)	(1,471,711)
Issues of ordinary shares during the year:					
Issue of share capital	389,415	-	-	-	389,415
Transaction costs associated with issue of share capital	(2,730)	-	-	-	(2,730)
Cost of share based-payments	-	-	25,884	-	25,884
At 30 June 2010	17,344,244	73,067	514,228	(16,103,188)	1,828,351
At 1 July 2010	17,344,244	73,067	514,228	(16,103,188)	1,828,351
Loss for the year	-	-	-	(802,153)	(802,153)
Total income and expense for the period	-	-	-	(802,153)	(802,153)
Issues of ordinary shares during the year:					
Issue of share capital	525,077	-	-	-	525,077
Transaction costs associated with issue of share capital	(42,481)	-	-	-	(42,481)
At 30 June 2011	17,826,840	73,067	514,228	(16,905,341)	1,508,794

Appendix 4E
Preliminary Final Report – 30 June 2011
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the preliminary final report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The preliminary final report includes the financial statements for XTEK Limited as an individual entity.

(a) Corporate Information

The preliminary final report of XTEK Limited for the year ending 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 31 August 2011.

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

(b) Going Concern Basis of Accounting

The preliminary final report has been prepared on the going concern basis. The company has made a loss of $802,153 for the year ended 30 June 2011 (year ended 30 June 2010: loss of $1,471,711). Accumulated losses to 30 June 2011 total $16,905,341 (accumulated losses to 30 June 2010: $16,103,188). The balance of cash and cash equivalents was $295,312 as at 30 June 2011 (as at 30 June 2010: $683,063). The ability of the company to continue as a going concern is dependant 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. These 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 repayment of related party loans when the company is financially able to do so; one of which was received during the financial year (note 8) and the other one received subsequent to balance date as disclosed in note 12.

The directors also acknowledge no committed finance facility is presently in place to fund any unforseen 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 these projected revenue and cash flow timing assumptions and retain overheads to budget levels. On this basis the directors believe the adoption of the going concern basis of accounting is justified.

However, should this position change the company may not be able to pay its debts as and when they fall due and may be required to raise 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 final 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.

(c) New Accounting Standards and Interpretations

Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following additional accounting policy:

Derivative Financial Instruments

The Company uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Changes in fair value are recognised immediately in profit or loss in income or expenses. Forward currency contracts are recognised as an asset when their value is positive and as a liability when their value is negative.

Adoption of new Australian Accounting Standard requirements

Australian Accounting Standards and Interpretations issued or amended that are applicable to the current reporting period did not have a financial impact in the financial statements or performance of the Company, and are not expected to have a future financial impact on the Company.

Appendix 4E
Preliminary Final Report – 30 June 2011
Notes to the Financial Statements

Future Australian Accounting Standard requirements

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2011. It is anticipated that the new requirements will have no material financial impact on future reporting periods.

(d) Significant accounting judgment, estimates and assumptions

No accounting judgements, estimates or assumptions have been made that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next annual reporting period.

(e) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Australian dollars, which is XTEK Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(f) Property, plant and equipment

(i) Cost and Valuation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

(ii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Major depreciation periods are:
- plant and equipment 3 -15 years

(iii) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. XTEK Limited does not currently hold any qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

Appendix 4E
Preliminary Final Report – 30 June 2011
Notes to the Financial Statements

(h) Intangible Assets

(i) Research and development

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable. Where recognition criteria are not met development costs are recognised in the statement of comprehensive income as incurred.

Gains or losses from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

(i) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost on a first-in, first-out basis; and
- Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Trade receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable amounts. Receivables are non-interest bearing and are generally on 30 day terms, unless otherwise agreed with the customer. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the company will not be able to collect the debt.

Receivables from related parties are recognised and carried at amortised cost, with interest recognised using the effective interest rate method.

(l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and equivalents as defined above, net of outstanding bank overdrafts.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time, is recognised as a finance cost.

(n) Share-based payment transactions

Equity-settled transactions

The Company provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

(i) the XTEK Long Term Incentive Performance Rights Plan (LTIPRP), this replaced the Senior Executive Share Ownership Plan (SESOP); and

(ii) the Employee Share Ownership Plan (ESOP), which provides benefits to all employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to either the Black Scholes valuation or by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of XTEK Limited ('market conditions') if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award, (ii) the current best estimate of the awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is also a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as an additional share dilution in the computation of diluted earnings per share.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of Services

Revenue is recognised by reference to the stage of completion of a contract.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Deferred Income

Deferred income consists of customer deposits received. Deferred income is not recognised as revenue until such time when the ownership of the goods is transferred to the customer.

(p) Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at all tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(q) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements,

are charged against surpluses on a net basis in their respective categories.

The contributions made to superannuation funds are charged to the statement of comprehensive income.

(i) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(r) Earnings per share

(i) Basic earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(ii) Diluted earnings per share

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary charges in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Dividends

No dividends were declared on or before or subsequent to the end of the financial year.

(w) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) Loans and receivable

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

<u>Impairment of Loans</u>

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or though use of an allowance account. The amount of the loss is recognised in profit or loss.

Appendix 4E
Preliminary Final Report – 30 June 2011
Notes to the Financial Statements

(y) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive statement over the expected useful life of the relevant asset by equal annual instalments.

(z) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Company as a lessor

Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Income from leases relates only to property which is sub-let by the Company.

2. Revenue

	2011	2010
From operations	**$**	$
Sales revenue		
Sale of goods	**5,010,191**	6,738,337
Revenue from repairs	**970,374**	1,243,300
Revenue from services	**422,385**	156,235
	6,402,950	8,137,872

3. Other income

	2011	2010
	$	$
Rental Income	**110,132**	98,189
Interest	**3,751**	22,146
Other	**33,197**	24,007
Profit on sale of property, plant and equipment	**1,415**	-
	148,495	144,342

Appendix 4E
Preliminary Final Report – 30 June 2011
Notes to the Financial Statements

4. Expenses

	2011 $	2010 $
Loss before income tax includes the following specific expenses:		
Employee Benefits		
Salaries and Wages	**1,461,095**	2,126,951
Superannuation	**158,347**	200,459
Redundancy payments	**23,471**	62,208
Payroll Tax	**54,379**	86,190
Share Based Payments	**-**	25,884
Workers Compensation	**23,685**	29,747
Total Employee Benefits	**1,720,977**	2,531,439
Depreciation		
Plant and Equipment	**32,361**	20,555
Motor Vehicles	**6,252**	11,874
Office Furniture and Equipment	**24,521**	37,940
Computer Software	**7,543**	-
Demonstration Equipment	**48,093**	78,948
Leasehold Property Improvements	**10,072**	11,969
Rental Equipment	**-**	23,294
Total Depreciation	**128,842**	184,580
Operational Expenditure		
Accounting Fees	**17,162**	26,033
Audit Fees	**70,000**	72,664
Advertising and Conferences	**174,659**	193,757
Bank Charges	**7,810**	5,615
Consultancy Fees	**81,491**	51,171
Director Fees	**104,055**	156,052
Insurance	**143,808**	140,893
FBT	**32,833**	64,746
Legal Fees	**12,199**	6,052
Office Administrative Costs	**570,438**	632,696
Operating Lease Charges	**79,504**	115,614
Share Registry Fees	**37,416**	33,430
Travel and Entertainment	**134,851**	267,688
Staff Training	**9,218**	10,129
Net foreign currency losses	**10,529**	26,545
Other expenses	**117,518**	144,308
Total Operational Expenditure	**1,603,491**	1,947,393
Additional Expenses		
Restructure costs (written back)/expensed	**(8,726)**	119,296
Total Additional Expenses	**(8,726)**	119,296
Finance costs		
Interest and finance charges	**27,942**	3,376
Total Finance Costs	**27,942**	3,376

Appendix 4E
Preliminary Final Report – 30 June 2011
Notes to the Financial Statements

5. Reconciliation of (losses) after income tax to net cash flows (used in) operating activities

	2011 $	2010 $
(Loss) for the year	**(802,153)**	(1,471,711)
Adjustments for:		
Depreciation	**128,842**	184,580
Net (profit) on disposal of property, plant and equipment	**(1,415)**	(14,775)
Share based payment expense	**-**	25,884
Changes in assets and liabilities		
Decrease/(increase) in Trade debtors	**(270,072)**	1,256,080
Decrease/(increase) in Inventory	**(70,026)**	326,585
(Increase)/decrease in Prepayments and Other Assets	**(18,590)**	(78,805)
(Decrease)/increase in Trade and other payables	**485,350**	(904,326)
(Decrease)/increase in Unearned Income	**57,771**	(294,467)
(Decrease) in Provisions	**(90,139)**	(25,430)
(Decrease) in Accrued liabilities	**(66,708)**	(14,108)
Net cash flow used from operating activities	**(647,140)**	(1,010,493)

6. Earnings per share

	2011 $	2010 $
(a) Basic loss per share		
(Loss) attributable to the ordinary equity holders of the company	**(0.007)**	(0.017)
(b) Diluted loss per share		
(Loss) attributable to the ordinary equity holders of the company	**(0.007)**	(0.017)

	2011 Number	2010 Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**110,052,699**	85,106,458
Adjustments for calculation of diluted earnings per share: Options and share performance rights	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**110,052,699**	85,106,458

(i) Options and share performance rights

Options and share performance rights granted to employees and directors that are considered to be potential ordinary shares have been included in the determination of diluted earnings per share to the extent to which they are dilutive. As at reporting date, the options and share performance rights have not been included in the determination of basic earnings per share.

Appendix 4E
Preliminary Final Report – 30 June 2011
Notes to the Financial Statements

7. Property, Plant and Equipment

During the full year ended 30 June 2011, the company acquired assets with a cost of $427,903 (2010: $81,714), which include $335,020 of work in progress associated with the construction of a commercial scale hydroclave vessel (2010: Nil for hydroclave vessel construction). An integrated Inventory Management and Accounting software package was also purchased and implemented during the year with a cost of $65,614.

8. Share Based Payments

(a) Expired Options and Share Performance Rights

There were no options or share performance rights exercisable at the end of the year or any prior year. As at 30 June 2011 there were no unissued shares.

(b) Weighted average share price

The weighted average market price at 30 June 2011 was 2.9 cents.

9. Interest Bearing Liabilities

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 are no covenants associated with this loan and repayment is scheduled to occur during financial year 2011-2012. The original expiry date of the loan has been extended by the lender.

10. Contributed Equity

(a) Share Capital

Movement in ordinary shares on issue	**No of shares**	**$**
At 1 July 2010	93,297,269	17,344,244
Issued on 1 September 2010	20,195,287	525,077
Transaction costs on share issue	-	(42,481)
At 30 June 2011	113,492,556	17,826,840

Ordinary Shares

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

(b) Other Equity Securities

Movement in other equity securities

	$
At 1 July 2010 and at 30 June 2011	73,067
Total Contributed Equity	**17,899,907**

11. Contingent Liabilities

There are no contingent liabilities at 30 June 2011

No changes have been reported in contingent liabilities since the last annual reporting date.

Appendix 4E
Preliminary Final Report – 30 June 2011
Notes to the Financial Statements

12. Events occurring after the balance sheet date

(a) On 1 July 2011, Mr Adrien Baldwin was selected and appointed to the key position of Head of Sales and Marketing for the Company.

(b) On 27 July 2011, the final test and evaluation report was received from the test agency of Haron Robson concerning the successful testing and evaluation of the Active ES environmental lighting products.

(c) On 28 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% for a period of 3 months to fund a short term cash flow deficit. There are no covenants associated with this loan and repayment is scheduled for October 2011.

Compliance

1. This report is based on accounts which are in the process of being audited.

2. The entity has a formally constituted audit committee.

Signed

Printed Name: Uwe Boettcher (Chairman)
Date: 31 August 2011