



XTEK LTD
ABN 90 103 629 107



Release to the Australian Securities Exchange

2008 Forecast and Restructuring of Operations

Tuesday 27th May 2008

2008 Forecast

XTEK Limited has experienced a significant reduction in actual and forecast revenue.

Revenue for 2008 is now forecast to be in the range of \$8m - \$9m (2007 was \$12.8m).

XTEK's principal market sectors are Defence and State based Government agencies. XTEK's sales to these markets are traditionally weighted towards the last quarter of the financial year. Orders that have been expected through continual dialogue with customers, have not materialised or have been deferred to 2009.

2009 first half sales are currently expected to approximate those of 2008 which were also at a lower level (\$3.3m).

XTEK's expected 2008 result before restructuring and impairment costs is forecast to be a loss in the range of \$2.7 to 2.9 million.

The Company will advise the restructuring costs and write downs as a result of discontinued operations as soon as this is available.

This result is disappointing given the cost reductions achieved over the past 12 months and forecast improvement in gross profit margins from 23% and 35% in FY06 and FY07 respectively to 39% in FY08. Delays in defence procurement programs and the inability of the company to deliver sales have resulted in a forecast reduction in revenue of 33% from FY07 to FY08.

Restructuring

XTEK has developed capability in Integrated Logistics and Through Life Support solutions together with Prime Systems Integration capability. The R&D facility has developed a unique ballistic armour and armour fabrication capability.

Market opportunities for all these strengths continue to be sought.

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A competitive tender with expected revenue of some \$18m over a two year period has recently been submitted which reflects this. The tender is expected to be awarded in August 2008.

XTEK will, however, now immediately act to reduce its cost base further to reflect the lower current and forecast revenue. The recent announcement within the Federal Government budget to discontinue the Commercial Ready Program and Capability Technology Demonstrator grant programs underline the difficulty in commercialising Australian intellectual property within Australian Defence Procurement Agencies.

The Adelaide R&D facility and Canberra Logistics Engineering facility will be closed and their operations, including engineering design and drawing functions, integrated into the Canberra Head Office site.

Other overhead and non customer support functions will also be reduced. Intended cost reductions from these initiatives are targeted at \$2.4 million on an annualised basis and are expected to be fully implemented and effective by 31st December 2008.

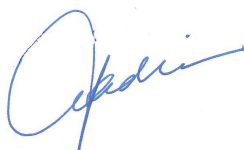
XTEK Ltd is the leading company in the Australian Homeland Security Market. XTEK's knowledge and expertise is focused on the delivery of leading solutions for defence forces, state and federal law enforcement agencies, corrections and customs services, and government clients. For more information visit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

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