

Release to the Australian Securities Exchange

Update of Business Operations

Tuesday 8th January 2008. The Directors wish to provide shareholders of XTEK Limited (“the Company”), with an update of the current business operations and an indication of XTEK’s financial performance for the half year ending 31st December 2007.

The Company continues to see steady revenue from the sale of Explosive Ordnance Equipment with the ongoing delivery of Remote Firing Systems, Tool Kits and X-rays to both Defence and Law Enforcement customers. However we have experienced delays in procurement orders for larger systems such as Remote Ground Vehicles as customers consider the options available amongst the new generation of technology now available. Forensics sales remain robust and we anticipate a strong 2nd half in this sector after confirmation of a number of orders for laboratory equipment. Sales of Weapons and ancillaries have been encouraging in the 1st half, totalling over \$500,000 with a further growth in revenue expected in the 2nd half of the year. 1st half revenue from Logistics Engineering services has grown but will be lower than expected due to delays in long-term contracts from key customers such as the Department of Defence. However we are confident of a strong 2nd half and have received a number of orders for services to take us into next year.

XTEK has been very active during the 1st half continuing improvements in Integrated Logistics Support and Prime System Integrator capability. We have obtained new agencies in emerging and important technologies relevant to our market sectors including Rajant Portable Wireless Mesh Networks, ICx Nomadics Fido Explosive Detectors and Kappler Hazardous Material suits and expect strong growth in these areas.

XTEK previously announced our submission of a bid to obtain a contract for the delivery of Modular Combat Body Armour System for the Department of Defence. Following formal notification by Defence, the Company advises that XTEK was not successful in winning the tender but has been encouraged by the comments made during the debrief by the Land 125 Project Office. Subsequently, the Company believes it has the capability to compete for similar tenders in the future.

Revenue for the 1st half will be lower than our first half budget as a result of delayed procurement by a number of customers and slower than expected deliveries from suppliers. Factors that have impacted the 1st half include the Federal Election, continuing delays in DMO procurement due to operational commitments and the high global demand for products to meet the current operational threats overseas. In line with the reduced revenue we anticipate a net loss for the half year. However operating expenses are in line with expectations and there has been an improvement in the Gross Profit margin from agency sales.

Head Office 25 Yallourn Street, Fyshwick, ACT 2609 Australia Tel +61 (0) 2 6280 6321, Fax: +61 (0) 2 6280 6518
Website: www.xtek.net

Branch Offices

Sydney Office	5/7 Cunningham Street, Moorebank NSW 1875	Tel: +61 (0) 2 9821 4296 Fax: +61 (0) 2 9821 3953
Melbourne Office	Suite 1401, 1 Queens Road Melbourne VIC 3004	Tel: +61 (0) 3 9863 7170 Fax: +61 (0) 3 9863 7165
Adelaide Office	Unit 6, 183 Philip Highway, Elizabeth SA 5112	Tel: +61 (0) 8 8482 9990 Fax: +61 (0) 8 8252 1155

XTEK Ltd is the leading company in the Australian Homeland Security Market. XTEK's knowledge and expertise is focused on the delivery of leading solutions for defence forces, state and federal law enforcement agencies, corrections and customs services, and government clients. For more information visit the XTEK web site at www.xtek.net

For further information please contact:

Mr. David Jarvis
Chief Executive Officer
XTEK Limited
David.Jarvis@xtek.net
(02) 61635539

Mr. Lawrence Gardiner
Company Secretary
XTEK Limited
Laurie@xtek.net
(02) 6280 6321

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary

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